



ADVANCED INSURANCE BROKERAGE · CLIENT EDUCATION SERIES · CASE STUDY

Tracking the Cash Value

A 10-pay whole life policy followed year by year with two simple checks: does this year's cash value growth beat this year's premium, and when does the total cash value pass everything paid in? Then what the policy does on its own once the premiums stop.

01

The case and the two checks

02

The premium years, 1–10

03

Paid up: growing on its own

04

What it earned

05

Things to know

Year 3

the year's cash value increase is larger than the year's \$10,000 premium

Year 6

total cash value passes total premiums paid, \$62,403 against \$60,000

\$223,299

cash value at age 65 on \$100,000 of premiums, the last one paid at age 54

01 THE CASE

Two checks, one policy

The first years of a whole life policy are when doubts set in: premiums go in and the cash value starts behind. Tracking two numbers each year shows when that changes, and how fast.

CHECK 1 · EVERY YEAR

Annual tracking

This year's cash value increase – this year's premium

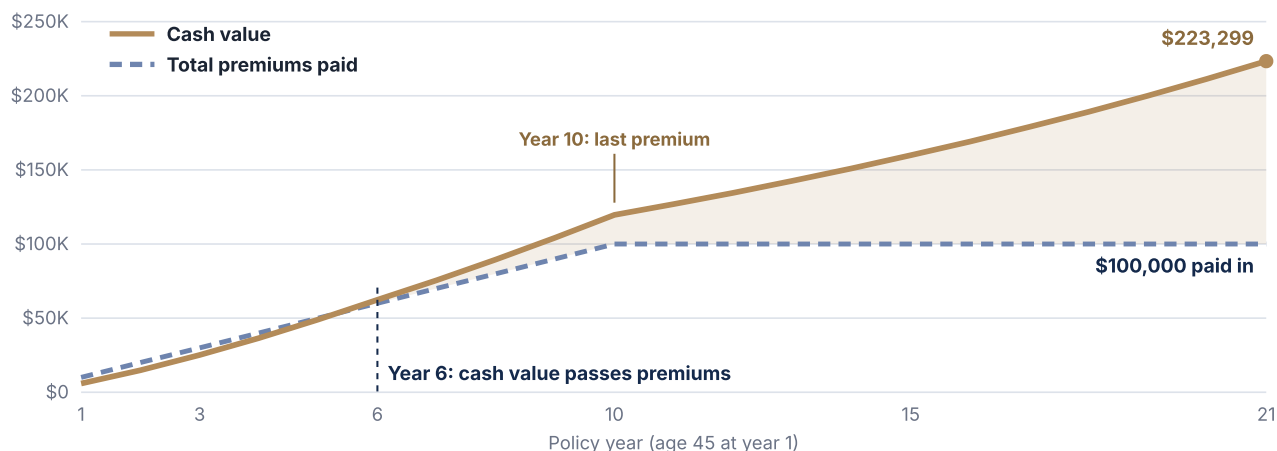
Positive means the cash value grew by more than you put in that year. In this case it turns positive in **year 3** and stays positive.

CHECK 2 · RUNNING TOTAL

Cumulative tracking

Cash value – total premiums paid to date

Positive means you could walk away with more than you paid in. In this case it turns positive in **year 6**, at +\$2,403.



Item	Case design
Insured	Male, age 45, preferred plus non-tobacco
Policy	10-pay whole life from a mutual carrier; initial face \$208,452
Premium	\$10,000 a year for 10 years (\$100,000 total); paid up after year 10
Dividends	Paid-up additions at the carrier's current 6% dividend scale

02 YEARS 1-10 The premium years

A whole life policy pays its insurance and set-up costs up front, so year 1 cash value is well below the premium. By year 3 each year's growth is larger than the premium, and by year 6 the running total is ahead.

Year	Age	Premium	Dividend	Cash value	CV increase	Annual tracking	Total premiums	Cumulative tracking
1	45	\$10,000	\$394	\$5,919	\$5,919	-\$4,081	\$10,000	-\$4,081
2	46	\$10,000	\$732	\$14,831	\$8,911	-\$1,089	\$20,000	-\$5,169
3	47	\$10,000	\$1,038	\$25,106	\$10,276	+\$276	\$30,000	-\$4,894
4	48	\$10,000	\$1,472	\$36,523	\$11,417	+\$1,417	\$40,000	-\$3,477
5	49	\$10,000	\$1,874	\$48,987	\$12,464	+\$2,464	\$50,000	-\$1,013
6	50	\$10,000	\$2,322	\$62,403	\$13,415	+\$3,415	\$60,000	+\$2,403
7	51	\$10,000	\$2,671	\$75,608	\$13,205	+\$3,205	\$70,000	+\$5,608
8	52	\$10,000	\$3,027	\$89,545	\$13,937	+\$3,937	\$80,000	+\$9,545
9	53	\$10,000	\$3,383	\$104,232	\$14,688	+\$4,688	\$90,000	+\$14,232
10	54	\$10,000	\$3,761	\$119,691	\$15,459	+\$5,459	\$100,000	+\$19,691

CV increase: change in cash value from the prior year. Annual tracking: CV increase minus that year's premium. Cumulative tracking: cash value minus total premiums paid. Age at the start of each policy year.

-\$4,081

Year 1: the policy's up-front cost.
The low point of the whole case.

Year 3

Cash value grows \$10,276 on a \$10,000 premium, and every year after grows by more than the premium

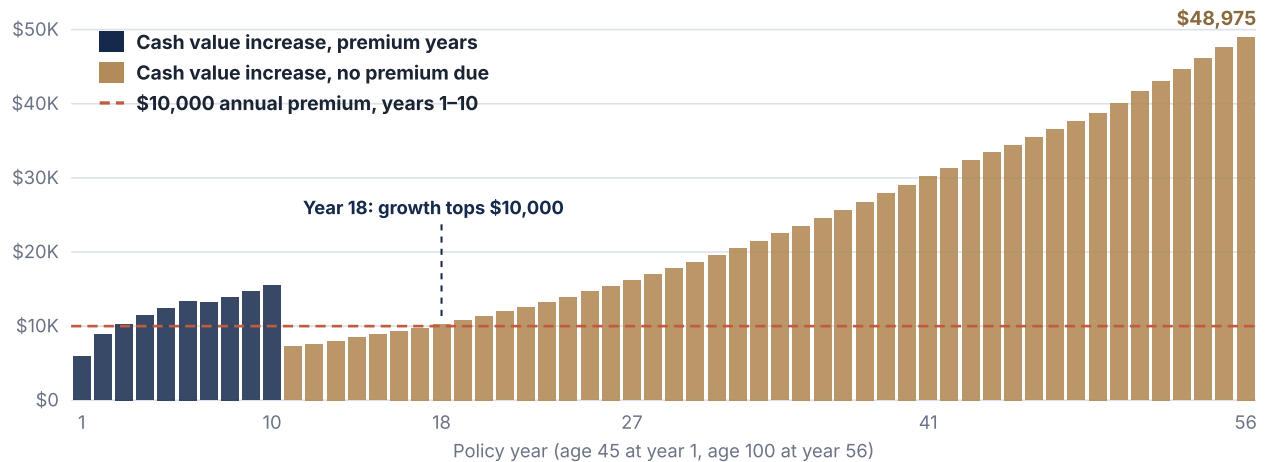
+\$19,691

Year 10: \$119,691 of cash value on \$100,000 paid in, with a \$255,101 death benefit

Why the early years matter. The cost is concentrated in the first two years. Once it is behind you, each premium adds more cash value than it costs. Surrendering in years 1 to 5 returns less than was paid in.

03 YEARS 11-56 Paid up: growing on its own

After year 10 no more premiums are due. Dividends keep buying paid-up additions, and the cash value keeps growing. By year 18 it adds more each year than the full premium used to be, and by year 27 the dividend alone is larger than the old premium.



Year	Age	Dividend	CV increase	Cash value	Death benefit	CV ÷ premiums
11	55	\$4,216	\$7,237	\$126,929	\$263,711	1.3×
15	59	\$5,170	\$8,859	\$159,841	\$301,747	1.6×
18	62	\$6,064	\$10,272	\$189,198	\$333,252	1.9×
21	65	\$7,203	\$11,946	\$223,299	\$368,038	2.2×
27	71	\$10,207	\$16,182	\$309,252	\$450,223	3.1×
31	75	\$12,996	\$19,607	\$382,359	\$516,938	3.8×
41	85	\$22,607	\$30,203	\$634,540	\$739,258	6.3×
51	95	\$36,450	\$41,644	\$996,155	\$1,075,496	10.0×
56	100	\$44,699	\$48,975	\$1,226,504	\$1,296,016	12.3×

Year 18

Cash value grows \$10,272 with no premium due, more than the \$10,000 premium ever was

Year 27

The annual dividend, \$10,207, is now larger than the old premium on its own

\$1,226,504

Cash value at age 100, 12.3 times the \$100,000 paid in, with a \$1,296,016 death benefit

04 THE RATE What it earned

The same values as a compound rate: the steady annual return on the \$10,000 premiums that would produce each value. The cash value rate climbs as the early costs are spread over more years. The death benefit rate is highest early, when the policy pays the most for the least.

Point in time	Cash value	Cash value rate	Death benefit	Death benefit rate
Year 10 (age 54)	\$119,691	3.24%	\$255,101	16.54%
Year 21 (age 65)	\$223,299	4.93%	\$368,038	8.06%
Year 31 (age 75)	\$382,359	5.15%	\$516,938	6.33%
Year 41 (age 85)	\$634,540	5.16%	\$739,258	5.60%
Year 56 (age 100)	\$1,226,504	4.97%	\$1,296,016	5.08%

Internal rate of return on premiums paid at the start of years 1–10. Cash value growth is tax-deferred, and the death benefit is generally income-tax free, so a taxable account would need a higher pre-tax return to match.

05 BEFORE YOU DECIDE Things to know

- **Dividends are not guaranteed.** Values use the carrier's current 6% dividend scale. Lower dividends mean lower cash values and death benefits; the guaranteed values in the illustration are the floor.
- **It is a long-term decision.** Cash value trails premiums paid through year 5. Surrendering early can return less than was paid in.
- **Keep it non-MEC; loans reduce values.** Loans and withdrawals up to basis are generally tax-free only on a non-MEC policy. Loans accrue interest and reduce cash value and death benefit until repaid.
- **Underwriting applies.** Results depend on age, health and rating class. A different client will see different numbers.

Same policy, another view: **The Whole Life Cash Alternative** compares it with keeping the same \$100,000 in a taxable account. Ask for an illustration run on your own age and health, with both checks tracked year by year.



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Hypothetical illustration based on a carrier supplemental ledger at the current dividend scale. Not a contract or offer. Guarantees are based on the claims-paying ability of the issuing insurer. Advanced Insurance Brokerage does not provide tax or legal advice.