Azura
WEALTH ADVISERS LLC

WHOLE LIFE INSURANCE

Misunderstood Product or Best Kept Secret?

For decades, financial advice has carried a familiar refrain: *"Never use life insurance as an investment."* The saying stuck because, in many cases, it was sound advice. In some instances, whole life policies were oversold, overpriced and misunderstood. Fees were high with aggressive sales practices and too many people bought products that didn't fit their needs.
But dismissing whole life entirely is to miss the nuance. For affluent families and high earners who have already built strong foundations, permanent insurance provides a death benefit and along with living benefits: tax-advantaged growth, flexibility in retirement and estate planning benefits. The question isn't whether whole life is universally "good" or "bad." It's whether it fits your plan.

I. Where Whole Life Can Make Sense

While the primary use of life insurance is for death benefit, whole life insurance has secondary benefits which can add value when used for specific goals such as:

- **Tax-advantaged growth**: The cash value inside a whole life policy grows on a tax-deferred basis. Unlike taxable accounts, where dividends and capital gains can trigger annual tax bills, growth inside the policy compounds without interruption. And when you need access, policy loans allow you to tap that value without realizing taxable income. [1]
- **Liquidity in retirement**: Market downturns are one of the biggest threats to long-term wealth. If you're forced to sell investments at the wrong time to cover living expenses, you lock in losses and slow future growth. A whole life policy provides an alternate source of liquidity, giving you a pool of funds to draw on without disrupting your portfolio.[1]
- **Estate planning benefits**: For families facing estate taxes, the death benefit can provide the liquidity needed to settle taxes without a fire sale of other assets. It can also be used to equalize inheritances when certain assets (like a business or property) aren't easily divided, or to build a multigenerational wealth transfer plan.
- **Asset diversification**: While bonds, equities and alternatives are the engines of long-term wealth, they also come with volatility. Whole life offers a different profile: steadily increasing and guaranteed cash value growth that is insulated from the swings of public markets.

Note: Taking distributions through policy loans, partial surrenders or withdrawals will reduce the policy's cash or account value and death benefit, increase the chance the policy will lapse, and may result in a tax liability if the policy terminates before the death of the insured.

II. Trade-Offs and Pitfalls

[1] Taking distributions through policy loans, partial surrenders or withdrawals will reduce the policy's cash or account value and death benefit, increase the chance the policy will lapse, and may result in a tax liability if the policy terminates before the death of the insured.

SECURITIES AND INVESTMENT ADVISORY SERVICES ARE OFFERED THROUGH QUALIFIED REGISTERED REPRESENTATIVES OF MML INVESTORS SERVICES, LLC, MEMBER SIPC.
Azura Wealth Advisers is not a subsidiary or affiliate of MML Investors Services, LLC, or its affiliated companies.
420 Lexington Ave 25th Fl Suite 2510, New York, NY 10170 (212) 578-0300 | CRN202902-10401572

Azura
WEALTH ADVISERS LLC

Of course, whole life is not for everyone. For many, it won't be the right fit and it's important to understand the trade-offs:

- **Higher premiums than term insurance**: Whole life includes a death benefit and a cash value accumulation feature, which makes it significantly more expensive than term insurance. For someone looking just for temporary protection, the higher premiums are inefficient.
- **Not a replacement for a retirement plan**: Whole life can be a valuable complement to your long-term strategy, but it shouldn't be your only vehicle for building wealth or used as a replacement for a retirement plan. Because the returns on cash value are guaranteed, individuals may be able to be more opportunistic and risk tolerant with their investments, potentially improving their position on the efficient frontier of investing (e.g., potentially boosting overall portfolio return).
- **Flexibility depends on structure**: Whole life policies vary widely depending on how they're designed and which carrier you choose. Some policies are built to maximize cash value, others to emphasize death benefit, and carriers differ in terms of dividends, guarantees and rider options. If the structure doesn't align with your goals (or if the carrier has restrictive terms), you may end up with less flexibility than expected when it comes to premiums or access to cash value.
- **Time horizon matters**: Whole life is designed to work over decades, not years. The early years are often front-loaded with costs, meaning it can take time before the cash value grows meaningfully. If you don't plan to hold the policy long enough, the benefits may never outweigh the expenses.

Conclusion: How to Think About It

Whole life is best viewed as one tool in a larger, long-term wealth strategy, not a one-size-fits-all solution. As a general matter, it tends to work best for high earners who have already maxed out tax-advantaged retirement accounts and built a solid financial foundation, but want to enhance protection and add stability to their overall planning.

At that stage, whole life may provide incremental value—offering tax diversification, estate planning flexibility and long-term stability. The trade-offs must be weighed carefully, but in the right context, whole life is far from the "misunderstood product" it's often labeled. For some, it's unnecessary. For others, it can be invaluable. The difference lies in context: your income, goals and estate plan.

At Azura, we help clients separate myths from math. That means evaluating when permanent insurance is worth the premium, how it integrates with an overall strategy and whether it supports the legacy you want to build.

SECURITIES AND INVESTMENT ADVISORY SERVICES ARE OFFERED THROUGH QUALIFIED REGISTERED REPRESENTATIVES OF MML INVESTORS SERVICES, LLC, MEMBER SIPC.
Azura Wealth Advisers is not a subsidiary or affiliate of MML Investors Services, LLC, or its affiliated companies.
420 Lexington Ave 25th Fl Suite 2510, New York, NY 10170 (212) 578-0300 | CRN202902-10401572