

Executive Summary

Life Insurance as an Asset Class:

A Value-Added Component of an Asset Allocation



GUARDIAN®



Do you need insurance for your entire life?

Can you rely on what you hear in popular media?

Is buying term and investing the difference really the right choice?

Introduction

In today's complex economic environment, financial advisors and their clients are drawn to the "names" in the industry, many of whom have acquired a celebrity status through television appearances and book-signing events. As always, there is an upside as well as a downside to this – on the upside, it helps mobilize people into taking action for their financial future. The downside is that some of the advice is misleading or simply inaccurate, and particularly so with life insurance.

Many well-known and respected financial advisors, such as Jonathan Pond, focus on stocks and bonds, marginalizing the importance of life insurance as a component in a financial design. The late Louis Rukeyser's program, *Wall Street Week*, also focused the public's attention on the ups and downs of the day's trading events, as does Bloomberg radio. Jane Bryant Quinn and Suze Orman have been negatively outspoken about whole life insurance; both support the concept of *buy Term and invest the difference*.

Robert Kiyosaki, author of *Rich Dad, Poor Dad*, defines an asset as *something that can be used, either now or in the future, to generate income*. This statement leads us to the objective of this study – to highlight the uncommon knowledge about life insurance as an asset class and to expand the discussion about it.

Life Insurance as an Asset Class: A Value-Added Component of an Asset Allocation was written by Richard M. Weber, MSA, CLU and Christopher Hause, FSA, MAAA, both independent industry experts with more than 60 years of experience between them. The study provides a valuable forum for discussion among Guardian associates, accountants, attorneys, other trusted financial advisors, and clients. It focuses on life insurance as an important asset and foundation to an intelligent financial plan.

As a company that has been in the business of insuring families and businesses for nearly a century and a half, we know of no other financial product that has the ability to build wealth, protect and conserve assets in your lifetime, and transfer those assets to future generations – all with the simplicity, guarantees, and tax advantages inherent to this unique product.

This summary provides a brief overview of the study, which may be obtained from the following website: www.ethicaledge.biz or by calling your Guardian representative.

How Much Life Insurance Do I Need?

Life insurance has traditionally been purchased to replace loss of income needed to meet the survivors' ongoing expenses, but how do we determine how much is enough? There are many different philosophies and formulas that can be applied, but the two most common approaches are Capital Needs Analysis (CNA) and Human Life Value (HLV).

Capital Needs Analysis budgets for current and anticipated expenses, and takes into account other income sources as well as projections on what costs such as Health Care could amount to in the future. The analysis will tally expenses, including a factor for inflation, calculate the present value using a conservative rate of return, then offset that by existing assets. Ultimately, the net number produced reflects the amount of life insurance believed to be needed to support survivors.

Human Life Value (HLV) evaluates the economic life of the decedent – the monetary total of all that he or she would have produced and accumulated in a lifetime, thus the method reflects earnings potential and is not cost-based. It is similar to the formulas used to calculate and claim damages under a wrongful death suit, the theory being that the survivors are entitled to the economic value of what the deceased would have produced during a lifetime. For example, a 33-year-old earning \$100,000 and working to age 70 might earn a total of \$10 million, including 5% annual raises and not discounted for the time value of money.

A recent LIMRA International study portrays a sizeable gap between needs and the coverage people have purchased – and that 28% of the wives and 15% of the husbands in the study had no life insurance at all. Experts recommend that coverage is sufficient to replace 7-10 years of income.¹ Human Life Values at different ages can be estimated from a simple underwriting guideline frequently used by life insurance companies to determine the proper amount of coverage:

Age	Multiple of Salary
25	25
35	20
45	15
55	10

What Should It Cost?

Life insurance costs are based on life expectancy of various age groups. From the probability statistics, a premium amount can be calculated – if the insurance company can estimate how much it expects to pay out in death claims in a given year; it must collect at least that much to cover the cost (this doesn't take into account other expenses and profits). Important in the calculations is the timeframe from acquisition to life expectancy, and that is why premium amounts increase the older the buyer is at the time of issue.

A common misconception is that whole life insurance is a "good deal" only if the insured dies prematurely, so purchase should be delayed as long as possible. The first consideration is that life insurance is much more economical if purchased at earlier ages. More to the point of the purpose of life insurance is the security and protection it provides as well as *locking in* one's insurability, which can potentially change at later ages due to health factors.

Modern Life Insurance Product Options

This section of the study offers succinct descriptions on the wide range of life insurance products available in today's market, and includes a Product Matrix that visually depicts how they compare and contrast.

Transforming Needs

An important step in purchasing life insurance is to assess as closely as possible how needs may change during a lifetime. This helps determine the type of insurance best tailored to suit the needs and desires of the buyer, and allows for flexibility in planning for the future.

Life insurance is like no other financial vehicle in its ability to complement over the years other components of a well-designed financial plan.

Term Life Insurance

Term is known as the simplest or *purest* form of life insurance, typically purchased for short-term financial protection. On products purchased for a specified number of years, the initial premium is guaranteed and level, reflecting a mathematical *smoothing* over the years as life expectancy changes. Premiums often follow the model for permanent life insurance, based on life expectancies, which make them basically unaffordable for renewal after the initial period. The following also impact the calculation of Term premium:

- To determine gross premiums, 15-30% is added to the pure mortality costs for expenses, reserves, and profit margins.
- In a company with many preferred rating classes, the basically healthy will pay more than if there were fewer preferred classes.

Although not economically viable as longer term financial protection, there are specific uses for Term insurance, such as to:

- secure loans
- satisfy a divorce or alimony agreement
- insure a short-term business obligation

In contrast, Permanent insurance is purchased to:

- protect income for a longer horizon
- supplement retirement income
- equalize estates
- assist in payment of estate tax or for other liquidity needs at death

Cash Value, Whole Life, and Participating Whole Life Insurance

In a discussion about cash value life insurance, the authors point out that one essential difference between Term life and a permanent policy is that the reserve in the Term policy is typically not accessible to the policyholder; as the reserve represented by cash value is to the policyholder with permanent insurance. Additionally, the longer the Term guarantee period (20-30-year Term), the funding becomes more like the permanent policy, but there still is no cash value – *living benefits* – to Term insurance.

Whole Life (WL)

Whole Life insurance is considered the oldest form of lifetime, level premium insurance, dating back to 1759. Because a contract can be in force over decades, the careful pricing and design of the policy make this a strong and stable financial vehicle no matter what the economic conditions. In a Participating Whole Life policy from a mutual life insurance company, premiums are returned to policyholders in the form of dividends as their

pro-rata share of gains through investment returns, mortality experience, and expense control.

Universal Life (UL)

First introduced in the 1970's, UL was the first product to transfer sufficiency risk to the policyholder; as there were fewer guarantees and no fixed premiums or benefits. The policy featured flexibility in amount and timing of premium payments, so that the policyholder simply had to maintain a positive balance in the policy account to cover fees and expenses month-to-month.

Adjustable Life

The Adjustable Life policy, distributed by a limited number of companies, is a whole life policy with more of the premium and death benefit flexibility of UL. Premiums and death benefits can be adjusted as guaranteed limited pay policies to Term insurance for limited timeframes.

Variable Policies (VL and VUL)

Variable Life and Variable Universal Life policies offer the opportunity (and responsibility) for the policyholder to direct premiums among various investment options – typically equity and a fixed account – to support the underlying policy and death benefit. The long-term viability of the policy becomes a function of the funding premiums paid and the market values of the sub-accounts.²

Equity Indexed Policies

Another variation on UL, the crediting rate is not subject to the company's investment results, but based on an elaborate formula derived from the experience of a broad index of stocks.

No-Lapse Guarantee UL

This is the one UL product that falls under the guaranteed premium category of Term and Whole Life. Designed to never lapse as long as the premium is paid, this is typically characterized as a death benefit product – owners should not anticipate accumulating sizeable cash values.

Survivorship Life

Survivorship Life or *second-to-die* insurance is frequently used for estate planning, where the proceeds are used to pay estate taxes and other costs associated with settling an estate. The common viewpoint is that it should not be considered if the surviving spouse will need additional financial resources at the death of the first spouse.

Insurance Product Matrix

Policy Type	Yearly Renewable Term	Level Premium Term Life	Universal Life	Variable Universal Life	No-Lapse Guar. Universal Life	Participating Whole Life
Best for	Very short-term needs such as securing a 1-year term loan	Longer-term needs that are clearly not lifetime needs	Lifetime coverage with considerations of budgetary restrictions or the need for flexible payments	Lifetime coverage with little or no budgetary restrictions and a high tolerance for short-term volatility	Lifetime coverage at the lowest possible cost - with no need for flexible premium arrangements or the possibility of an increasing death benefit	Lifetime coverage in which cost is less of a factor than long-term benefits including increasing death benefit and access to cash value
Not best for	Any uncertainty as to how long coverage will be needed	Any uncertainty as to how long coverage will be needed.	When flexible payment opportunity may lead to failure to pay needed premiums	Those with anxiety over volatile market activity	Need for cash value and/or death benefit growth	Need for large amounts of coverage and limited resources to pay premiums. High initial premiums may restrict death benefits in Trusts with few Crummey beneficiaries.
Issues	Presumably a conversion option will not be needed; can be "shopped" on the basis of premium; A M Best rating no less than "A"	Pay for a conversion option in the event the need later becomes lifetime. Can be "shopped" on the basis of premium; A M Best rating no less than "A"	Dilemma: carrier has transferred all the sufficiency risk but retains all the control to make the in-force block of policies "profitable." Do NOT shop on basis of premium; A M Best rating no less than "A"	Illustrations do not reflect effects of volatility. First determine asset allocation and historic rates of return, and then ask for a "Monte Carlo" estimate of a premium that will sustain the policy at least to age 100.	Make certain to understand the conditions under which the guarantee can be lost - and reinstated. A M Best rating no less than "A++"	Purchase from mutual insurance company; consider "paid up additions" for dividend election. A M Best rating no less than "A"
Risk Index	0	0	3	15	0	1.8
Sample Premium - 33-M-Preferred	\$385 first year	\$590 level - 20 yrs	\$6,304/year	\$4,824/year	\$4,478/year	\$13,895/year
Death Benefit at Life Expectancy	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$3,665,327
NPV @ 5% of all cash flows	\$(21,729)	\$(21,761)	\$(27,332)	\$(442)	\$5,844	\$67,176

Policy Illustrations and the Illustration Beauty Contest

For most insurance buyers, the process will include reviewing one or more company-generated policy illustrations. Even though most insurance companies use current and actual experience as regulations stipulate, illustrations are representations of assumptions made in the policy design. These assumptions are based on mortality experience, investment returns, and expenses. The illustration suggests to the buyer a view of how the policy's values *might* look in the future through economic enhancements that exceed its guaranteed pricing elements.

The proper use of an illustration is to demonstrate a policy's design and flexibility. This would include what may happen with premium offset, or if withdrawals are made in later years to supplement income, or if riders are utilized to enhance the policy's values.

The improper use of an illustration is to specifically portray numbers in order to compare policies.³ Such an illustration for a mutual fund is specifically prohibited by securities regulations.

How does a consumer evaluate the credibility of two illustrations from different companies, or about different products, or products with different guarantees and enhancements? Most problems arise **because the illustration creates the illusion that the insurance company knows what will happen in the future and that this knowledge has been used to create the illustration.**⁴

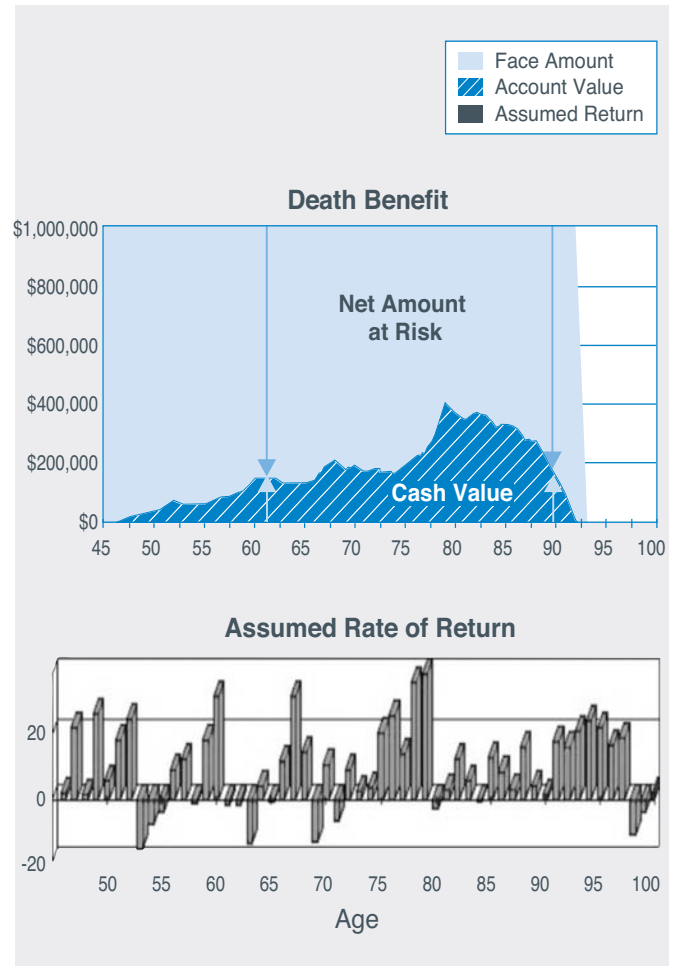
The Illustration Challenges for Universal Life and Variable Universal Life

Universal Life and Variable Universal Life policy development and enhancements would not have been possible without the personal computer. In turn, because of the volatility expected in the sub-accounts of a VUL product, illustrating to *show the prospect how the policy works* became a real challenge for the insurance industry.

With level death benefit Whole Life, the death benefit is comprised of the accumulating cash value and the commensurately declining Net Amount at Risk:

$$\text{Net Amount at Risk} = \text{Death Benefit} - \text{Cash Value}$$

The challenge with Variable policies is that the cash values will fluctuate, requiring simultaneous adjustments in the Net Amount at Risk.⁵



The graph suggests that assuming a higher premium – a more conservative illustration approach – is probably a better, or at least safer, guideline for a buyer.

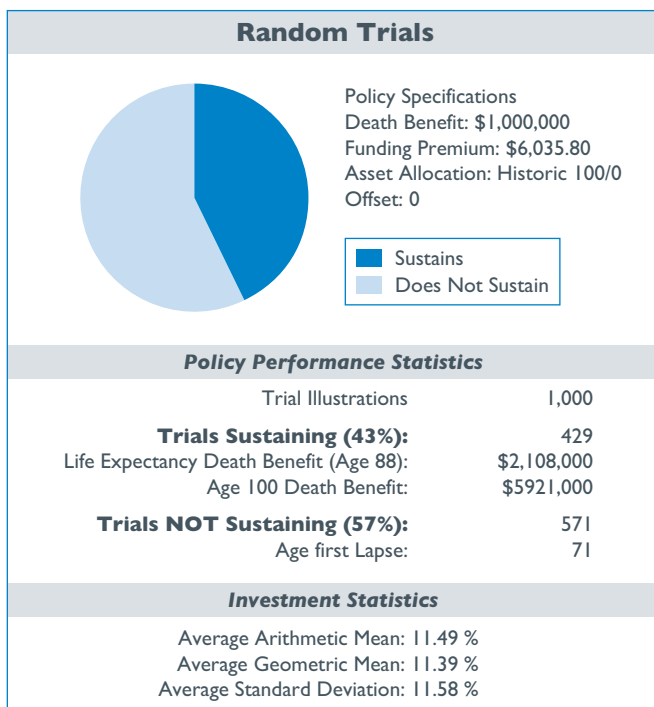
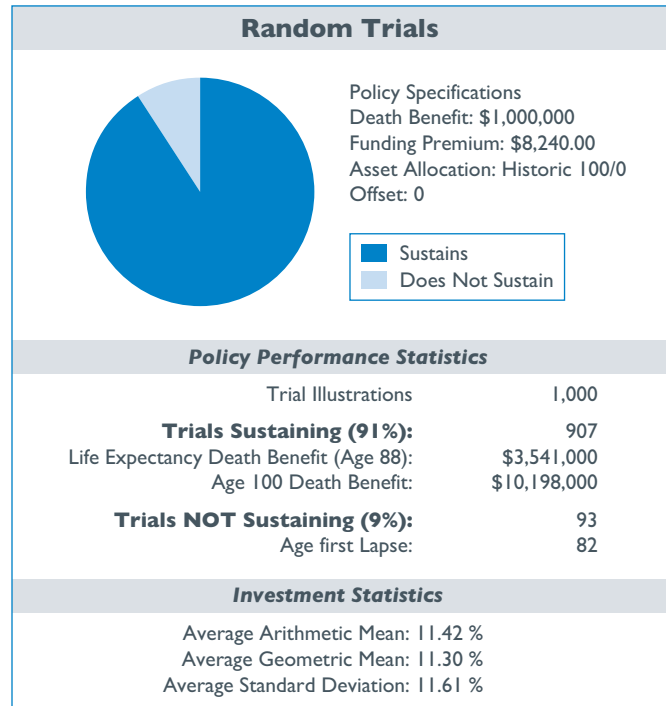
The challenge of illustrating Variable products in a more realistic way has been amplified by the regulation and tradition to project a constant return assumption (12% maximum) as far out as age 120. Statistical analysis produces a better way to understand and visualize how variable policies work by providing a more realistic “starting point” which advisors and clients can use as a baseline then revisit periodically.

Monte Carlo Analysis

The definition given for Monte Carlo analysis in the context of portfolio return is a means of statistically evaluating an unknown future outcome based on numerous random samples of prior experience. With today’s computers, it is possible to plug in a range of variables to see if the premium is likely to sustain a policy for a lifetime. The results of this type of calculation are demonstrated in the following graphs:

In the first, a death benefit of \$1 million is funded with an annual premium of \$6,035 for a 45-year-old to age 100. It shows a 43% ratio of success in sustaining this policy in force at this premium rate. A question would be, “Is this acceptable for this particular client?”

The second graph assumes a slightly higher annual premium (\$8,240), and produces a 91% success of sustainability ratio.



The random sampling of the past 55 years' returns demonstrate the complexity in assessing proper funding and/or performance of a variable product. The same method may be adapted to a UL product with a crediting rate tied to the experience of a company’s general assets account, which tends to change widely over time.

Apples and Oranges

Another consideration is that regulations restrict UL policy illustrations to use values no greater than the current crediting rate and VUL illustrations may use any rate up to a maximum of 12%. If a policy is purchased with an expectation of paying as little as possible over time, a VUL illustration can solve for a significantly lower premium *that is unlikely to be realized*. It is important that the right policy is matched to the client's needs – and to be aware that a variable policy can illustrate a better premium at 12% than a UL policy's crediting rate of 6%.

Above all, financial advisors must be on board to help clients periodically monitor results in order to maximize the effectiveness of their financial strategies. Statistical inforce evaluations of these life insurance products should be conducted every 3 – 5 years.

**“A likely impossibility is always preferable to an unconvincing possibility.”
– Aristotle**

Lifelong Needs: Underlying Factors to Consider When Choosing Life Insurance

The good news is that life insurance products have evolved over the years with the times, the economy, and individual needs and desires. There is a broad range of choices to dovetail with needs as well as the client's situation and preference profile. While peer companies typically utilize a similar process to design products, pricing, values, flexibility, and other features can vary widely. Outside influences can also affect product.

For example, in the 1970's and '80's, spiking interest rates with the underlying high rate of inflation had a negative effect on traditional life insurance. The attraction of superior total returns on the short *new money* portfolios of Universal Life products caused a decrease in sales of whole life with the longer, slower moving *old money* portfolios. Though whole life was not a bad deal, the focus was on paying as little as possible for the highest return, which drove many clients to the UL marketplace.

Most insurance companies have a similar mix of investments held in reserve to fulfill obligations to policyholders. The

investment portfolios are typically comprised of 90% or more in U.S. Government and high-grade Corporate Bonds, high-grade commercial mortgages, and policy loans, with minimal investment in risk-based capital. This practice is consistent in the companies' ability to allocate excess interest crediting rates on UL policies and dividends on participating Whole Life products.

Creating a uniform approach to configure pricing and contractual benefits has long been a challenge to the industry, where so many variables in the present must be considered for the future time horizon of life insurance.

Policy Standards Analysis

A *policy standard* is derived from resources such as actuarial tables, levels of investment returns, and average costs incurred by insurance companies in managing blocks of life insurance policies. In this section, the authors provide data analysis through policy standards to compare pricing and results for a Universal Life policy, a Variable Universal Life, and a Whole Life policy issued in 1974 and held for 30 years.

Participating Whole Life – Issued 1974 45-Male \$6,813 Premium - \$250,000 Death Benefit Dividends to Purchase Paid-Up Additions	
	Results
30-year Total Death Benefit	\$ 805,307
30-year Total Cash Value	\$ 630,635

Universal Life – Issued 1974 45-Male \$6,813 Premium - \$250,000 Death Benefit Death Benefit = Scheduled Benefit + Cash Value	
	Results
30-year Total Death Benefit	\$ 782,558
30-year Total Cash Value	\$ 532,558

Variable Universal Life – Issued 1974
45-Male
\$6,813 Premium - \$250,000 Death Benefit
Death Benefit = Scheduled Benefit + Cash Value

	20-80 Mix	60-40 Mix	80-20 Mix	100-0 Mix
30-year Total Death Benefit	\$ 692,490	\$ 980,863	\$ 1,165,717	\$ 1,377,395
30-year Total Cash Value	\$ 442,490	\$ 730,863	\$ 915,717	\$ 1,127,395

The assessments show 30-year death benefit and total cash values for the three policies, based on the same annual premium. The Variable product shows three scenarios with various asset mixes ranging from the most conservative to the most aggressive.

Other assessments are provided using a 60-year old female and a 33-year-old male to illustrate the application of policy standards across various case scenarios and with different products.

Buy Term and Invest the Difference (BTID) – 3 Views

This chapter addresses a common opinion that is generally considered an unquestionable truth among many of the media voices. Buying Term insurance and investing the difference can make sense in certain situations. These include:

- When there is a quantifiable time period for needed or desired protection, with a certainty that life insurance will not be required beyond that period.
- When the timeframe is 30 years or less and the buyer is under age 45.
- When the *difference* will indeed be invested, or
- When there is truly a lack of sufficient funds at the time to purchase permanent coverage.

For anyone making a buying decision that cannot check off one of the above criteria, Term insurance is definitely a poor choice.

Focus on Price

Level Term insurance becomes unaffordable after the initial guarantee period. The increase in the typical guaranteed continuation premium is more than 10-fold. In the example provided of a 33-year-old male, the premium for a 10-year Term policy with a \$1 million death benefit jumped from \$355 during the initial period to \$3,865 in the 11th year, and increased annually after that.

The key message here is the question:

“For my specific budget,
timeframe of need,
risk tolerance, and
overall financial situation
and resources,
**what type of policy
best meets my needs?”**

It is critical to keep in mind that each client’s needs and desires are unique, and that a *one-size fits all* financial strategy is inadequate.

Focus on Legacy

If a client wants to leave a specific legacy and buys Term, he or she must be confident of constant and historically high returns on the investment portion of this strategy. The S&P 500 Index experienced great volatility over a fairly short timeframe, achieving returns in excess of 47.85% in 1954 and returns plummeting to -25.99% in 1974. For those seeking a particular objective, BTID is not the most effective strategy.

Focus on Retirement Income

In the discussion, a 45-year-old consumer wants to maintain a \$500,000 life insurance policy, but needs to have a supplemental retirement income stream as well. Once again, uses of permanent life insurance working in synergy with portfolio investments can provide a higher net after-tax retirement income and provide a higher legacy value as well, while reducing risk.

Modern Portfolio Theory, Asset Classes, and Life Insurance

Developed in 1982 by Harry Markowitz, Modern Portfolio Theory has become one of the most well-known economic theories in our lifetime. The simple idea is diversification of asset classes to achieve the best risk/return balance for a portfolio.



Diversification is critical for a well thought-out portfolio.

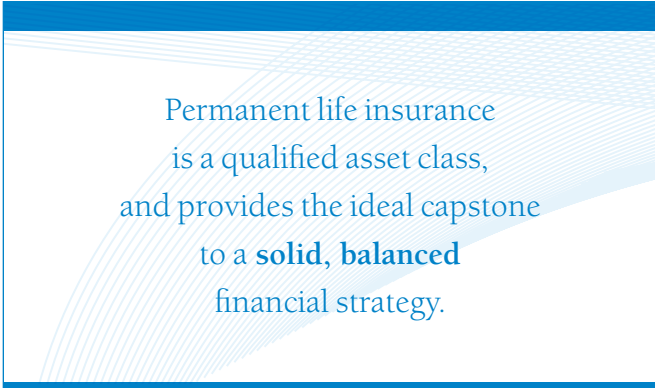
The primary asset classes include:

- Equities (common stocks)
- Fixed Income (bonds and mortgages)
- Money Market (cash)
- Guaranteed (annuities)
- Real Estate

While everyone invests, no matter what precautions are taken, there is typically some reduction of earnings from all of the above asset classes due to volatility, inflation, taxes, fees.

This section expands the discussion, highlighting life insurance as a viable asset class of substantial value. Here's why financial advisors need to look at life insurance more closely in helping clients build solid portfolios:

- The death benefit provides cash when needed most.
- The cash value provides the policyowner with *living benefits* similar to a fixed account with guaranteed minimum return, and may be used as a supplement to retirement income, mortgage or loan repayments, or a wide range of other applications.
- The tax-deferred cash accumulation can be accessed income-tax free.
- The death benefit is payable income-tax free and quite possibly estate-tax free.
- Policy proceeds are typically beyond the reach of creditors.
- The policy is funded with affordable periodic payments that, over time, are inherently leveraged to a capital sum.
- Unique to life insurance – With a Waiver of Premium rider⁶, a policy may be self-completing in case of disability.
- The death benefit is based on the event of death – not a market event that can cause a downturn in value.
- Premiums may be funded with capital earned from other invested assets in lieu of budgeted income.
- Permanent life insurance can produce at least as favorable a long-term result with less risk within an equity and fixed income portfolio than a portfolio without life insurance.

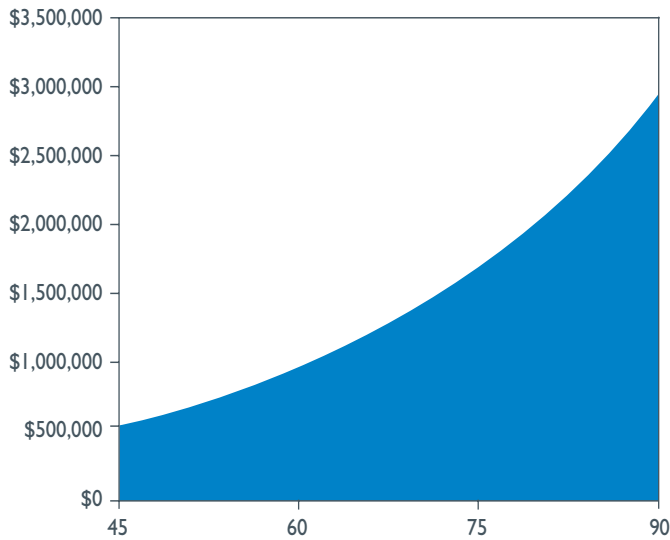


Permanent life insurance is a qualified asset class, and provides the ideal capstone to a **solid, balanced** financial strategy.

Assessing the Value of a Bond Portfolio With and Without Life Insurance⁷

To provide income beyond Social Security during retirement, many people rely on employer-sponsored plans, investments, and life insurance. As the time to retirement gets shorter, it's wise to scale back on more risky investments and increase the stability of fixed components. The following charts demonstrate the value of integrating life insurance with a bond portfolio rather than purchasing additional bonds.

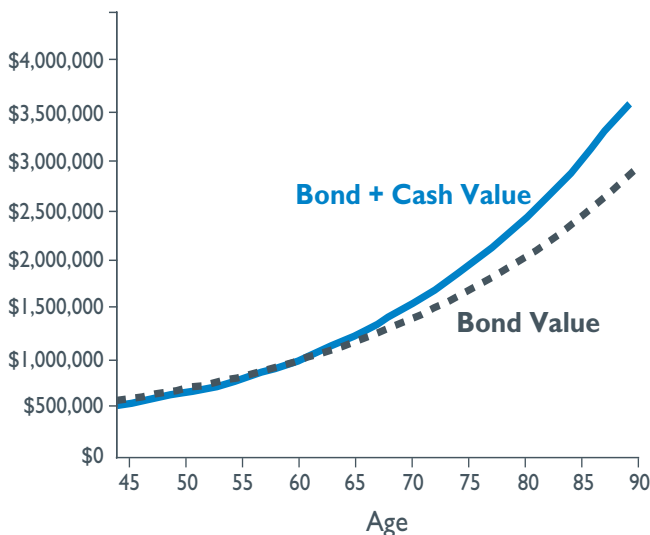
Value of Bond Component with Income Purchasing More Bonds



The charts evaluate growth of a \$500,000 initial investment from age 45 to age 90. The first chart shows that the investment in bonds, growing at an assumed constant 4% rate of return over the years would accumulate an asset value of \$2,920,588.

The second chart compares the results if the \$20,000 initial bond income was used to purchase a whole life policy with the results of an all-bond option. During the first 19 years, the all-bond option produces slightly higher accumulations than the bond/cash value alternative, then the values utilizing life insurance rapidly increase, outstripping the bond value alone in the later years. This coincides with the years when an individual may want additional resources to draw upon for income, as inflation and the cost of living could have outpaced Social Security and a pension.

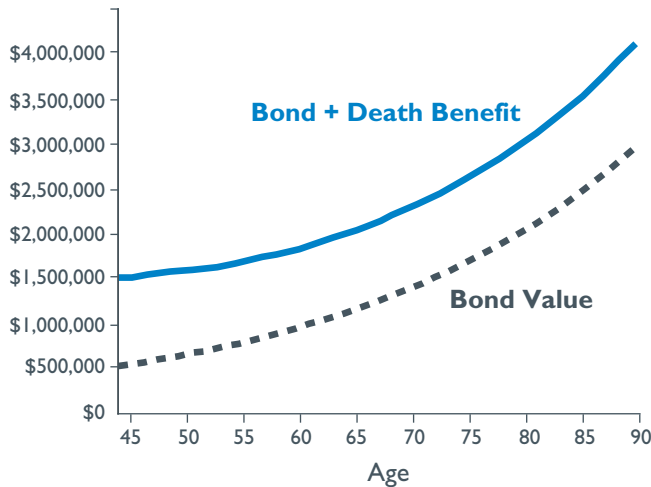
Asset Values of Bonds and Life Insurance



Legacy Planning

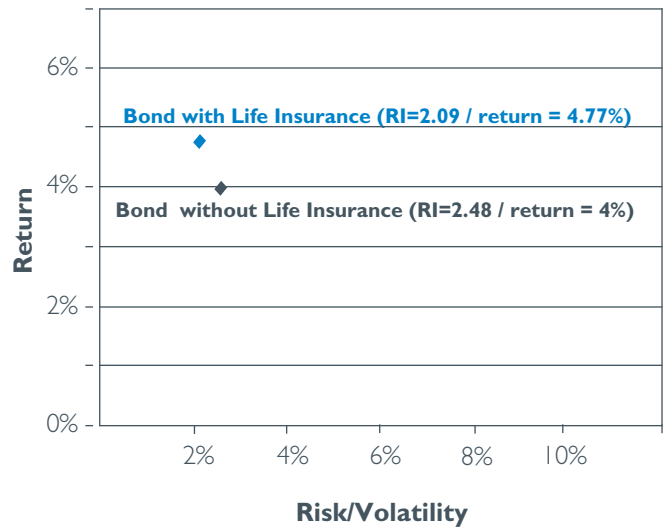
Because the life insurance death benefit is paid in full at the event of death, no matter what the “timing,” the legacy value of the bond/life insurance combination delivers a significantly greater result in every year.

Legacy Value of Bond Plus Insurance Death Benefit



The following graph shows the synergy in funding life insurance from the income stream of a component of the fixed portfolio, with a better risk/return than the bond fund without life insurance.

Risk/Return



The synergies of using life insurance plus other investments can produce more legacy value, potentially more net income, and less market value adjustment risk than a portfolio structured with no permanent life insurance. Considering life insurance as an asset class achieves the ideal *efficient frontier* discussed in Modern Portfolio Theory and is, ultimately, also in the best interests of our clients.

Building a Life Insurance Portfolio with Efficient Choices

While Modern Portfolio Theory emphasizes diversity in investment options, a similar process of diversification can apply to the efficient selection of life insurance policies intended for lifetime use, especially when acquiring an amount in excess of \$3 - \$5 million.

Selecting a mix of the right products involves consideration of the client's risk tolerance, time horizon, desired premium outlay, development and access to cash values, and death benefit requirements. The major forms of life insurance present varying combinations of most of these attributes.

	Price (Premium Outlay)	Cost (NPV) (Premium/CV)	Potential for Increasing DB @ LE	Investment Risk
	No Lapse Guarantee Universal Life			
Life Expect.	Lowest	Highest	None	Lowest
Age 100	Lowest	2nd Highest	None	Lowest
	Universal Life (minimally funded)			
Life Expect.	2nd Lowest	2nd Highest	Some	Low
Age 100	2nd Lowest	Highest	Some	Low
	Variable Universal Life			
Life Expect.	2nd Highest	2nd Best	Good	High
Age 100	2nd Highest	Best	Good	High
	Par Whole Life			
Life Expect.	Highest	Best	Excellent	Very Low
Age 100	Highest	2nd Best	Excellent	Very Low

If a client is interested in lowest outlay, the No-Lapse Guarantee policy may be the right choice. However, if *best cost* is desired, Whole Life or Variable Universal Life could be the better buy. There are so many factors to consider that it takes professional expertise to help guide the buyer to make efficient choices.

Financial Expertise Versus Life Insurance Expertise

Financial expertise has become more specialized since the 1960's as the number of products and their complexity have increased. With the advent of the Internet, where individuals can acquire and manage their own investment and insurance choices, there are many resources available for information, advice, and execution of the individual's wishes.

The best scenario is a relationship with a team of like-minded individuals, each with specific professional expertise in the financial arena.

Policy Management

The financial "gurus" are all especially focused on the buying and selling process of the portfolio components they favor. Even in discussions of life insurance, the primary consideration seems to be what product to purchase. Very little attention is paid to *monitoring*, *managing*, and *measuring the success* of the portfolio.

Some questions to consider include:

- Does the insurance policy remain suitable to the policyholder's situation and expectations?
- Is the insurance company continuing to remain financially solid?
- (If a Universal Life or VUL policy) Are scheduled premiums adequate to sustain the policy contract to maturity?
- Is the company providing a high level of service and expertise?

In addition to putting a plan in place, ongoing assessment and careful monitoring are essential for a successful financial strategy that could span a lifetime. Guardian's Living Balance Sheet is an ideal electronic planning and service platform for use by clients and their Guardian representatives. It helps provide a comprehensive overview of a portfolio with the opportunity to monitor and update as frequently as necessary, to achieve optimum financial balance among all of an individual's investments. Because life insurance can provide financial security over generations, it is critical to look to the company for its stability, quality products, customer service, and the knowledgeable expertise of its financial representatives.

Since 1860, Guardian has provided high quality products and services to meet a broad array of personal and business needs to enrich the lives of the people we touch.

¹ *Life Insurance Consumer Studies*, LIMRA International.

² Variable life insurance products and their underlying investment options are offered by prospectus only. Prospectuses contain important information, including charges and expenses, and should be read carefully before completing an application, investing, or sending money. Please consider the investment objectives, risks, fees and charges, and expenses of the investment company carefully before investing. A prospectus containing this and other important information can be obtained from a sales associate or by calling 1-800-441-6455.

Variable Universal Life insurance is issued by The Guardian Insurance & Annuity Company (GIAC), a Delaware corporation and distributed by Guardian Investor Services LLC (GIS). GIAC and GIS are located at 7 Hanover Square, New York, NY 10004-4025.

Values in variable investment options will fluctuate daily and may be worth more or less than the original investment. Any individual soliciting these variable life insurance products must be a licensed insurance agent and a registered representative of the broker-dealer.

Variable products and their underlying investment options are not deposits of, or guaranteed or endorsed by any bank or depository institution and are not insured by the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Association, the Federal Reserve Board, or any other Agency and involve risk, including possible loss of the principal amount invested.

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GIS and PAS are members of: FINRA, SIPC.

³ *Final Report of the Task Force for Research on Life Insurance Sales Illustrations under the Auspices of the Committee for Research on Social Concerns*, Society of Actuaries, 1992.

⁴ *ibid.*

⁵ For policies with level death benefits, the Net Amount at Risk equals the policy's stipulated death benefit minus the cash value for any point along the continuum from policy purchase until death.

⁶ Riders may incur additional costs.

⁷ Please note that the deduction of all applicable fees and charges could result in lower performance than shown.



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