Guardian®

Dividend Manual

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Rider Form#: 86-R45, 86-R66, 18-OPTQ, 18-OPTR, 13-LTCR

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Dividend Manual
Whole Life
2017 Edition

Guardian is a mutual life insurance company, operating for the benefit of participating life policyholders who share in the company's results, in part, through the payment of annual dividends. Dividends are not guaranteed. They are declared annually by Guardian's Board of Directors.

Unlike stock-based companies, with a mutual life insurance company, there are no outside shareholders, so the company is managed to maximize the long-term interests of its clients. While dividends are not guaranteed, Guardian has paid dividends to participating individual life policyholders every year since 1868.

To learn more details about the structure of whole life dividends, please view L.I.F.E. Module 8: Whole Life Dividends.

Guardian Whole Life Dividend Options:

Option	Description (Additional details on following pages)
A	Cash Payment
B	Reduce Premium
C	Dividend Accumulation
D	Paid Up Additions
F	One Year Term Additions up to policy cash value with balance to dividend additions
G	One Year Term Additions up to policy cash value with balance to reduce premium
I	Long Term Care Additions (When added with IPF, LTC adds cannot participate in the index period.)
L	One Year Term Additions up to 2X the face amount with balance to dividend additions
P	One Year Term Additions up to 2X the face amount with balance to reduce premium
Q	One Year Term Additions with target face amount (When added with IPF, 1st IPF sweep will occur after 2nd policy year.)
R	Increasing Q (Not available with IPF)
S	Premium Offset
U	Dividends repay outstanding loan principal

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Guardian Whole Life Dividend Options – Product Availability:

	L121	L99	L95	L65	L20	L10	Achiever Gold	ESWL 10 Pay	ESWL	Estate-Guard
A	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
B	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
C	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
D	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
F	✓	✓	✓			✓	✓		✓	
G	✓	✓	✓			✓	✓		✓	
I	✓	✓	✓	✓	✓	✓		✓		
L	✓	✓	✓			✓	✓		✓	
P	✓	✓	✓			✓	✓		✓	
Q	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
R	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
S	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
U	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Dividend Options Overview:

The dividend options listed above are offered to Guardian's participating policyowners. If the policyowner does not elect an option:

- Option D is automatically assigned to permanent plans
- Option C is automatically assigned to participating term plans

Policyowners may switch dividend options, with the following exceptions:

- If a policy has Dividend options Q or R, the policyowner may switch to another dividend option and will be unable to switch back to Q or R at a later date.
- Dividend option I is available ONLY at policy issue. If option I is elected at issue, the policyowner may change to a different dividend option at a later date and will be unable to switch back to dividend option I, unless in the case of premium offset
- Any dividend option change request will take effect upon the following anniversary

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Dividend Options Detailed Descriptions:

A	**Cash Payment:** Dividends are paid each year to the policyowner in cash (paid via check). Any dividend amount paid out in cash above the policy's cost basis may be subject to ordinary income tax.
B	**Reduce Premium:** Dividends are used to reduce premiums. Any excess dividends are used to reduce loan interest due on anniversary. Not available with Salary Allotment.
C	**Dividend Accumulation:** Dividends are left as a deposit to accumulate at interest. The interest rate is announced with the dividend scale for the following year and is subject to change annually.
D	**Paid Up Additions:** the dividend is used to purchase paid-up participating life insurance (PUA's). PUA's increase the policy cash value and death benefit and, in turn, earn their own dividends.
F	**One Year Term Additions up to policy cash value with balance to dividend additions:** Each year, dividends are used to purchase one-year term (OYT) insurance in the amount of the policy's guaranteed cash value. Any excess dividend is used to purchase paid-up additions. If the dividend is not sufficient to purchase the full amount of OYT, previously earned and credited dividend additions will be surrendered to pay term costs.
G	**One Year Term Additions up to policy cash value with balance to reduce premium:** Like Option F, dividends are used to purchase OYT insurance up to the policy's guaranteed cash value. Any excess dividend is used to reduce the policy premiums and/or loan interest. If the dividend is not sufficient, previously earned.
I	**Long Term Care Additions:** This option is available only on policies with the Long-Term Care Services Rider. Elected only at policy issue, the dividend will be used to purchase long term care paid up additional insurance that is used to create an additional benefit pool. The additional benefit pool, combined with the long-term care basic benefit pool, will determine the total number of months the maximum monthly benefit amount will be payable for. For additional details, please view the Long-Term Care Rider Guide located on: Guardian Online > Product Portfolio > Whole Life > Long Term Care Rider
L	**One Year Term Additions up to 2X the face amount with balance to dividend additions:** Each year, dividends are used to purchase OYT insurance up to twice the policy's face amount. Any excess dividend is used to purchase dividend additions. If the dividend is not sufficient, previously earned and credited dividend additions will be surrendered to pay term costs.
P	**One Year Term Additions up to 2X the face amount with balance to reduce premium:** Like Option L, dividends are used to purchase OYT insurance up to twice the policy's face amount. Any excess dividend is used to reduce the policy premium and/or loan interest. If the dividend is not sufficient, previously earned and credited dividend additions will be surrendered to pay term costs.
Q	**One Year Term Additions with Target face amount:** Dividends are applied to purchase both OYT insurance and dividend additions. The sum of the OYT face amount, the dividend additions, and any PUA rider additions will equal the Target Face Amount, which is specified at issue. The term portion of the policy is guaranteed for only the first two years. Dividends may be used to replace the term insurance portion of the policy with permanent insurance. If the dividend is not sufficient to maintain the Target, non-loaned dividend and rider additions are surrendered to pay term costs. The purchase of PUA rider additions is required at a minimum level. The amount of rider additions purchased depends on the Target and other factors. Use Guardian's Illustration System, GPS, to determine permissible rider additions payment amounts. (For a quick tutorial on using GPS to illustrate Q, view: GPS – Blending with Option Q)

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	The maximum amount of the Target is nine times the base amount The minimum amount of the Target is $25,000
R	**Increasing Q:** This dividend option features a Target face amount with automatic increases chosen by the policyholder. The policyholder can choose a constant increase (up to 10% of the total initial death benefit – base + target) or a compound increase (up to 6% of the previous year's total death benefit – base + target). Similar to Option Q, dividends are applied to purchase both one-year term and dividend additions. The sum of the face amount of the OYT, the dividend additions, and any rider additions will equal the target face amount. The Target increases annually for 20 years, beginning in the 3rd policy year. During the first two policy years, the Target is level. If the dividend is not sufficient to maintain the Target, dividend and rider additions will be surrendered to pay term costs. If there is still a deficiency, the policyowner will be billed for the difference. The maximum amount of the initial Target is the base face amount (50/50 blend). The minimum amount of initial Target is $25,000.
S	**Premium Offset:** Uses the annual dividend to pay the annual policy premium. If the dividend is not sufficient to cover the entire annual premium, then previously paid for and credited paid up rider additions will be surrendered and applied to the remaining premium (additions previously assigned as security for an outstanding loan cannot be used). With Premium offset, a policyowner may elect to do the following on their policy: • Offset premiums or reduce loan interest (Option B) • Purchase paid-up participating insurance (Option D) • Offset the premium on a policy with Option Q If the dividend and rider values are not large enough to pay the premium, then the dividend is used to purchase additions instead of reducing the premium. The full premium is then due from the policyowner. If the dividend is larger than the annual policy premium, the excess dividend will be used to purchase paidup additions. Premium offset may be elected at issue if a sufficiently large initial PUA rider payment is attached to the policy; it may also be selected after issue, provided there are sufficient paid-up additions and/or rider additions. A new business or inforce illustration, as appropriate, will indicate whether there are sufficient additions to pay future premiums under the current or a reduced-interest dividend scale. A policyholder can offset the premium on a policy with Option Q if the policy values are sufficient. This means that the dividend plus the cash value of nonloaned additions are sufficient to pay the policy premium and have the remaining dividend value of dividend and rider additions to support the target as explained under Option Q.
U	**Dividends repay outstanding loan principal:** The dividend will automatically be applied to policy loan principal only, not loan interest. Guardian will bill for the loan interest. If the interest is set to be borrowed from the policy, then it is part of the loan. If there is no loan on the policy, or the loan has been fully repaid, any remaining dividends will be used to purchase paid-up additions (Option D). Policyholders can switch back and forth between other dividend options (except for Option Q and R) at any time. Any dividend amount used to pay down the loan above the cost basis in the policy may be subject to ordinary income tax.

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.
Riders may incur an additional cost or premium.