LIFE INSURANCE

WHOLE LIFE INSURANCE – PROTECTION AND POTENTIAL

Is “Buy Term and Invest the Rest” a strategy for you?

Ohio National Financial Services®

Consider your peace of mind with permanent life insurance

If you're looking for the peace of mind life insurance can provide, permanent life insurance has helped families and businesses for over 200 years. You may have heard a common recommendation to avoid permanent life insurance altogether, go with a term life insurance policy's lower premiums and invest the difference in the stock market. Is that really the right choice for you? Will you get the peace of mind you're looking for? Take a closer look, because there are factors you may want to consider.

What's the long term answer for you?

Say you go with a term life policy and invest in the stock market with the difference you may have paid in whole life premiums. It's impossible to predict the future course of any investment, but we can compare to the S&P® 500 Index returns[1] to determine how your assets may have grown over 20 years if you had chosen two different paths: buying whole life or buying term and investing the difference. In the long run, which choice lets your investment grow while balancing with the peace of mind you're looking for?

S&P® 500 Index
1996-2015

Year	Annual Return
1996	22.96%
1997	33.36%
1998	28.57%
1999	21.05%
2000	-9.11%
2001	-11.88%
2002	-22.10%
2003	28.49%
2004	10.88%
2005	4.91%
2006	15.76%
2007	5.49%
2008	-37.00%
2009	26.46%
2010	15.06%
2011	2.11%
2012	16.00%
2013	32.39%
2014	13.69%
2015	1.38%
Average	**9.93%**

[1] You cannot invest directly in an index, which is being used here as an example of an equity investment. The returns listed assume dividends are reinvested back into the index.

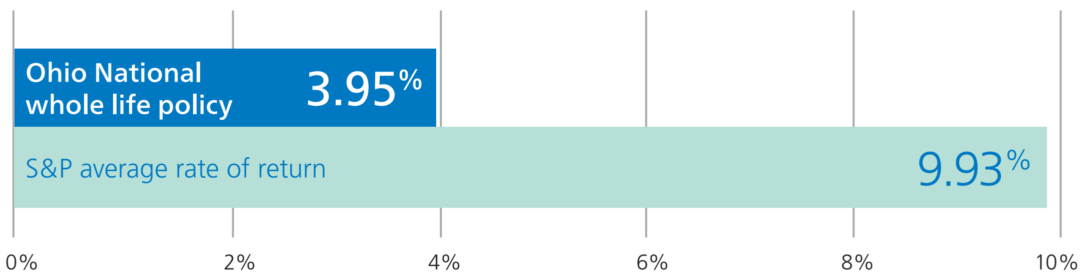
Why average vs. real rate of return matters

Over a 20-year period (1996-2015), the average rate of return for the Standard and Poor's 500 index was 9.93 percent (see table, previous page). This included good years and some difficult years. **Many investors may believe that 9.93 percent return over 20 years indicates that the stock market does indeed deliver better long-term returns than other assets.**

Over the same time period, annual premiums on a whole life insurance policy[2] issued by Ohio National would have delivered a real return of 3.95 percent.

But there's a big difference between average rate of return, (adding up 20 years of returns and dividing by 20) and a real rate of return.[3]

Compare the difference at year 20



Whole life returns include both guaranteed cash values and non-guaranteed dividends. *Returns would have been lower if only guaranteed values had been paid. Similarly, returns available in the stock market include both capital gains and dividends, neither of which is guaranteed.*

[2] The hypothetical whole life policy return used in these examples assumes a purchase of an Ohio National $250,000 EVP whole life policy with historical dividends to buy paid-up additional insurance on Jan. 1, 1996. The insured policyholder was a male, age 45, best class. All premiums were paid on an annual basis and no loans or withdrawals were taken. The EVP policy was replaced with the Prestige Max (Policy Form 06-PW-1/1U) policy in 2008 and is no longer for sale.

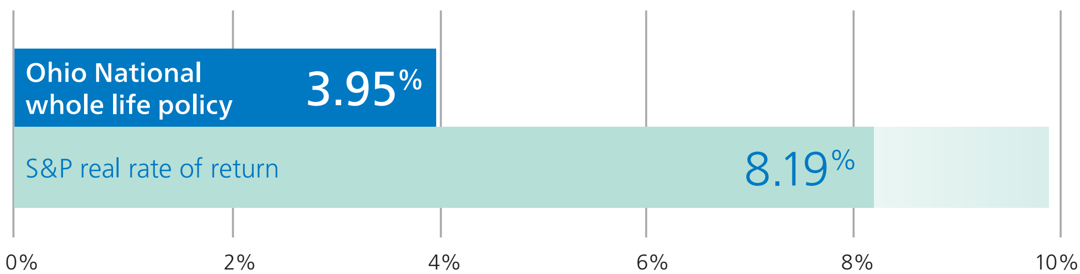
[3] Returns for all assets fluctuate over time and the return quoted for the EVP policy, as well as the S&P 500 index, are accurate only at the 20-year point. Returns would be different if held for longer or shorter periods of time.

The real rate of return assumes you invest a lump sum at the beginning of the time period and continue with that investment through the ensuing years. At the end of the time period we can calculate what level rate of return would be required to deliver the same value. In other words, real rate of return shows how your investments would have performed had you actually invested over the time period.

Are you getting the returns you expect?

Because stock market downturns can be magnified over time (e.g. if you lose 20 percent one year, you must earn 25 percent the following year to break even), the real rate of return is lower than the average. Over the past 20 years, the real rate of return was 8.19 percent, about 1.70 percent lower than the average. That's more than a 15 percent reduction and likely far less than what most might expect from the stock market.

Compare the difference at year 20



Note that the whole life policy rate of return remains 3.95%. *Because the cash value of whole life policies can only increase in value, they never have to overcome the effect of market downturns and therefore have the ability to provide more consistent rates of return than other assets.*

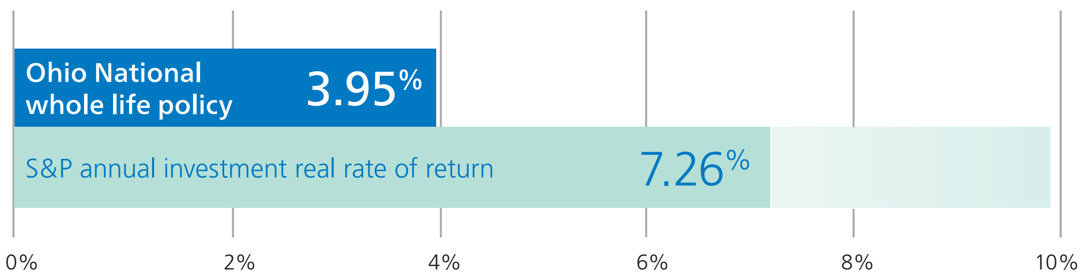
Single payment vs. multiple payments

One potentially misleading aspect of advertised investment returns is that they're based on assuming a single investment is made at the beginning of a given time period. But that's not how most people accumulate wealth and definitely not what happens when somebody suggests buying term life insurance and investing the difference. Life insurance premiums occur every year, not in one lump sum payment at the beginning of the period.

If you chose the term life policy and invested the difference 20 years ago you wouldn't have made one initial payment. If we assume your invested difference was 20 equal annual payments on January 1 of each calendar year, **the real rate of return for your dollars drops from 8.19% to 7.26%,** much less than the 9.93% previously shown.

You know the ups and downs that life can bring, especially when it comes to money and unexpected expenses. Ask yourself, ***would you stay disciplined and invest that difference in premium payments on a consistent basis?***

Compare the difference at year 20



The whole life rate of return had already assumed equal annual premium payments and, therefore, is unaffected. *Note that at this point the returns in this example are getting closer together, and the volatility is higher for the equity investor over the 20-year period.*

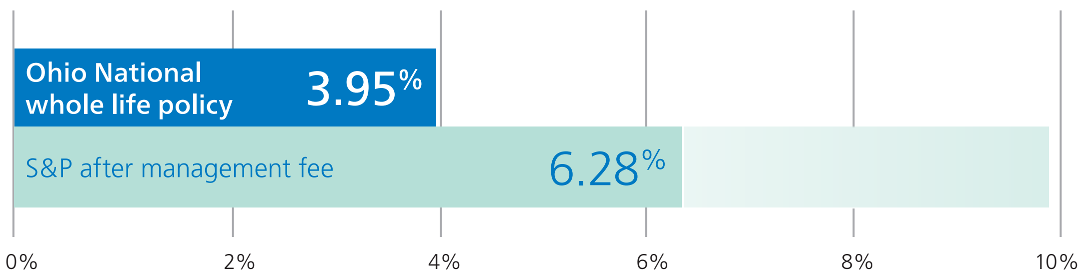
Managed portfolio vs. unmanaged portfolio

The returns discussed to this point assume you were able to achieve stock market returns every year on an unmanaged portfolio. But that may not be reality. Somebody may help manage your portfolio and at some point, that somebody is getting paid to manage money. Either a mutual fund manager, fee based advisor, stock broker or other entity can receive compensation for money management. Assuming a 1% annual management fee, **your rate of return now falls to 6.28%.**

Why does the rate of return decline by less than 1%?

Every dollar that comes out of the account loses any potential gain or loss that it may have had over the remainder of the 20 year period. The term used for this is Lost Opportunity Cost (LOC). LOC tells you that any time a dollar is removed from your savings for taxes or fees, you not only lose that dollar, but all the potential growth or loss of that dollar moving forward.

Compare the difference at year 20



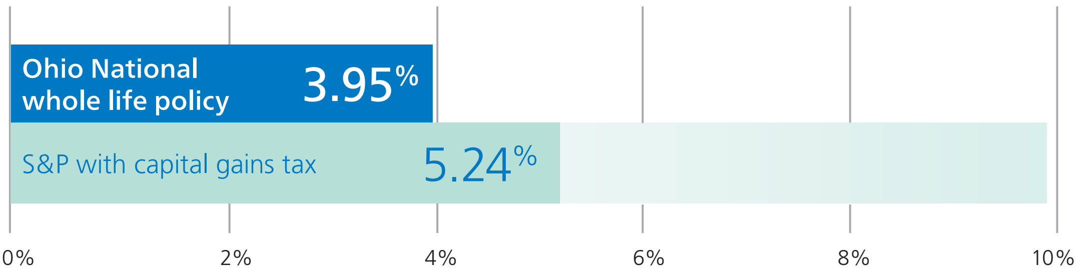
Whole life insurance doesn't have an explicit management fee. *The company manages the portfolio of assets together and all costs and commissions are included in the larger pricing decisions made when the policy is created.*

Taxed vs. untaxed

There's no way around it, you have to take taxes into consideration. Taxation can occur annually, or at specified periods. Ultimately, taxation reduces the amount of asset that can be used.

If the premium difference between a whole life policy and a term policy were in a brokerage account, and we assume taxes each year on the gain in the account (taxed at the long-term capital gain rate then in effect), the return would be 5.24%. **That's down to a little more than half the advertised 9.93% rate of return for the past 20 years.**

Compare the difference at year 20



***One distinct advantage of life insurance** is that it receives certain tax advantages on the accumulation (tax-deferred) and distribution (tax-preferred) of money inside of a policy. While assets accumulated in other vehicles are taxed either during accumulation or distribution, there may not be such a tax with a properly structured life insurance policy. If a whole life policy is surrendered outright, the gains are subject to ordinary income tax.*

Considering your two paths

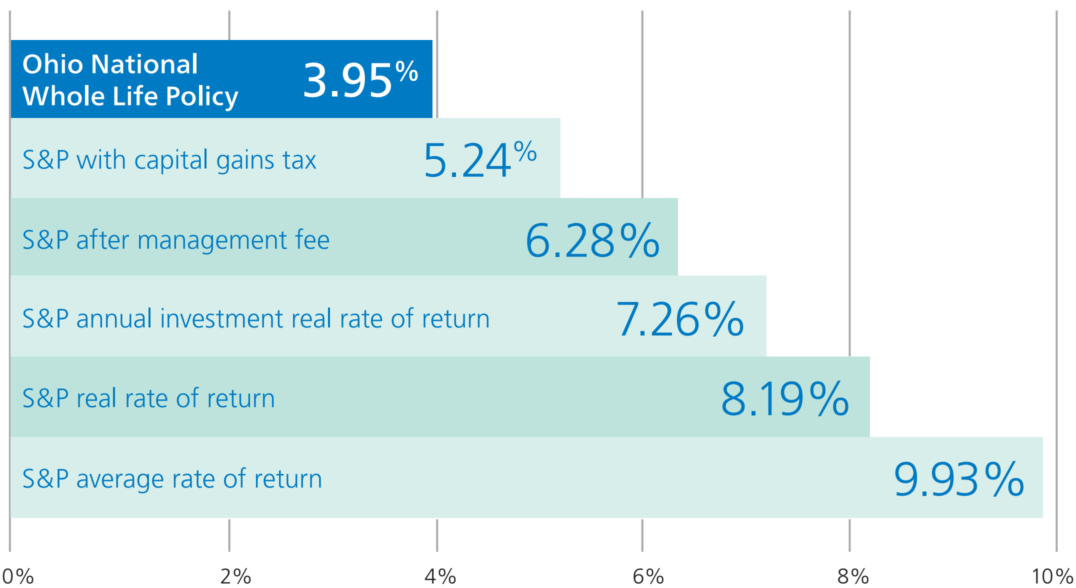
So where would you stand at the end of the 20 year period? If you chose term life and invested the rest, your invested assets have grown. But after weighing many factors, you see the rate is not dramatically better than what could have been achieved in a whole life policy. If you asked yourself, would you be comfortable with the level of volatility your investment would have experienced over that 20 year period? Is the rate of return worth the emotional ups and downs market volatility can bring? At the end of the 20-year period, will your need for life insurance protection have ended?

If you had purchased a whole life policy and kept the policy in force, the assets would have consistently accumulated inside the policy without market volatility. But as you'll see, there are additional benefits to whole life beyond the stability.

Coverage questions to consider

- *What if you decide that you still want some life insurance?*
- *Can you afford it?*
- *Will you be healthy enough to even qualify?*

Compare the difference at year 20



A whole new look at whole life

Permanent life insurance, and in particular whole life, has suffered from a misconception that it is expensive and will not accumulate assets effectively. But as you've seen, there are more factors to consider. A whole life policy has even more benefits to consider.

Protection

Just like a term life policy, you'll get death benefit protection for your loved ones, and as long as premiums are paid when due, that death benefit can never decrease. Unlike a term policy, the death benefit value can rise if a dividend is declared. In addition, a whole life policy means your premium payments would stay the same. After your term life policy ends, requalifying for coverage means your premium payments would likely be higher because you're older and health risks increase as you age.

Potential

The values in whole life insurance will only increase annually, eliminating the volatility found in other types of assets. You won't have separate management fees that reduce the cash value growth in your whole life policy. If your policy pays dividends, then those too can generate further dividends, creating a compounding effect.

Access

You can access the cash values in your whole life policy through loans and/or withdrawals on a tax-preferred basis.[4] You control the access to your cash values and have loan repayment options that may be more flexible than loans you might take from a 401(k) or through a home equity loan.

Flexibility

Many whole life policies have options you can select, called riders, that you couldn't get if you invested in equities. One example is an optional waiver of premium rider which, should you become disabled, ensures premiums continue to be paid into your policy. You can also increase your cash value and death benefit through purchasing additional insurance with API (Additional Paid-Up Insurance) Riders. There are also riders than can allow you to tap your death benefit for chronic and terminal illness expenses.

[4] Policy must not be classified as a Modified Endowment Contract (MEC).

A financial foundation for peace of mind

You're looking for safety, security and proven results. Many people just like you have found all three with whole life insurance, which has delivered value and peace of mind to millions of Americans for decades. It has been, and continues to be, a foundational asset in many financial portfolios.

Think of it this way: The guarantees of whole life insurance provide you with financial certainty in a time of uncertainty, giving you permission to invest in potentially higher yielding assets with your other money. You have a solid foundation with protection and potential.

Consider Ohio National

Ohio National has maintained an impressive track record in helping individuals with whole life insurance. Since 1924, dividends have been paid on our whole life policies through every financial crisis, including the great depression and great recession. Compared to other less certain assets, that's an enviable record.

Life changes. We'll be there.®

Our mission is to make a difference in your life by helping you achieve financial security and independence today – and for generations to come.

Loans and withdrawals from life insurance policies that are classified as modified endowment contracts may be subject to tax at the time that the loan or withdrawal is taken and, if taken prior to age 59½, a 10 percent federal tax penalty may apply. Withdrawals and loans reduce the death benefit and cash surrender value. **If tax-free loans are taken and the policy lapses, a taxable event may occur. Consult your personal tax advisor on all tax matters. Past performance is no guarantee of future results.**

The purchase of a life insurance policy is subject to underwriting requirements. Both projected and historical returns of a whole life insurance policy are subject to variation based upon the age, sex, and the actual underwriting classification of the insured as well as the type of whole life insurance policy purchased.

The purchase of a whole life insurance policy is a long-term commitment. During the first several policy years, both the guaranteed and non-guaranteed cash value of a whole life insurance policy is typically less than the premiums paid. If a whole life insurance policy is surrendered, its surrender value will not always exceed the total premiums paid. Before purchasing any whole life insurance policy, you should request a policy illustration and carefully compare both the guaranteed and the non-guaranteed elements.

Whole life insurance is issued by The Ohio National Life Insurance Company on policy form 06-PW-1 and any state variations. 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 do business in New York.

Tracing its corporate origins to 1909, Ohio National markets a variety of insurance and financial products in 49 states (except New York), the District of Columbia and Puerto Rico, and through affiliated operations in South America. We are committed to building long-term relationships with our customers and to providing them with solutions as their needs change over time.

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Ohio National Financial Services®

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