A Life Insurance Resource for Individuals and Families

Guardian®

Whole Life Insurance

Another way to pay for college

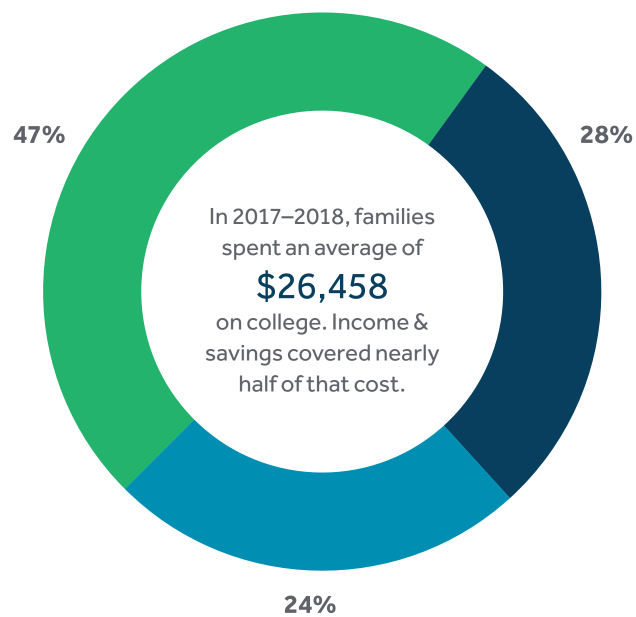
How Will You Save for Higher Education?

The options

The average 2018–2019 tuition, including fees and room and board, for in-state students at public four-year colleges is $21,370, and out of state is even higher at $48,510.[1]

And, college costs will only continue to rise. In the past 5 years, the average inflation-adjusted cost of tuition and fees has risen by 12% at private four-year colleges and just under 7% at four-year, public, in-state colleges.[2]

How Some Pay Today[5]



- 47% income & savings
- 28% scholarships & grants
- 24% borrowing

Top reasons to include whole life insurance as a college funding option.[3]

As college costs grow at a significant rate, paying for a child's or grandchild's college education tomorrow requires planning today. Consider a whole life policy in conjunction with other popular college savings options.

1. **Self-Completing.** The life insurance policy can become self-completing, or able to pay for itself, in the event of a premature death or disability.
2. **Market-Secure.** The gains within the policy are "locked in" and insulated from market fluctuations.
3. **Flexible.** Whole life insurance does not have to be designated to a single child's educational goal. It's also a flexible cash resource you can use for any other future financial objective.
4. **Lasting.** The policy owner benefits from tax-favored access to cash throughout their lifetime.[4]
5. **Financial-Aid Friendly.** Eligibility for financial aid is typically not affected by the existence of a life policy. Check with your individual state insurance department.
6. **Parent-Controlled.** The policy owner is in control of the assets instead of the child, as is the case in some other asset ownership saving options, such as UTMAs or UGMAs.
7. **Limitless.** Outside of the actual policy design, there are no contribution limit restrictions set by the IRS.
8. **Start Now.** The policy's cash value can start building before your child is born.

Comparing a Section 529 Plan to Life Insurance

Let's take a closer look at two ways, out of many, one can save for a child's college education: a Section 529 Plan and another lesser-known alternative — permanent, participating whole life insurance.

Common features/vehicle	**Section 529 Plan**	**Individual whole life insurance** (with the adult as the owner of the policy)
Income limitations	None	None
Maximum annual contribution for an individual account owner	Established by the plan	Based on policy design — substantial contribution potential
Tax treatment of contributions	After-tax[5]	After-tax
Tax treatment of earnings[6]	Tax-free if used properly	At death: tax-free. During life: normally tax-free if structured properly
Qualified withdrawals	Colleges, universities and grad schools in US & private, public and religious K-12 schools	Anywhere and/or for any reason
Nonqualified withdrawals	Earning will be subject to ordinary income tax + the 10% penalty	None
Ownership of assets for financial aid considerations	Varies by state, but may affect college aid	Typically, the policy owner (e.g., parent or grandparent in this scenario)
Funding upon death of account owner or policy owner	Any accumulated assets in account	The policy's designated death benefit (creating a "self-completing" plan)
Funding upon disability of account owner or policy owner	Any accumulated assets in account	"Self-completing" with addition of a Waiver of Premium rider[7,8]
Market risk	Subject to investment and market risks	None — whole life is uncorrelated to the financial markets
Underlying investments	Generally invest in securities	Not an investment, but a separate and distinct financial asset

Section 529 Plans: Considerations

1. If the child does not attend college, the growth on the money could become taxable and subject to potential penalties if withdrawn for other uses.[9]
2. The money in a 529 Plan is subject to loss due to investment and market risk.
3. 529 Plans are not "self-completing" should a parent or grandparent die before funding is completed.
4. 529 Plans have maximum total balance limits (per person, set by the state).
5. Anyone can open a 529 Savings Plan, regardless of how much money they make.
6. 529 Plans offer a low-stakes, high-value way to impact the financial futures and lives of their families.

Life Insurance: Considerations

1. Life insurance can be used in conjunction with other popular college savings options.
2. Since the life policy has multiple uses, it may help fund other long-term financial goals, such as retirement.
3. Some policies don't have any cash values for the first two years.
4. Due to policy expenses, cash values meant to be used for college may take 15 years or more to accumulate, unless there is a Paid-Up Additions rider.[10] If the premium is not paid, the policy may lapse.
5. Lastly, excessive loans and withdrawals may cause the policy to lapse, resulting in a possible tax consequence.

Contact your trusted financial representative today to learn more about how you can help secure your loved ones' financial futures through the gift of life insurance.

[1] The College Board 2018, Trends in College Pricing 2018; https://trends.collegeboard.org/sites/default/files/2018-trends-in-college-pricing.pdf

[2] The College Board 2018, Trends in Higher Education: Tuition and Fees and Room and Board over Time; https://trends.collegeboard.org/college-pricing/figures-tables/tuition-fees-room-and-board-over-time

[3] In addition to protection, whole life insurance can create a long-term accumulation product. Whole life insurance provides death benefit protection and guaranteed cash values for the whole of life as long as the required premiums are paid. Costs for these benefits are reflected in lower cash values in the early years of the policy. When a consumer uses the product for these purposes, they should have an adequate time horizon in order for the cash values to grow. The age of the child should be a consideration in the eventual savings strategy chosen. Whole life guarantees are based on the claims-paying ability of the insurance company.

[4] Policy benefits are reduced by any outstanding loan or loan interest and/or withdrawals. Dividends, if any, are affected by policy loans and loan interest. Withdrawals above the cost basis may result in taxable ordinary income. If the policy lapses, or is surrendered, any outstanding loans considered gain in the policy may be subject to ordinary income taxes. If the policy is a Modified Endowment Contract, loans are treated like withdrawals, but as gain first, subject to ordinary income taxes. If the policy owner is under 59½, any taxable withdrawal may also be subject to a 10% federal tax penalty.

[5] Contributions to 529 Plans are state-tax deductible in some states, although to get the nominal deduction, the state may require the investor to use that state's specific plan. Check with your state to determine availability.

[6] Guardian, its subsidiaries, agents, and employees do not provide tax, legal, or accounting advice. Consult your tax, legal, or accounting professional regarding your individual situation. There is a $10k annual cap for the tax advantage on a 529 Plan if withdrawal is taken for tuition expenses at private, public and religious K-12 schools.

[7] Riders may incur an additional cost or premium. Riders may not be available in all states.

[8] Waiver of Premium riders, when added, for an additional premium, can create a policy that pays for itself when the insured has a qualifying disability (rider form 01-R2).

[9] Some states allow excess funds to be used in other ways. Please check with your state's plan for specifics.

[10] A Paid-Up Additions (PUA) rider allows you to pay for additional death benefit, adding it onto your base policy. Because the policy is "paid up," there are no additional premiums or insurance costs. This allows the additional dollars to be added to your policy's cash value. It also allows you to earn dividends (i.e., a surplus) on your additional paid-up insurance, earning you even more. Dividends are not guaranteed. They are declared annually by Guardian's Board of Directors. Guardian has paid a policyholder dividend every year since 1868.

Guardian® is a registered trademark of The Guardian Life Insurance Company of America.

Guardian

The Guardian Life Insurance Company of America

guardianlife.com

Pub4941FL (03/19) 2019-75110 (Exp.12/20) | New York, NY