Using behavioral economics to think holistically about protection and growth

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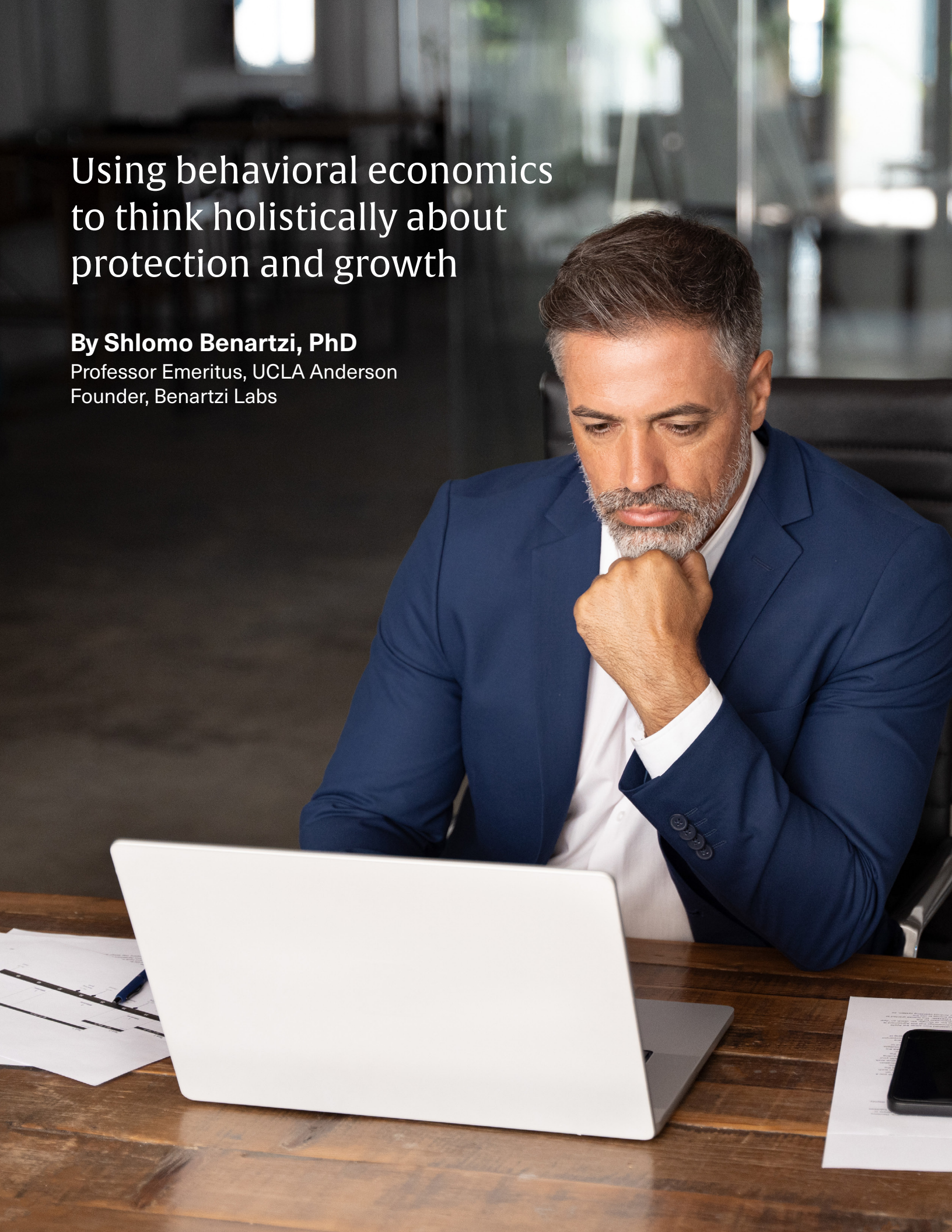


Imagine someone considering adding whole life insurance to their overall financial portfolio. They are comparing it to a do-it-yourself (DIY) investment portfolio. If we averaged the many possible outcomes—bull markets and bear markets, living a long life or dying young—would whole life help or hinder the overall value of this portfolio?

Most people, and even some financial professionals, get this question wrong. Ask them which strategy is likely to deliver greater value, and they guess that whole life offers far less value than DIY investing. In reality, the opposite is often true: Whole life insurance can deliver better value than a DIY investment approach.[1]

[1] Whole life insurance is not a security or an investment and should not be evaluated as a direct alternative to traditional investment asset classes. Any cash value accumulation is based on contractually guaranteed elements and, where applicable, non-guaranteed dividend assumptions. This material is for educational purposes only and is not a solicitation of any product.

1. Why do so many people misjudge whole life insurance?

The answer lies in a common cognitive bias known as "narrow framing." It's the tendency to focus on just one piece of the puzzle while ignoring the broader context. When it comes to financial decisions, narrow framing can cause us to overlook key sources of value and make suboptimal choices.

Consider whole life insurance. When viewed narrowly—solely in terms of its minimum cash value at young age—it can appear very unattractive. But when considered within the full scope of a family's long-term financial plan, with all its moving parts and multiple objectives, whole life can emerge as a powerful tool.

This paper explores why we're prone to narrow framing, how it can skew our view of products like whole life insurance, and what we can do to avoid falling into this trap. Ultimately, it's about learning to think more broadly about the choices that shape our financial success. That's because sound financial planning isn't built on one product or strategy in isolation—it requires holistic thinking, looking at the impact of investments, savings, insurance, and taxes to meet long-term goals. In that bigger picture, each component of an overall portfolio plays a meaningful supporting role. This paper invites readers to consider how whole life insurance as a component of a well-diversified portfolio can add stability, protection, retirement income, and potential tax advantages alongside other financial tools.

Before we start, we should note that this paper establishes a framework for understanding whole life insurance policies and how they might fit into an overall portfolio. Its primary purpose is to educate the reader on how to think about these policies in a structured, informed, and holistic way. It is not intended to serve as retirement, investment, or financial advice.

2. Complicated math and the risk of narrow framing

Narrow framing occurs when we evaluate a choice in isolation, without accounting for the broader context or considering how the decision fits into our larger goals or plans. It's the mental equivalent of looking through a keyhole—we see only what's directly in front of us and miss everything beyond the frame.

A real-world example of narrow framing can be seen in travel planning. Imagine finding a free flight using airline miles to Bora Bora over Christmas break. It feels like a huge win—until you realize that accommodations are three times their usual price, meals are costly, and local activities are overpriced. A different destination might have required a more expensive flight, but could have been cheaper once all expenses were considered. By focusing only on the price of the flight, you made a decision that ignored the total cost of the trip—a textbook case of narrow framing. The more difficult the math is—having to account for flights, transfers, car rentals, insurance, gas, meals, excursions, etc.—the more likely we are to avoid doing the math and pick a narrow frame, such as the costs of just the flights.

This same pattern of thinking often applies to personal finance, particularly when evaluating complex financial products like whole life insurance. Whole life insurance is a multifaceted product that provides more than just life insurance. The math is extremely difficult, as the policy offers a combination of lifelong protection, opportunities for growth, and significant tax benefits. Narrowly focusing on just one feature of whole life insurance, versus the broader set of features, can lead people to underestimate its value.

This is akin to evaluating a tropical vacation based solely on the cost of the airfare.

But it's not enough to consider all the features of a whole life policy—one must also think about how these features fit your personal financial world. For example, the tax benefits are extremely valuable in taxable accounts, but less so if all your investments are in tax-deferred accounts. In short, the full value of the product can only be understood when viewed within the context of your holistic financial plan.

Avoiding narrow framing requires stepping back and asking: "How does this decision fit into the bigger picture?" This could mean integrating whole life insurance into broader goals—whether that's preserving wealth, ensuring family legacy, or managing taxes. By doing so, the total value of the product and all of its features come into clearer focus.

Let's take a look at how a holistic perspective can help a typical American better evaluate the benefits of a whole life policy and how it could fit into a financial portfolio.

3. Doing the math

Understanding whole life policies from a holistic perspective requires complex and difficult math. Even a math PhD with a calculator is unlikely to get the numbers right. The reason is that thinking holistically about whole life policies requires the consideration of thousands of different scenarios and possibilities, which are hard to compute without a proper computer simulation. Thus, to help you evaluate whole life insurance, we'll start by doing the math for a typical person.

A. Meet Eric

Eric is a 41-year-old professional in New York. His financial portfolio includes a taxable investment account, a 401(k), and a mortgage. A self-educated investor, Eric has read several books on the subject and strongly believes in the benefits of low-cost index funds to maximize long-term growth while minimizing fees.

> Narrowly focusing on just one feature of whole life insurance, versus the broader set of features, can lead people to underestimate its value.

In addition to growth, Eric values financial protection. He lives in a multi-generational household and feels a deep sense of responsibility to continue the legacy passed down from his immigrant parents. While he's aware of whole life insurance, he's encountered conflicting opinions about its value.

He's now meeting with a financial professional to better understand if a whole life policy might fit within his overall portfolio.

Let's begin by estimating how the policy might perform from a holistic perspective. Specifically, if we were to reallocate a portion of the fixed-income assets from Eric's taxable investment account into a whole life policy, how likely is it that the whole life strategy would outperform Eric's DIY investment approach?[2]

A. 1%

B. 6%

C. 50%

D. 86%

E. 100%

[2] The whole life policy was modeled after a comparable whole life policy available in the market. The dividends are applied as paid-up additions. This option uses your dividends, which are not guaranteed, to purchase paid-up additional insurance.

B. Methodology

Before we reveal the answer, it's important to understand the assumptions and scope of the analysis we are performing for Eric.

- Eric is considering a $250,000 whole life insurance policy.
- The annual premium is $10,392, and Eric would pay that for 10 years.
- Starting at retirement, when Eric turns 66, the policy is expected to provide Eric with a yearly income of $16,492 for 20 years.
- We've used life expectancy data provided from a reputable insurance carrier for someone like Eric who is in good health. Why does this matter? Because how long you live plays a big role in how much benefit you get from life insurance—it's a key part of the analysis.
- While Eric is working, we estimated his combined federal and New York State tax rate at 38%. In retirement, that drops to 30%.

To understand whether this whole life policy is a good fit, we compare it to an alternative: investing the same amount of money (those 10 years of premiums) in a taxable bond portfolio. We selected a diversified bond portfolio for the comparison to reflect the safety and stability of the whole life policy. That said, there are material differences between bonds and a whole life policy. Bonds are highly liquid investments with mature secondary markets. Policies are traditionally not transferable.

For the performance of the bond portfolio, we used long-term projections from BlackRock (as of May 2025), which estimate a 4.2% annual return with a 5% volatility. (The latter means that the bond portfolio is unlikely to go up or down by more than 10% annually.) And we assumed no investment-related fees, giving the DIY portfolio a small advantage in this "horse race." Of course, there are inherent uncertainties in the use of independent third-party forecasts such as these. The future might not resemble the past.

Next, we considered 10,000 different outcomes using a process called Monte Carlo simulations. That means we looked at a wide range of possible future outcomes—bull markets, bear markets, and everything in between. This helps us get a full picture of how the policy might perform under many different market conditions. However, it's important to note that the projections generated by these simulations are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. They are a simple tool for helping us grapple with the inherent uncertainty of the future. Some of those

More about simulations

Simulations like the Monte Carlo analyses used in this paper are powerful tools for grappling with the inherent uncertainty of the future. But it's equally important to recognize their limitations.

First, the projections are purely hypothetical: They do not reflect actual investment results and are not guarantees of future performance. Second, the simulations don't account for how policies or portfolios might actually be managed—for example, investors may adjust their portfolio allocations over time.

While we modeled 10,000 different outcomes to capture a very wide range of possibilities, rare "black swan" events remain outside the scope of the analysis. The model also excludes certain costs: Simulations of the investment portfolio assumed no fees or expenses.

Finally, the results are highly sensitive to both the specific circumstances of each individual and the evolving nature of investment markets. Projected returns can shift over time, and outcomes will vary significantly depending on how portfolios are allocated across asset classes such as equities, bonds, or alternatives.

limitations are that the simulation does not account for how investments or policies are managed in reality; it does not account for client and product fees and charges; and the simulation results do not depict the full range of possible advantageous and disadvantageous results. The results of a simulation may vary with each use and over time; identify the reason for being selective about the asset classes chosen to simulate (that is, bonds) and that other investments may have characteristics similar or superior to the asset classes chosen.

We also didn't just assume one fixed lifespan. Life is unpredictable, so we modeled a range of longevity outcomes—from dying prematurely to living past 100. Unlike some planning tools that just pick an age (like 85 or 90) and plan to that, our approach takes into account that no one knows exactly how long they'll live—and that's exactly why life insurance matters.

Finally, we've worked to make these insights intuitive and meaningful—not just a spreadsheet of 10,000 numbers, but a clear picture that highlights the numbers that matter most for making confident financial decisions.

C. Results

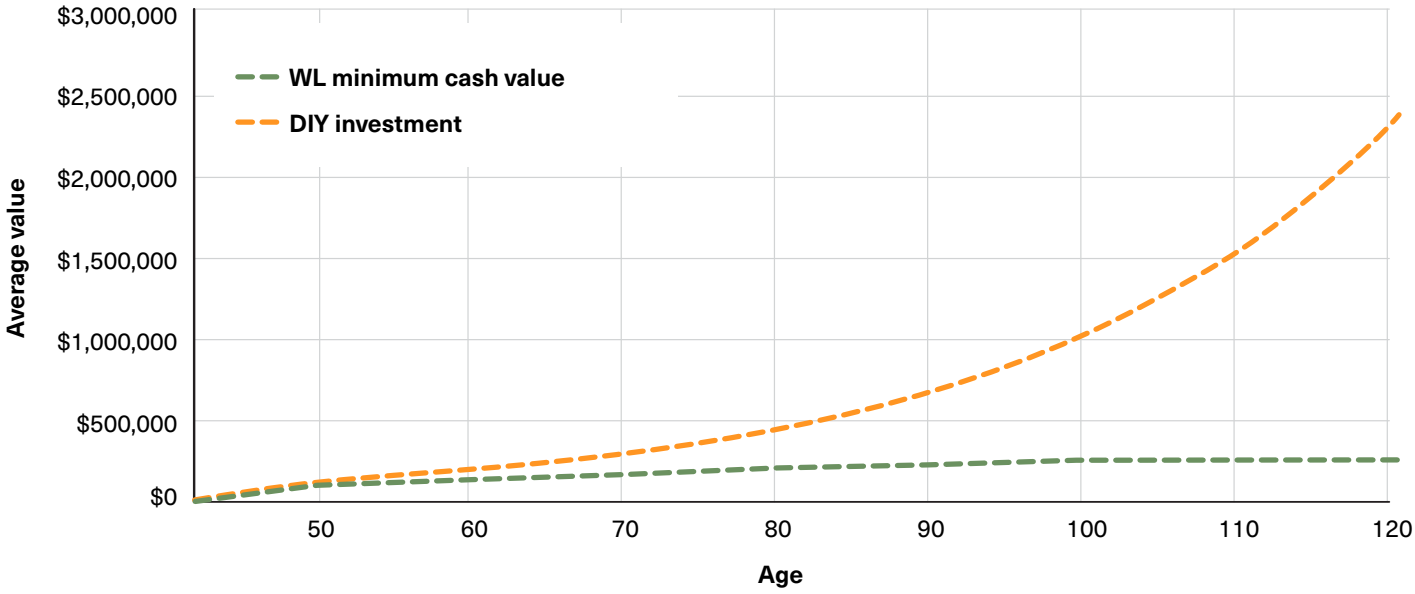
We can now walk through a series of comparisons designed to help Eric think more holistically about how a whole life policy could fit into his overall financial strategy and portfolio.

(i) The narrowest frame

We begin with the narrowest comparison: Eric's DIY investment strategy—specifically, a diversified bond portfolio—versus just the minimum cash value of a whole life insurance policy. The minimum cash value is the smallest amount possible Eric could walk away with if he decided to cancel the policy while still alive.

As illustrated in **Chart 1** below, the whole life policy does not fare well in this limited comparison. Averaging the results across 10,000 different market conditions and lifespan

Chart 1: DIY Investing vs. Whole Life Insurance: The Narrowest Frame



Important Note: These results are hypothetical and based on simulations. They are not the past or future results of any product or client. They are based on probabilistic simulations that, while useful in identifying a range of possible outcomes under a wide range of conditions, are inherently uncertain and not a sole basis for an investment or insurance decision.

scenarios, Eric's DIY portfolio potentially pays out $715,479 at death. His whole life policy, in contrast, has an average minimum cash value of only $219,700. Furthermore, it doesn't matter when Eric cashes out his policy—it almost always does worse, on average, than the DIY portfolio, sometimes dramatically worse.

This leads to a multiple—the ratio of the whole life payout versus the DIY investment—of 0.31, which means that the whole life policy, on average, is potentially worth only 31% as much as the DIY portfolio. Finally, whole life in this comparison has a likely win rate—the percentage of scenarios in which it outperforms the DIY investment—of only 0.23%. Put differently, the whole life policy potentially wins in just 2 out of 1,000 scenarios, whereas the DIY investment portfolio wins in 998 of the cases. We are using the win rate because it's an intuitive, accessible summary of all possible outcomes.

If the analysis ended here, Eric would understandably conclude that a whole life policy doesn't align with his financial goals.

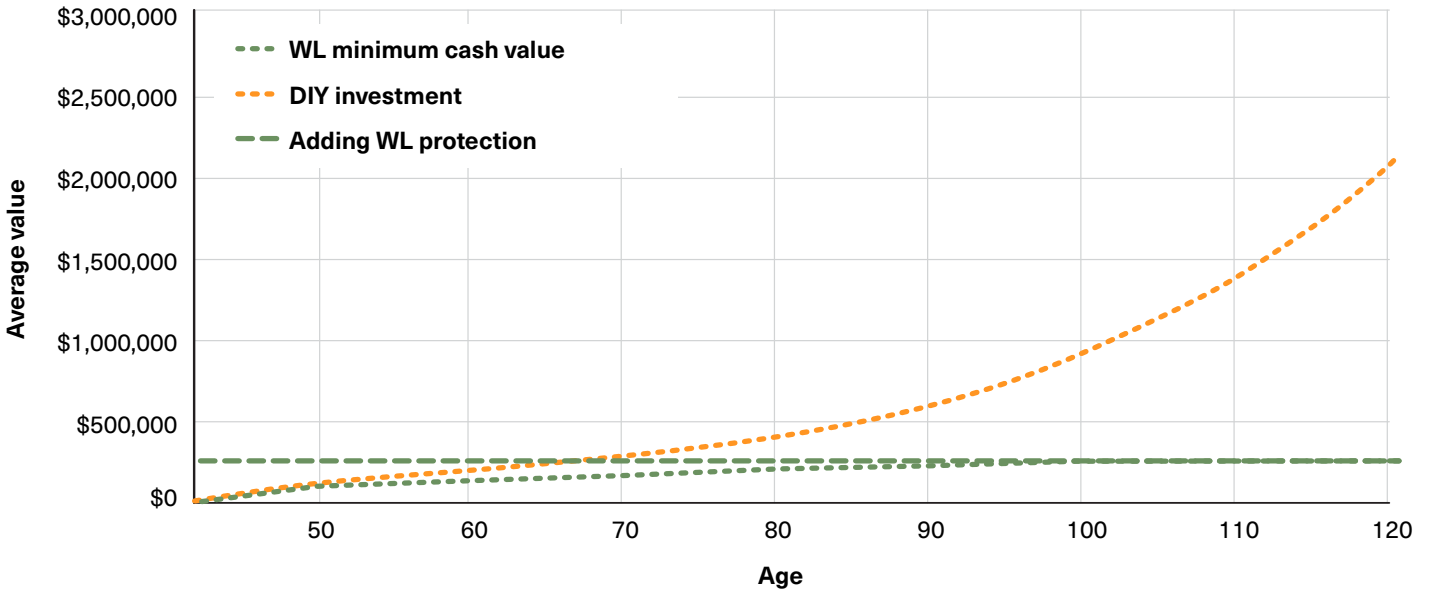
(ii) Adding protection

Now let's broaden our perspective slightly by incorporating the value of protection, in the form of the minimum death benefit offered by the whole life policy. In Eric's case, that means the smallest possible amount his beneficiaries would receive if he were to pass away, which is $250,000.

Compared to his DIY investment plan, which has an average potential payout of $715,479, the whole life policy still comes up short. With the death benefit now included, the policy performs just slightly better. The ratio of its average value compared to the DIY plan increases from 0.31 to 0.35 potentially, and the chances of it outperforming the DIY approach rise to 5.66%, or slightly more than 5 out of 100 scenarios. As a reminder, these summary statistics reflect a broad perspective that incorporates many different market conditions and many different longevity scenarios.

This small improvement is mostly because the whole life policy guarantees a $250,000 payout no matter what. If Eric were to die early, that guaranteed amount could be more than what his investment portfolio would be worth. Still, because that scenario of dying young is unlikely, the whole life policy generally underperforms when compared to the DIY investment strategy, as you can see in **Chart 2** below. To avoid confusion, this chart zooms in on what would happen at each potential age of death. This is in contrast to the win rate, which summarizes all possible longevity scenarios into a summary statistic.

Chart 2: DIY Investing vs. Whole Life Insurance: Adding Protection

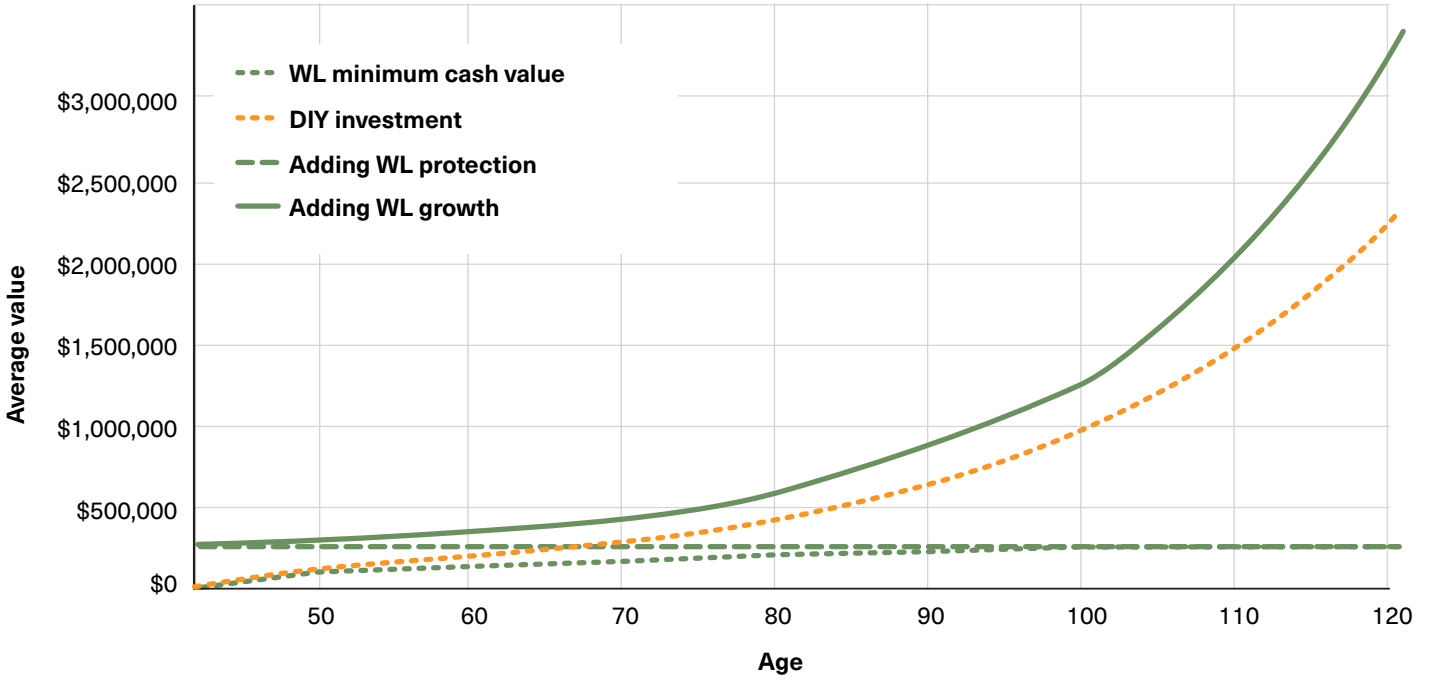


(iii) Adding growth

Next, let's look at how growth affects the big picture—specifically, the dividends that can build up over time in a whole life insurance policy. These dividends are not guaranteed, but well-established insurers have a long history of consistently paying them.[3] The non-guaranteed dividends are being applied as paid-up additions, an option that uses your dividends to purchase paid-up additional insurance.

The dividends make a big difference. When dividends are included as paid-up additions, they are "credited" to the policy. As a result, they increase both the death benefit and the cash surrender value of the policy. In Eric's case, the dividends increase the whole life average potential payout upon death to $953,700, while Eric's DIY investment still averages $715,479. Furthermore, as made clear in **Chart 3** below, the inclusion of growth means that the average value of whole life now outperforms the average value of the DIY portfolio at every age, as illustrated by the solid green line. The resulting multiple is 1.33, which means that on average whole life potentially pays out 33% more than the DIY investment. The whole life policy's win rate jumps to 85.94%, or 86 out of 100 scenarios. Put differently, the whole life policy wins in the vast majority of cases.

Chart 3: DIY Investing vs. Whole Life Insurance: Adding Growth



Unlike some planning tools that just pick an age (like 85 or 90) and plan to that, our approach takes into account that no one knows exactly how long they'll live—and that's exactly why life insurance matters.

[3] We are using the current dividend interest rate of 6.2% and projecting it forward for the life of Eric's policy.

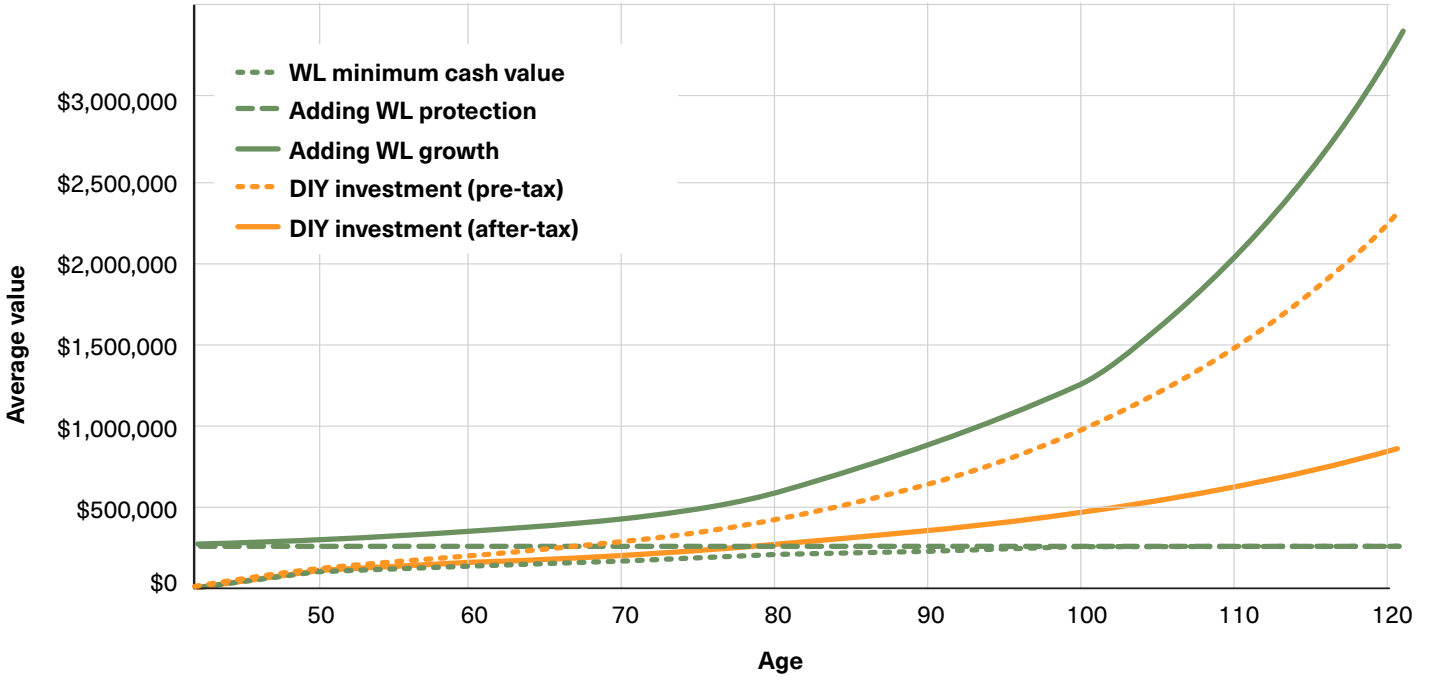
(iv) Adding taxes

Finally, let's talk about something many people overlook—taxes. Since Eric's investment account is taxable, the income he earns from it gets taxed. While he's working, Eric pays 38% in federal and state taxes on the interest from his fixed-income investments. In retirement, that drops to 30%.[4] The simulation assumes that Eric pays the taxes out of his DIY investment account and is not using any outside funds.

When we incorporate taxes into the comparison, the average value of Eric's DIY investment declines to $371,875. Meanwhile, the whole life policy retains its average value of $953,700 due to its favorable tax treatment. The decline in the average value of the DIY portfolio is due to the required annual taxes on its interest payments, as illustrated by the lowered solid orange line in **Chart 4** below. As a result, the relative value of the whole life policy is now dramatically higher, especially at later ages, with a potential win multiple of 2.56. This means that the whole life policy potentially pays more than 2.5 times as much as Eric's DIY investment. In addition, the win rate increases to 99.86%, which means that out of 1,000 scenarios, the policy wins slightly more than 998 of the cases.

And this returns us to the question we asked when introducing Eric. If you don't look at whole life from a holistic perspective, each of those win percentages could have been the answer. But the answer for Eric according to these simulations—the one that most closely

Chart 4: DIY Investing vs. Whole Life Insurance: Adding Taxes



[4] Eric could hold his fixed-income and equity assets in a tax-deferred retirement account, which would change these results.

reflects his holistic financial plan—is that whole life has the potential to outperform his DIY investment. Of course, for Eric to maximize the potential benefits of the policy, he must keep the policy in force over a long-term period.

(v) Seeing the big picture

This exercise is designed to help you understand the full value of a whole life insurance policy—not just the protection it provides, but also its potential for long-term growth and tax advantages. Whole life insurance, with its combination of guaranteed death benefit protection, long-term cash value growth, and valuable tax advantages, can be a powerful addition to a well-rounded financial portfolio. A complete set of numbers is included in **Table 1** below.

However, it's not enough to simply see the numbers, no matter how persuasive they might be to a financial expert. That's why our approach goes beyond the math: How we present the results is just as important. In this paper, we focus on numbers that are easy to interpret and are embedded in a narrative that reveals the broader, more holistic picture.

This is where the principle of "affective evaluability" comes in. It ensures that the numbers we focus on are not only easy to grasp at a glance but also convey a clear emotional signal—offering immediate insight into whether an overall financial plan feels good or bad. We accomplish this by focusing on the win multiple and the win rate. Together, these summary statistics capture the magnitude and frequency of winning.

Table 1: 41-Year-Old Eric Considering a $250,000 Policy Costing $103,924

	Average DIY Payouts	Average WL Payouts	WL Win Multiple	WL Win Rate
Minimum cash value	$715,479	$219,700	0.31x	0.23%
Adding protection	$715,479	$250,000	0.35x	5.66%
Adding growth	$715,479	$953,700	1.33x	85.94%
Adding taxes	$371,875	$953,700	2.56x	99.86%

Important Note: These results are hypothetical and based on simulations. They are not the past or future results of any product or client. They are based on probabilistic simulations that, while useful in identifying a range of possible outcomes under a wide range of conditions, are inherently uncertain and not a sole basis for an investment or insurance decision.

4. What if...? Stress-testing the math

We know that choosing a financial product —especially something as complex as whole life insurance—comes with lots of questions. That's why we tested several "what if" scenarios to see how whole life stacks up under different conditions.

(A) What if dividends go down?

One frequent concern is the possibility of lower dividends in the future. To estimate the impact of reduced dividends, we used a figure known as the "midpoint," which is a regulator-defined benchmark. While the underlying calculations are often complex, a practical rule of thumb is that if the minimum, or guaranteed, interest rate is 3% and the current dividend rate is 6.2%, the midpoint would be 4.6%, or half the distance between 3% and 6.2%.

Even if the whole life policy were to yield significantly lower dividends at the midpoint rate, it would still outperform DIY investments in 83.47% of scenarios. In this case, the average value of the whole life policy would be $482,800, compared to $371,875 for the DIY investment approach.

How conservative is this midpoint calculation? We reviewed the full range of dividend rates over the past 25 years, which ranged narrowly from 5.80% to 7.32%.[5] To provide a sense of how unusual it would be for the dividends to decline to the midpoint level, we estimated the likelihood of such an event: It's remarkably rare, occurring 0.0046% of the time.[6] Put differently, we would expect the dividends to decline to that level once every 22,961 years. One important caveat is that the calculation is based on a small sample.

(B) What if my investments do really well?

Another common concern has to do with the possibility of earning much higher returns on the DIY fixed-income portfolio. To address this concern, we examined the returns Eric's DIY fixed-income portfolio would need to match the performance of his whole life policy. The break-even point is a pretax return of 7.2%—approximately 3% higher than our current estimate. It's important to note that this is merely the threshold for parity; for the DIY strategy to surpass whole life, it would have to earn even higher returns.

How likely is it for the DIY investment to earn an average return greater than 7.2%? To put things in perspective, BlackRock's projected long-term equity returns are 7.6%, so Eric's fixed-income portfolio would have to perform about as well as equities, and that seems unlikely over an extended period. Furthermore, in a scenario where DIY bonds deliver these high returns, Eric's whole life policy would likely also yield higher dividends, reinforcing its advantage.

(C) What if I add term life to my DIY plan?

Whole life insurance provides a unique combination of growth and protection, whereas the DIY investment is lacking protection. To level the playfield, we added a 30-year, $250,000 term life policy at an annual cost of $660 to the DIY strategy.

With the term life in place, the likelihood of whole life outperforming declined slightly, from nearly 100% to 96%. While the whole life policy still wins in almost all cases, if Eric were to die prematurely at a very young age, the combination of a DIY portfolio and term life would have a slightly higher payoff.

[5] This review was based on dividend rates at a leading insurer from 2000 to 2025.
[6] For those who are into statistics, we assumed a normal distribution with the observed mean dividend rate of 6.27% and a standard deviation of 0.43%.

Consider, for example, the extreme case of Eric dying the morning after he purchased his whole life policy. In this case, the whole life policy would pay exactly the $250,000 in death benefits. The term life policy would also pay $250,000, but Eric would also have a small amount in his DIY portfolio ($10,392 - $660 to be precise, which is the difference between the whole life and term life annual premiums). Thus, the DIY strategy provides only a small chance of a small win.

However, term life coverage comes at additional costs, because the term life premiums reduce the amount Eric has to invest in his portfolio. As a result, the expected value of the DIY strategy goes down from $371,875 to $333,955. Consequently, whole life now generates a nearly threefold expected value with the win multiple going up from 2.56 to 2.86 ($953,700 / $333,955).

(D) What if I use this for retirement income?

As Eric ages, his financial goals may shift from family protection to retirement income. Whole life policies offer the flexibility to draw tax-free retirement income through policy loans.[7] Accessing the policy's cash value to supplement retirement income would reduce the available cash surrender value and the death benefit. That said, Eric could withdraw up to $16,492 annually for 20 years without depleting the policy.

We evaluated whether Eric's DIY portfolio could support similar retirement withdrawals. The answer is that it cannot: There is an 83.12% probability that the DIY portfolio would run out of funds within the 20-year period if Eric tried to withdraw the same annual amount ($16,492) that he would be able to withdraw from the whole life policy.

To assess overall performance, it is important to note that even with Eric drawing down retirement income for 20 years, some funds would still remain in the policy for Eric's beneficiaries. Thus, we examined all 10,000 scenarios by combining retirement income payments with residual values at death. Whole life again demonstrated a clear advantage, with a 98.54% win rate and an average total value of $412,625, compared to just $208,948 for the DIY strategy.

We examined all 10,000 scenarios by combining retirement income payments with residual values at death. Whole life again demonstrated a clear advantage, with a potential 98.54% win rate and an average total value of $412,625, compared to just $208,948 for the DIY strategy.

[7] Loans reduce the available cash surrender value and total death benefit of the policy by the amount of the outstanding loan and accrued loan interest.

(E) What if I'm not Eric?

You might be wondering: "Does this only work for someone like Eric?" To explore this, we conducted a comparable modeling exercise using three other people of various ages buying different amounts of protection. As shown in **Table 2** below, the results are remarkably consistent, with the whole life policy win rate exceeding 98% for these other people. (To be clear, these results are not specific to your situation and are only assumptions about other potential clients. These other clients are also assumed to be in the same risk class as Eric.) Put another way, whole life wins more than 98 out of 100 scenarios, regardless of whether you're a 35-year-old woman buying a $250,000 policy like Sasha, or a 52-year-old man buying a $500,000 policy like Charles.

(F) What if this is too much math for me?

The psychologist Daniel Kahneman famously summarized human thinking into two fundamental systems.[8] System 1 is fast and intuitive—it governs actions like driving a car or swinging at a baseball. These mental processes require little deliberation; they operate automatically, driven by instinct and emotion. It's thinking without consciously thinking.

In contrast, System 2 is slow, reflective, and effortful. It comes into play when solving a math problem or contemplating a chess move. This system demands focus and intentional reasoning as we carefully weigh options and analyze possibilities.

Table 2: The Value of Whole Life for Different Personas

	Average DIY Payouts	Average WL Payouts	WL Win Multiple	WL Win Rate
Panel A: 52-Year-Old Charles Considering a $500,000 Policy Costing $298,340				
Minimum cash value	$1,283,564	$438,796	0.34x	0.08%
Adding protection	$1,283,564	$500,000	0.39x	5.28%
Adding growth	$1,283,564	$1,486,838	1.16x	76.62%
Adding taxes	$796,034	$1,486,838	1.87x	98.82%
Panel B: 46-Year-Old Lorenzo Considering a $500,000 Policy Costing $241,110				
Minimum cash value	$1,336,340	$438,692	0.32x	0.20%
Adding protection	$1,336,340	$500,000	0.37x	5.89%
Adding growth	$1,336,340	$1,676,324	1.25x	82.57%
Adding taxes	$753,296	$1,676,324	2.23x	99.63%
Panel C: 35-Year-Old Sasha Considering a $250,000 Policy Costing $76,950				
Minimum cash value	$762,278	$224,558	0.29x	0.43%
Adding protection	$762,278	$250,000	0.33x	4.92%
Adding growth	$762,278	$1,145,774	1.50x	90.69%
Adding taxes	$349,467	$1,145,774	3.27x	99.95%

[8] Kahneman, Daniel. "Thinking, Fast and Slow." *Penguin Books*, New York (2011).

Everyone uses both systems of thinking, constantly switching between intuition and reflection. We might choose our main course in an instant, but then spend a few minutes deliberating over which dessert to order.

That said, people also differ in their decision-making styles. Some are more inclined to rely on System 1—trusting their gut, so to speak—while others feel more comfortable making choices based on the deliberate thought of System 2.

To help more intuitive-minded people, we can focus on a few key numbers. Take Eric as an example. In the results we show in **Table 3** below, we highlight five simple numbers that help explain the benefits of a whole life policy:

- Win rates—these frequencies highlight the number of times, out of 100, whole life would "win," or come out ahead in terms of average value.
- The "missed opportunity"—this number shows the cost of not choosing whole life. In Eric's case, this is how much less he would have, on average, if he went with his DIY investment. The size of this missed opportunity is $581,825.

Even if you're not comfortable with numbers, and tend to favor System 1, **Table 3** will help you see the big picture when it comes to whole life insurance.

5. Summary

The human mind tends to draw conclusions and make decisions based on the information that is immediately available. Daniel Kahneman referred to this cognitive bias as What You See Is All There Is (WYSIATI). In the context of narrow framing, WYSIATI means that a person's thinking is often restricted to what is directly presented and easily accessible.

When it comes to your financial planning, WYSIATI can exacerbate narrow framing. If you look at whole life insurance through a narrow lens—just focusing on a single feature—you'll likely conclude that it's not a good idea.

A good financial professional, however, can help you see the big picture. They can help you understand all the elements of whole life—what it offers beyond the minimum cash value or death benefit—and how these elements work together to potentially support your goals.

That's what holistic thinking is all about—taking a step back and looking at your entire financial picture. If you do that, then you might discover that whole life insurance offers more than you expected. Whole life insurance is not a one-size-fits-all solution.

Table 3: Narrating the Numbers for Intuitive Individuals

	Average DIY Payouts	Average WL Payouts	WL Win Multiple	WL Win Rate	Missed Opportunity
Minimum cash value	$715,479	$219,700	0.31x	1 in 100 (1)	N/A
Adding protection	$715,479	$250,000	0.35x	6 in 100 (2)	N/A
Adding growth	$715,479	$953,700	1.33x	86 in 100 (3)	$238,221
Adding taxes	$371,875	$953,700	2.56x	99 in 100 (4)	$581,825 (5)

But when integrated thoughtfully into broader financial planning, it can offer real value. The key is not to view it in isolation, but as one part of a well-rounded and diversified financial strategy tailored to help achieve your goals.

Of course, there's no one-size-fits-all answer. Everyone's situation and goals are different. What's right for someone else may not be what's right for you. The key is to understand your options fully and make decisions that align with your bigger picture.

About the author

Shlomo Benartzi is a behavioral economist interested in combining the insights of psychology and economics to solve big societal problems. He is professor emeritus and co-founder of the Behavioral Decision-Making Group at UCLA Anderson School of Management. He is also a Distinguished Senior Fellow at the Wharton Behavior Change for Good Initiative.

Along with Nobel Laureate Richard Thaler of the University of Chicago, Benartzi pioneered the Save More Tomorrow™ (SMarT) program, a behavioral prescription designed to nudge employees to increase their savings rates gradually over time. The SMarT program has helped more than 25 million Americans boost their retirement savings.