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**Wealth Management &  
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# What is whole life insurance?

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# What is whole life insurance?

## Answer:

Whole life insurance is a type of permanent life insurance that offers a death benefit and will remain in force as long as premiums are paid. Your premium payments are a set, level amount that can't be increased. Whole life insurance is also referred to as "ordinary" or "straight" life insurance. In addition, dividends are typically paid on whole life contracts.

A portion of the premiums goes into a cash value account that accumulates on a tax-deferred basis as long as the policy is in force. You can borrow against the cash value, but unpaid policy loans and interest will be subtracted from your death benefit. You may also access your cash value by surrendering (canceling) the policy. However, access to cash values through borrowing or partial surrenders can reduce the policy's cash value and death benefit, increase the chance that the policy will lapse, and may result in a tax liability if the policy terminates before the death of the insured. Additional out-of-pocket payments may be needed if actual dividends or investment returns decrease, if you withdraw policy values, if you take out a loan, or if current charges increase. There may be surrender charges at the time of surrender or withdrawal and are taxable if you withdraw more than your basis in the policy.

**Note:** Any guarantees are contingent on the claims-paying ability and financial strength of the issuing company. The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased. Before implementing a strategy involving life insurance, it would be prudent to make sure that you are insurable.

Like other types of cash value insurance, whole life is more expensive than term insurance during the early years of your life. But since whole life premiums neither increase as you get older nor are affected as your health deteriorates, it's often a more cost-effective solution if you need insurance coverage to last for the rest of your life. Investment returns on whole life insurance are typically lower than other types of permanent insurance, because the insurance company invests the cash value in extremely conservative vehicles, such as bond funds.

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