A life insurance resource for individuals and families

Guardian®

Whole life insurance

Another way to pay for college

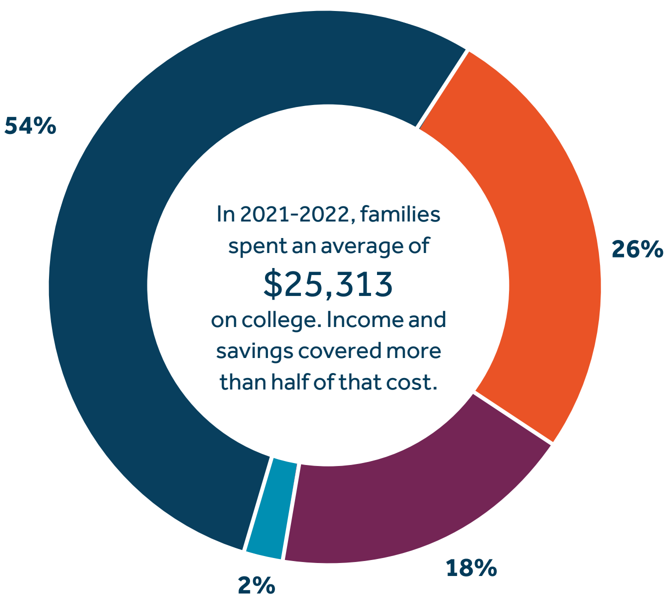
How will you save for higher education?

The options

The average 2021-2022 tuition, including fees and room and board, for in-state students at public four-year colleges is $22,690, and private is even higher at $51,690.[1]

And, college costs will only continue to rise. In 2021-22, the average published tuition and fee price at public four-year institutions is 2.58 times as high as it was in 1991-92, after adjusting for inflation. At private nonprofit four-year institutions, average tuition and fee nearly doubled in the past 30 years.[1]

How some pay today[2]



- 54% income and savings
- 26% scholarships and grants
- 18% borrowing
- 2% relatives and friends

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. **Protection for the unexpected.** Whole life can still help fund college in the event of a long term disability (waiver of premium) or premature death.
2. **Market-insulated.** Whole life offers guaranteed cash value that is insulated from market fluctuation.
3. **Flexible.** Whole life 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 policyowner benefits from tax-efficient access to cash throughout their lifetime.[4]
5. **Financial-aid friendly.** Eligibility for financial aid is typically not affected by the existence of a whole life policy. Check with your individual state insurance department for verification.
6. **Parent-controlled.** The policyowner 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.[5]

Comparing a Section 529 Plan to whole life

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 — participating whole life.

Common features/vehicle	Section 529 Plan	Individual whole life (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[6]	After-tax
Tax treatment of earnings[7]	Tax-free if used properly	At death: income tax-free. During life: normally tax-efficient if structured properly
Qualified withdrawals	Colleges, universities and grad schools in US and 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 policyowner (e.g., parent or grandparent in this scenario)
Funding upon death of account owner or policyowner	Any accumulated assets in account	The policy's designated death benefit (creating a "self-completing" plan)
Funding upon disability of account owner or policyowner	Any accumulated assets in account	If totally disabled for 6 months or more, all premiums can be waived while disability continues[8, 9]
Market risk	Subject to investment and market risks	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.[10]
2. The money in a 529 Plan is subject to loss due to investment and market risk.
3. 529 Plan contributions may discontinue 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.

Whole life: considerations

1. Whole life can be used in conjunction with other popular college savings options.
2. Since whole life has multiple uses, it may help fund other long-term financial goals, such as retirement.
3. Some whole life 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.[11] 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 protect your loved ones' financial futures through the gift of whole life.

[1] The College Board , Trends in College and Student Aid 2021 (page 10 and 12)

[2] Sallie Mae: How America Pays for College 2022 infographic

[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 policyowner is under 59½, any taxable withdrawal may also be subject to a 10% federal tax penalty.

[5] Some whole life polices do not have cash values in the first two years of the policy and don't pay a dividend until the policy's third year. Talk to your financial representative and refer to your individual whole life policy illustration for more information .

[6] 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. Investing in 529 plans involves risk, including loss of principal. Before you invest in a 529 plan, request the plan's official statement and read it carefully. The official statement contains more complete information, including investment objectives, charges, expenses, and the risks of investing in a 529 plan, which you should carefully consider before investing. You should also consider whether your home state or your beneficiary's home state offers any state tax or other benefits that are only available for investments in such state's 529 plan. Section 529 plans are not guaranteed by any state or federal agency. By investing in a 529 plan outside of the state in which you pay taxes, you may lose the tax benefits offered by that state's plan. Withdrawals used for qualified expenses are federally tax free. Tax treatment at the state level may vary.

[7] 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.

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

[9] 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).

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

[11] 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.

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