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WHOLE LIFE INSURANCE

A surprising alternative to education funding

You've probably heard of a 529 Plan when it comes to saving for your child's college education. It's probably the most recognizable vehicle for college savings because of its favorable tax treatment for qualified education expenses, as well as a state tax deduction in some states. But it's not *the only* option available to you.

A whole life insurance policy can help you accomplish your college savings goals a similar way a 529 plan can. But there are differences between the two that might make whole life insurance a more suitable option for you:

- **Take income tax-free college loans.¹** You can use the cash value in your policy to take out loans tax-free to help pay for college expenses (or other uses) without having to worry whether they're qualified education expenses or not.
- **Get guarantees without market volatility.** A 529 plan likely has funds tied to market returns. While that can allow your college fund to grow over time, a down market could significantly affect what you can afford at a particular given time. Timing is everything. Imagine a market downturn occurring right before your student's freshman year. Whole life provides you with guaranteed premiums, death benefit and cash value that won't decrease based on financial market performance. Any dividends paid will enhance your cash values and death benefit.
- **Have options in case of disability.** What if you became disabled while trying to build up savings for that college education? With whole life, you have an optional waiver of premium rider to guarantee your college funding goals stay on track.
- **Benefit from savings that may not affect financial aid considerations.** FAFSA™ financial aid guidelines currently don't count your life insurance policy's cash value as an asset, which means you could qualify for a higher level of aid. A 529 plan is considered an asset by FAFSA. Note: some colleges do view life insurance as an asset in determining financial aid.
- **Fund an education should the unthinkable happen.** Life insurance provides an income tax-free death benefit to your named beneficiary which could fund an education.



Whole life vs. 529 Plan

	Whole life insurance	529 Plan
Potential deductible contributions	No	Via state tax in some states
Tax-free access to cash	Via policy loan as long as the policy stays in force. ¹	If for qualified education expense
Not subject to market risk	Yes	No
Optional disability waiver rider	Yes	No
May not affect financial aid amount	Yes	No*
Death benefit	Yes	No

* Applicable if owned by parents. 529 plans owned by grandparents/third parties generally do not affect financial aid of beneficiaries under current guidelines.



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Sometimes there are better solutions

There may be situations where whole life insurance won't work for you. It's best to use whole life as a college savings option when the child you hope to help send to college is young. That way your policy can build enough cash value to properly cover college expenses. You can use what's called an optional Additional Paid-Up (API) rider to significantly add to the early build-up of cash values in your policy. But if that first tuition bill is coming up soon, whole life insurance may not be the solution for you.

What role will life insurance play in your plan?

Providing protection to your loved ones is primarily what whole life insurance is known for. But it can play a key role in your college funding plan with tax-preferred access to cash values and additional benefits that provide added flexibility, protection and guarantees without market volatility to you. It can also be a solution that supplements funds *alongside* your 529 Plan contributions. It doesn't have to be one or the other when it could be both.

Compare the two and talk with your financial professional to see if using whole life insurance is a college savings solution for you.

Let's talk about planning for your child's college education.

First Last Name

Company Name (can switch first two fields)

Street Address

City, State Zip

Phone (with area code)

Email address

Web address (if applicable)

¹Distributions, for any purpose, are not taxed under current law provided the policy avoids Modified Endowment Contract (MEC) status and remains in force.

If tax-free loans are taken and the policy lapses, a taxable event may occur. Loans and withdrawals from life insurance policies classified as modified endowment contracts may be subject to tax at the time the loan or withdrawal is taken and, if taken prior to age 59½, a 10% federal tax penalty may apply. Withdrawals and loans reduce the death benefit and cash surrender value. Withdrawals from 529 plans are tax-free if used for qualifying education expenses.

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Whole life insurance is issued by The Ohio National Life Insurance Company on policy form 06-PW-1 and any state variations. Waiver of Premium for Total Disability Rider is issued on form number 82-LWP-1 and any state variation. Guarantees are based on the claims-paying ability of the issuer. Dividends are not guaranteed. Products, product features, and rider availability vary by state. The issuer is not licensed to conduct business in New York.

Clients should consult their own tax advisors regarding the comparative tax benefits of 529 plans, as well as the potential taxation of distributions from both 529 plans and whole life insurance policies.

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