

## THE VALUE OF DIVIDEND-PAYING Whole Life Insurance



CREATING VALUE FOR  
OUR POLICY HOLDERS



Lafayette Life  
Insurance Company

A member of Western & Southern Financial Group



# Whole Life Insurance

## A LIFETIME OF FINANCIAL PROTECTION

Whole life insurance is one of the few instruments where the premiums, cash value and death benefit are guaranteed. In addition to the guaranteed values offered in your whole life policy, your whole life insurance also gives you the potential to receive dividends annually, which can increase the value of the policy when you are living or provide an increased death benefit for your beneficiaries.

### WHAT IS A DIVIDEND?

Dividends are non-guaranteed payments credited to your dividend-paying whole life insurance policy annually. The dividend is determined by Lafayette Life using a formula that takes into account the policy

benefit amount, age of the insured, company expenses and mortality experience. The dividend interest rate is not directly credited to your policy values, but is a key component of the dividend formula.



Although dividends are not guaranteed, and Lafayette Life does not guarantee future payment, The Lafayette Life Insurance Company has paid a dividend each year since its founding in 1905. Throughout various economic turbulent times, policyholders can rely upon the safety and guarantees of their dividend-paying whole life insurance policy.

### Cash Value Accumulation



*This chart is for demonstration purposes only and is neither representative of a specific policy nor of specific policy cash values future performance.*

### HOW DO DIVIDENDS IMPACT MY POLICY?

Dividends may be used to reduce policy premiums or help to increase the total cash value of your whole life insurance policy. This non-guaranteed cash value can be accessed by you through withdrawals of your dividends or through policy loans.<sup>1</sup>

If there is an outstanding loan on your policy, and the company declares a dividend, then future dividend amounts credited to your policy are the same as if there was no policy loan. They also may be received in cash or retained with Lafayette Life in an interest bearing account.

The majority of Lafayette Life's policyowners use their dividend payments to purchase paid-up additional whole life insurance, also called paid-up additions. This option can help increase both the total death benefit and cash value of your dividend-paying whole life insurance policy.

<sup>1</sup> Access to cash value through borrowing or partial surrenders can reduce the policy's cash value and death benefit, increase the chance the policy will lapse, and may result in a tax liability.

### TAX ADVANTAGES OF DIVIDENDS

Whole life insurance policy dividends may be accessed by you on a tax-advantaged basis. Dividends are withdrawn income tax-free until the total amount withdrawn exceeds the amount paid for the policy (this assumes the policy is not a modified endowment contract). If you choose to leave the dividends in an interest bearing account with Lafayette Life, then the annual interest credited is taxable income.

If the policy is considered a modified endowment contract, dividends are treated differently for income tax purposes. If you elect to take the dividends as cash or use them to repay a loan, these are taxable income to the extent of the gain in the contract. For policy owners who are under the age of 59½, there may also be an additional tax penalty. However, any dividends that are used to purchase paid-up additions retain their tax favored treatment even in a modified endowment contract.

For more information, contact your financial representative or visit [www.LafayetteLife.com](http://www.LafayetteLife.com).



## THE LAFAYETTE LIFE INSURANCE COMPANY

With more than 115 years of service to policyholders, The Lafayette Life Insurance Company is a financially strong provider of individual life insurance, annuities, and retirement and pension products and services.

Lafayette Life is a member of Western & Southern Financial Group, Inc., a family of financial services companies whose heritage dates back to 1888. With the strength of our organization and our ongoing commitment to servicing you, your business and your family, The Lafayette Life Insurance Company is a company you can depend on. Find out more about our financial strength and distinguished history at [www.LafayetteLife.com](http://www.LafayetteLife.com).

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**Life insurance products are not bank products, are not a deposit, are not insured by the FDIC, or any other federal entity, have no bank guarantee, and may lose value.** Life insurance products are issued and guaranteed by The Lafayette Life Insurance Company. Guarantees are based on the claims-paying ability of the company.

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