Participating Whole Life vs. Universal Life

Insurance

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Advisors have long understood that both universal life and whole life insurance have a role to play in a financial plan.

If permanent life insurance suits your client's needs best, the two most common types of products available are participating whole life and universal life.

Participating whole life insurance allows the policy owner to pool their premiums with other policy owners in a pooled account, referred to as the participating account. The pooled premiums are invested by the insurer. If the participating account experiences better than expected investment returns, and lower than expected claims and expenses, policy holders may receive a portion of the surplus through the distribution of policy dividends. Dividends are not guaranteed.

Universal life insurance is an unbundled product. This means the policy premiums and death benefit are flexible throughout the life of the policy. The assets backing the policy are managed by the policy owner, not the insurer, making universal life insurance a more hands on choice for the policy owner.

Three key differences

Flexibility:

- Participating whole life investment decisions are made by the insurer, and are applied to the pooled account. This appeals to clients who don't want to personally manage their insurance.
- Universal life offers greater flexibility. Your client can choose from multiple cost, death benefit and investment options. This solution is ideal for policy owners who want to modify these components of their policy on an ongoing basis.

Policy growth:

- Participating whole life policies include an embedded guaranteed cash value. The guaranteed values are specified in the policy contract and increase until the insured reaches age 100. If paid-up additions are included in the policy, they will increase the policy's total death benefit over time through annual dividends or with the deposit option.
- The accumulation value of a universal life policy grows based on how the investments chosen by the policy owner perform.

Premiums:

- Participating whole life base premiums are guaranteed to remain level based on the premium payment period selected at the time of application.
- Universal life insurance offers policy owners a range of minimum to maximum planned premiums. The minimum funds the cost of the insurance. The maximum hits the tax-exempt limit available to the client. This allows the client to maintain their coverage, even if their cash flow fluctuates over time.

Contact your MGA or your RBC Insurance® Sales Consultant to discuss how RBC Growth Insurance™ and RBC Growth Insurance Plus™ can work for your clients.

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