



## 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 the insured is living or provide an increased death benefit for your beneficiaries.

## The Story of Dividend-Paying Whole Life Insurance

### About Lafayette Life

Lafayette Life is a member of Western & Southern Financial Group, 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).

Life insurance products are issued and guaranteed by The Lafayette Life Insurance Company, Cincinnati, Ohio. The Lafayette Life Insurance Company operates in D.C. and all states except AK and NY, and is a member of Western & Southern Financial Group.

The Lafayette Life Insurance Company and its agents do not offer legal or tax advice. The information contained herein is general in nature and for informational purposes only. Always consult an attorney or tax advisor regarding your specific legal or tax situation.



### Creating Value for Our Policyholders



Lafayette Life  
Insurance Company

A member of Western & Southern Financial Group

The Lafayette Life Insurance Company  
400 Broadway  
Cincinnati, Ohio 45202-3341  
[www.LLIC.com](http://www.LLIC.com)



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## 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.



## 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 to increase both the total death benefit and cash value of your dividend-paying whole life insurance policy.

## 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 a 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.

## 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.*

<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.