A resource for individuals, families, and business owners

Guardian

The Guardian Advantage

Guardian vs. MassMutual: The Dividend Interest Rate and actual policy performance

Discover why illustrated values are not the **only** thing to consider when purchasing whole life insurance.

Understanding illustrated performance

When comparing whole life insurance policies, the first place individuals often look is a policy illustration. While illustrations play an important role in helping consumers understand the various components and overall mechanics of whole life, the *projection*s in these illustrations should not be used as a predictor of a policy's long-term performance.

The illustrated cash value and death benefit rates of return are based on *current* projections, which will likely turn out to be different over the long term. The Dividend Interest Rate changes every year and other dividend factors, such as mortality and expenses, are not explicitly shown in the illustration.[1]

In the example below, Guardian's whole life policy performed better than MassMutual's in terms of the Internal Rate of Return (IRR) on death benefit and cash value over the 40-year period from 1980 to 2020. This is despite the fact that Guardian had a lower Dividend Interest Rate than MassMutual in many of those years.

While this is just one example in one scenario, it reflects how *illustrated* performance may not accurately predict the actual long-term value and performance of a policy.

What sets Guardian apart from MassMutual?

Among other things, our product breadth, policy options, and financial strength[2] provide our clients with a significant value proposition. Let us take a look at why so many choose to do business with us.

Actual historical performance: 1980-2020

Male, Age 45, Non-smoker Risk, $250,000 Face Amount, Issued in 1980

Company	Product	Annual Premium	Actual 40-Year Cash Value	Actual 40-Year Death Benefit	Actual 40-Year Cash Value IRR	Actual 40-Year Death Benefit IRR
Guardian	Whole Life	$5,738	$681,501	$835,573	4.97%	5.78%
MassMutual	Convertible Life	$5,910	$712,580	$863, 070	4.80%	5.55%

Source: "Historical Dividend Studies From Massachusetts Mutual Life Insurance Company"

In this example, the cash value and death benefit are higher for MassMutual, but the premium paid into the policy was higher as well. A useful measure to compare insurance policies is the internal rate of return (IRR), which can be used to measure the value of a policy over a long period of time. It is the compound rate of interest that would need to be earned each year for the annual premium to accumulate to an amount equal to either the net cash value or the net death benefit.

	Guardian	MassMutual
1980 Dividend Interest Rate	7.05%	8.27%
2020 Dividend Interest Rate	5.65%	6.20%
Average Dividend Interest Rate: 1980-2020	8.31%	8.50%
40-Year Actual Cash Value IRR[3]	4.97%	4.80%
40-Year Actual Death Benefit IRR[3]	5.78%	5.55%

Source: "Historical Dividend Studies From Massachusetts Mutual Life Insurance Company"

Examples represent actual policies issued in 1980 that are no longer issued today.[4] Examples assume that the Paid-Up Additions dividend option was in effect for all years, with no loans or surrenders taken. Numbers include termination dividends.

Features & provisions

Regardless of illustrated performance, there are material differences in product features that will significantly impact the policy's actual performance.

Whole life feature & rider comparison[5]

Riders/Options[6]	Guardian	MassMutual
Index Participation Feature	Yes	No
Terminal Illness Accelerated Benefit	No dollar cap	$250,000 cap
Tax-Qualified LTC Rider[7]	Yes	No
Chronic Illness Rider	Yes; no ongoing premium	Yes; ongoing premium required
Waiver of Premium	7-Year "own occ"	5-Year "own occ"
Guaranteed Insurability Option	8 dates/$350,000 maximum	8 dates/$125,000 maximum
Paid-Up Additions Rider Fee	5%	7.5% current
Paid-Up Additions Flexibility	Ability to vary scheduled or unscheduled payments between minimum and maximum, with at least $250 payment each year	Limited ability to increase scheduled Paid-Up Additions amount or make unscheduled payments
Waiver Can Cover Scheduled Paid-Up Additions	Yes	No
DuoGuard (Survivor Purchase Option)	Three options available	Not available
Term Blend Conversion	Initial 10 years	Initial 10 years

Source: Based on current company publications.

The Guardian Life Insurance Company of America

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New York, NY

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Caution must be used in attempting to make company-to-company comparisons, as business lines and other variables may not be comparable. This report is merely one factor to consider when making a decision.

1 Dividends are not guaranteed. They are declared annually by Guardian's Board of Directors. The total dividend calculation includes mortality experience and expense management as well as investment results.

2 Financial information concerning Guardian as of December 31, 2019, on a statutory basis: Admitted Assets = $62.2 Billion; Liabilities = $54.6 Billion (including $46.5 Billion of Reserves); and Surplus = $7.6 Billion.

3 All dividend components (dividend interest rate, mortality, and company expenses) were used in the Internal Rate of Return (IRR) calculation.

4 Policy form number: 71-20000.

5 Whole life riders may incur either an additional premium or an additional cost. Riders may not be available in all states.

6 Rider Form Numbers: EABR (01-R111), Waiver of Premium (18-WP WL), PUA (18-PUA), GIO (18-GIO), SIPO - DuoGuard (07-SIPO), Option Q (18-OPTQ), LTCR (13-LTCR), Terminal Illness Rider – w/LTC (13-TIR), IPF(15-IPR)

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.