

Retirees turn to a surprising source of cash in a crunch

A rising number of American households - nearly 45 percent - are "at risk" of not having enough money in retirement, according to the Center for Retirement Research at Boston College. But some retirees have discovered a surprising source of supplemental retirement income: the cash value of their whole life insurance policies.

Many retirees will use the cash value of their whole life insurance policies as a supplemental income stream to see them through tough times. The cash value of whole life is guaranteed to grow every year, unlike stocks and mutual funds which can have good and bad years. Mutual life insurance companies also have an excellent track record of paying annual dividends that beef up the policy's cash value.

"My whole life insurance policy has always been the best value for the buck," says Jack Leon, 79, a lawyer in San Antonio, who purchased coverage from Massachusetts Mutual Life Insurance Co. (MassMutual). "I've always known the cash value of my whole life policy would grow, in good times and in bad. And I've always known the cash is there if I need it in an emergency."

Dave Janca, 48, a software company owner from Orchard Park, N.Y. agrees. "It's nice to know you can get to the cash as you grow older," he says. "Your investments may fluctuate with the markets. But the value of whole life is predictable - it grows, and it's there if you need it. To me, it's not just insurance, it's another planning vehicle."

Most people buy life insurance for the policy's death benefit. But financial professionals say whole life insurance can also supplement retirement planning because it's flexible and helps policyholders address their ever-changing needs and circumstances. "A policy's cash value can be used for planned long-term needs, like helping a grandchild with college tuition or for medical and elder care. Used responsibly, it also can be used to help ride out the unexpected" says Tara Reynolds, MassMutual vice president. "We've seen people tap their whole life policies in emergencies, like home mortgage payments, getting a loan when banks say no, or quickly generating cash flow in a small business situation."

Guarantees are one of the many great aspects of whole life insurance. The death benefit is guaranteed; the premiums are guaranteed, and growth of the cash value is guaranteed. It's a piece of your financial plan that you don't have to worry about. The cash value of a whole life policy can also be used to "tame a bear market."

MassMutual has free tools and calculators that can help people set savings goals, planning strategies and identify their specific needs at www.massmutual.com/calculators.

"When the stock market or economy is down, policyholders can tap into the cash value of their whole life insurance policy instead of selling stocks at a loss. This gives their portfolio time to recover," says Reynolds.

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