

# Traditional Whole Life

*Permanent coverage with a fixed premium and a contractual cash value schedule. The one with the fewest moving parts, and generally the most expensive per dollar of death benefit.*

## WHAT IT IS

Whole life is permanent insurance. So long as the required premiums are paid, the coverage does not expire. The contract sets three things at issue and then holds them: the premium, the minimum death benefit, and a schedule of guaranteed cash value that builds inside the policy year by year.

That schedule is printed in the contract, which means you can read the guaranteed numbers before you buy rather than projecting them. It is worth doing.

## HOW IT WORKS

- 1 The premium is fixed at issue.**  
It does not rise as you age. That is the central promise of the design, and the reason the early premium is higher than term coverage of the same size.
- 2 Part of each premium builds guaranteed cash value.**  
The contract carries a table of values by policy year. Early years build slowly: guaranteed value in year one is commonly at or near zero, and it often takes well over a decade before cash value equals the premiums paid.
- 3 Participating policies may pay dividends. Dividends are not guaranteed.**  
Participating policies — issued by mutual companies and by some stock companies — share favourable results with policyholders. A dividend is declared annually at the insurer's discretion, and a long payment history commits the company to nothing.
- 4 Cash value is reached by loan, by partial surrender, or by ending the policy.**  
A loan accrues interest, and an unpaid balance reduces the death benefit. Traditional whole life usually has no stated surrender charge — early values are simply well below premiums paid. A policy that lapses with a large loan outstanding can create a taxable event.
- 5 Every guarantee rests on the insurer.**  
The contractual guarantees are backed by the claims-paying ability of the issuing company — which makes the carrier's financial strength part of what you are actually buying. Ask for the rating and the agency that issued it.

## THE TRADE-OFF

You are paying more per dollar of death benefit in exchange for certainty and permanence. The premium is higher — often substantially — than term coverage of the same size, and the money funding the cash value is money not doing something else. In return: coverage that does not expire, a price that does not move, and a value schedule you can read rather than project. Certainty is the product. Decide what it is worth before you decide whether the premium is high.

## WHAT THIS KIND OF COVERAGE IS USUALLY BROUGHT IN TO ANSWER

These are obligations without an end date, or obligations that must be met in cash on a day nobody chooses.

- What covers a commitment that has no expiry — a child with lifelong needs, a surviving spouse, a promise made to a family member?
- What creates liquidity at death so heirs are not forced to sell an illiquid asset — a business, land, a building — on a timetable the family did not choose?
- What funds a buy-sell agreement that has to hold for as long as the partners hold the business?
- What stays in force for a beneficiary who will need it decades from now, not this decade?
- What covers estate settlement costs so the estate is not the thing that has to be liquidated?

## WHAT TO ASK BEFORE YOU BUY

### 01 Show me the guaranteed column first.

Every illustration has two: guaranteed and non-guaranteed. Read the guaranteed one and decide whether you would accept the policy on those numbers alone. If not, you are buying the projection rather than the contract.

### 02 Is this policy participating — and what is the current dividend scale?

Then ask the second half of the question: what does the illustration look like if the scale is reduced?

### 03 How is the dividend applied?

Taken in cash, used to reduce premium, left to accumulate, or used to buy paid-up additions — an election that materially changes how the policy behaves over decades.

### 04 How far below my premiums paid will the cash value sit, and for how long?

Ask for the year the guaranteed cash value first equals cumulative premiums.

### 05 Is the premium payable for life, to a stated age, or for a set number of years?

“Whole life” does not automatically mean “pay forever.” Limited-pay designs exist and are priced differently.

### 06 What happens if I cannot pay a premium one year?

Ask about the grace period, automatic premium loan, reduced paid-up and extended term options — before you need them, not during the year you do.

## WORDS YOU WILL SEE

**Guaranteed cash value** — The contractual value schedule, stated by policy year.

**Participating policy** — One eligible to receive dividends, which are not guaranteed.

**Paid-up additions** — Small blocks of fully paid coverage bought with dividends or with extra premium.

**Policy loan** — Borrowing against the policy; interest accrues and an unpaid balance reduces the death benefit.

**Surrender value** — What you would receive if you ended the policy, after charges.

**Illustration** — A projection. Only the guaranteed column is contractual.

## Bring the illustration. We'll read it with you.

Most people meet life insurance through a quote, not an explanation. If you have been shown a policy and are not sure what you are looking at, bring it. If you have not been shown anything yet, bring nothing at all — a first conversation is about your situation, not a product.

[Book a 15-minute call →](#)

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