



GOALD & CO FINANCIAL · WHOLE LIFE INSURANCE GUIDE

10-Pay vs. 20-Pay vs. Pay-to-90 vs. Pay-to-100 Whole Life Insurance: *Which Is Better?*



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SIMPLE SUMMARY

With a 10-Pay, you're finished paying the required base premiums. With a 10-year offset, the policy is intended to pay those premiums for you.

Neither option is automatically superior.

4PAYMENT STRUCTURES
COMPARED**\$50,000**

EXAMPLE ANNUAL BUDGET

\$15,000REQUIRED BASE PREMIUM,
PAY-TO-100 EXAMPLE**Year 11**ILLUSTRATED OFFSET
TARGET, NOT GUARANTEED[DOWNLOAD THE PDF](#)

One of the most important decisions when purchasing participating whole life insurance isn't just how much coverage you need. It's how you structure the payments.

In Canada, participating whole life insurance can offer several premium payment options:

- Pay for 10 years
- Pay for 20 years
- Pay until age 90
- Pay until age 100

But there's another strategy worth understanding: a Pay-to-100 policy designed to stop your out-of-pocket payments after approximately 10 years through premium offset.

It can look similar to a 10-Pay policy on paper, but the two work quite differently.

Understanding that difference can help you choose a structure that better suits your cash flow, corporate wealth planning, and long-term objectives.

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The four whole life insurance payment options

First, an important distinction: all four options can provide permanent life insurance coverage.

The difference is how long you're contractually required to pay the base premiums.

POLICY TYPE	WHEN REQUIRED BASE PREMIUMS END	PRIMARY ADVANTAGE
10-Pay	After 10 years	Guaranteed short payment period
20-Pay	After 20 years	Spreads payments over a longer period
Pay-to-90	At age 90	Lower annual base premium than shorter-pay designs, generally
Pay-to-100	At age 100	Usually the lowest required annual base premium for comparable coverage

Not every insurance company offers every option. For example, Manulife offers all four, while other insurers may offer 10-Pay, 20-Pay, and Life Pay.

1. 10-Pay whole life insurance

With a 10-Pay policy, you make your required base premium payments for 10 years.

After that, your base insurance is fully paid up. You don't need to make another base premium payment to maintain that coverage.

Your participating policy can still receive dividends, which may increase its cash value and death benefit.

The main advantage is certainty. You know exactly when your required base premiums will end.

The trade-off is that your required annual premiums will generally be higher than with longer payment schedules.

2. 20-Pay whole life insurance

A 20-Pay policy works the same way, except your required base premiums are spread over 20 years.

This can make the annual commitment more manageable while still providing a guaranteed end date.

For someone who wants to finish paying for their life insurance before retirement, a 20-Pay may be appropriate.

3. Pay-to-90 whole life insurance

With Pay-to-90, you're contractually required to pay your base premiums until age 90, assuming you're alive and the policy remains in force.

Because payments are spread over a longer period, the required annual premium is generally lower than for a comparable 10-Pay or 20-Pay policy.

However, that doesn't necessarily mean you'll be paying out of pocket until age 90.

Depending on the policy's accumulated values and dividends, you may be able to use premium offset to cover those payments earlier.

4. Pay-to-100 whole life insurance

Pay-to-100 is similar to Pay-to-90, except the scheduled base premium payment period extends to age 100.

This often creates the lowest required annual base premium of the available payment options for comparable coverage.

For business owners, this structure can be particularly interesting because it may allow more of their planned annual funding to go toward the policy's [Additional Deposit Option \(ADO\)](#).

That brings us to one of the most interesting comparisons.

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What is a Pay-to-100 whole life policy with a 10-year premium offset?

A Pay-to-100 policy with a 10-year premium offset is designed so that you pay premiums out of pocket for approximately 10 years.

After that, the goal is to have the policy's dividends and accumulated paid-up insurance values cover its future required base premiums.

You're no longer paying the premiums out of pocket, but the policy itself is still paying them.

This is called premium offset.

Unlike a guaranteed 10-Pay, however, the offset date is based on an illustration of future dividends and policy values. It isn't guaranteed.

A simple example

Let's assume a business owner wants to contribute \$50,000 annually for 10 years toward a participating whole life policy.

Rather than putting the entire \$50,000 toward a required 10-Pay premium, we illustrate a Pay-to-100 structure with:

ANNUAL PLANNED CONTRIBUTION: \$50,000 (ILLUSTRATIVE EXAMPLE)	
Base premium	\$15,000 — Required annually
Additional Deposit Option	\$35,000 — Optional annually

Over the first 10 years: \$500,000 in total planned payments, assuming all are made.

Numbers demonstrate the concept, not a carrier quote. Actual base premiums and ADO limits depend on underwriting and the insurer's policy design.

Here's what happens:

Years 1–10: You pay \$15,000 in required base premiums plus \$35,000 in optional ADO deposits each year.

Those ADO deposits purchase additional paid-up insurance, helping build cash value and death benefit.

Year 11 onward: If the insurer confirms that the policy has enough dividend and accumulated paid-up insurance value to support premium offset, those values can be used to cover the \$15,000 annual base premium.

Your planned \$50,000 annual out-of-pocket contribution could therefore fall to \$0.

Your permanent life insurance remains in force, assuming the ongoing premium obligations continue to be satisfied.

That's the strategy.

10-Pay vs. Pay-to-100 with a 10-year offset

Here is the difference using the same hypothetical \$50,000 annual funding budget.

	GUARANTEED 10-PAY	PAY-TO-100 WITH 10-YEAR OFFSET
Annual contribution, years 1–10	\$50,000	\$50,000
Example required base premium	\$50,000	\$15,000
Example optional ADO	\$0	\$35,000
Total funding over 10 years	\$500,000	\$500,000
Required base premium in year 11	\$0	\$15,000
Planned out-of-pocket payment in year 11	\$0	\$0 if offset is supported
Guaranteed no further base premiums after year 10?	Yes	No
Permanent coverage	Yes	Yes

This is a simplified comparison of premium structures, not two actual quotes or equivalent death benefits. A 10-Pay can also include optional ADO contributions, subject to insurer rules.

The simplest way to remember the difference:

With a 10-Pay, you're finished paying the required base premiums. With a 10-year offset, the policy is intended to pay those premiums for you.

Why would someone choose Pay-to-100 with a 10-year offset instead of a guaranteed 10-Pay?

There are three main reasons.

1. Greater flexibility with your money

Consider the business owner contributing \$50,000 per year.

With the illustrative 10-Pay structure, the full \$50,000 is required annually for 10 years.

With the Pay-to-100 structure, only \$15,000 is contractually required, while the remaining \$35,000 is optional.

What if the business has a difficult year?

What if there's an acquisition opportunity, a large capital expense, or a temporary cash flow shortage?

With the Pay-to-100 design, the owner may be able to reduce or pause the optional ADO contributions without changing the original base coverage, provided the required base premiums continue to be paid.

That flexibility can be valuable for incorporated business owners whose profits aren't identical every year.

2. Potentially better cash value efficiency

Remember that participating whole life insurance has two important components:

- **Base premium:** The required payment that supports your guaranteed insurance coverage and its associated policy values.
- **Additional Deposit Option (ADO):** Optional funding that purchases additional paid-up insurance, which can increase cash value and death benefit.

A Pay-to-100 policy may allow a smaller portion of your total planned funding to be committed to the required base premium, leaving more room for ADO contributions.

Depending on the insurance company and policy design, this can help accelerate early cash value accumulation.

That can matter if your goal is to use the policy's cash surrender value as collateral for an [Immediate Financing Arrangement \(IFA\)](#).

For some clients, a Pay-to-100 structure with significant ADO funding may illustrate more attractive early cash values than a particular 10-Pay alternative.

But not always. The right comparison requires looking at actual illustrations with the same funding budget and objectives.

3. The opportunity to stop paying out of pocket after 10 years

The intention is straightforward.

You want to fund the policy aggressively during your strongest earning years and eventually have its values support future premiums.

Instead of assuming you'll make payments until age 100, we can design the policy around a target offset year.

This could be year 10, year 12, year 15, or another year, depending on the illustrated performance and funding strategy.

The flexibility is appealing, particularly when your intention is to build long-term corporate wealth without committing to a high guaranteed base premium.

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So why would anyone choose a guaranteed 10-Pay?

Because there's real value in certainty.

With a guaranteed 10-Pay policy, you know that after making the required payments for 10 years, your base coverage is paid up.

You don't have to rely on future dividends to cover those base premiums.

If your priority is to eliminate required payments after a specific date, a 10-Pay may be the better choice.

It may also illustrate better guaranteed values or different long-term death benefit outcomes than a Pay-to-100 structure.

Neither option is automatically superior.

The important distinction is what you're prioritizing: guaranteed payment completion, funding flexibility, accessible cash value, or long-term estate value.

What happens if the 10-year premium offset doesn't work as illustrated?

This is the most important distinction between a 10-Pay policy and a Pay-to-100 policy designed for offset.

Participating whole life policies may receive annual dividends, but those dividends aren't guaranteed.

A premium offset illustration assumes certain future policy results. Actual results can differ.

For example, if a policy is illustrated to begin offset in year 11, but dividend performance is lower than expected, the start date could be delayed.

Or if the policy begins offset and dividends subsequently decline, you may need to resume making base premium payments out of pocket.

In our example, that means potentially paying the \$15,000 required annual base premium, not the full optional \$50,000 contribution.

The policy may also use accumulated paid-up additions to help cover premiums, which can reduce policy values and future growth.

This is why we don't simply show clients the most optimistic illustration.

We compare projected policy values under different dividend assumptions, including scenarios where the offset happens later than originally anticipated.

The goal is to make sure the strategy remains financially manageable even if the original projection changes.

Which option is best for corporate-owned life insurance?

For incorporated business owners, the payment structure can influence several parts of a broader financial strategy.

A corporation might use participating whole life insurance to support estate planning, future liquidity, succession planning, or collateral lending.

Depending on your objectives, we may prioritize:

- Keeping required annual premiums manageable
- Building cash surrender value earlier
- Maximizing long-term death benefit and potential Capital Dividend Account (CDA) benefits
- Structuring a policy for a future IFA lending arrangement
- Ensuring the corporation can sustain premiums through changing business conditions

For an owner primarily focused on guaranteed coverage with no required base premiums after 10 years, a 10-Pay may be compelling.

For an owner prioritizing optional funding flexibility and early cash value, a Pay-to-100 with substantial ADO funding may deserve closer consideration.

We can compare both against a 20-Pay or Pay-to-90.

The right answer comes from seeing the numbers.

What should you compare before choosing?

When reviewing whole life insurance illustrations, don't focus solely on the annual premium or the projected premium offset date.

Look at five things:

1. **Total out-of-pocket contributions:** How much are you actually planning to fund over the first 10, 15 or 20 years?
2. **Guaranteed commitments:** How much must you continue paying if you stop optional deposits or the offset gets delayed?
3. **Cash surrender value:** What is the projected and guaranteed value in years 5, 10, 15 and 20?
4. **Death benefit:** How much insurance is projected at different ages, including age 75, 85 and 95?
5. **Offset sensitivity:** What happens to the payment schedule and policy values if dividend assumptions decline?

For clients considering IFA lending, we can also compare potential collateral values and borrowing structures. Loans remain subject to lender approval, rates, interest and other terms.

Frequently asked questions

Does a 10-Pay whole life policy only cover you for 10 years?

No. A 10-Pay refers to how long you make your required base premium payments, not how long the insurance lasts. The underlying whole life coverage is permanent.

Is a 10-year premium offset guaranteed?

No. A 10-year offset is an illustrated target based on dividend assumptions and policy values. A guaranteed 10-Pay is contractually paid up after the required 10 years of base premiums.

Can a Pay-to-100 policy stop requiring out-of-pocket payments before age 100?

Yes. If the policy accumulates sufficient dividends and eligible values to support premium offset, those values may cover future base premiums. The required offset conditions and timing vary by insurer.

Does my life insurance still grow after I stop paying out of pocket?

It can. Participating whole life insurance may continue to accumulate policy values and increase its death benefit through paid-up additions. However, using dividends or accumulated values to pay premiums can reduce the amount available for additional growth.

Can I add more money after 10 years?

Potentially. Some participating whole life policies permit additional deposits even after their guaranteed base premium payment period ends, subject to contract rules and tax-exempt limits. A policy already on premium offset may need to come off offset before accepting new ADO contributions.

Is Pay-to-100 with a 10-year offset always better than a 10-Pay?

No. A Pay-to-100 design may offer more flexibility and potentially attractive cash value results, while a guaranteed 10-Pay eliminates the risk of future required base premium payments after year 10.

The better option depends on the actual insurer illustrations and what you're trying to achieve.

Which whole life insurance payment structure should you choose?

There's no single structure that makes sense for everyone.

At Goald & Co Financial, we look beyond the initial premium and compare what each policy is designed to accomplish.

That includes guaranteed obligations, cash value accumulation, death benefit growth, optional deposits, and the implications for corporate wealth planning.

Sometimes the right answer is a guaranteed 10-Pay.

Other times, a Pay-to-100 with a planned 10-year offset may provide a more flexible structure for a business owner who wants to allocate significant capital toward long-term insurance planning.

Before committing to either, it's worth seeing both side by side.

Want to see what a 10-Pay versus a Pay-to-100 with a 10-year offset would look like for your corporation?

Book a consultation with Goald & Co Financial to compare policy illustrations, funding requirements, cash surrender values, and long-term estate benefits.

RELATED GUIDES

Continue with the *related references*.

CONTINUE READING

Base Premium vs ADO

What's required, what's optional, and when offset can begin.

CONTINUE READING

How the Par Account Works

What backs participating whole life dividends.

CONTINUE READING

Reading an Illustration

Guaranteed vs. non-guaranteed columns, explained line by line.

CONTINUE READING

IFA Lending in Canada

How to qualify and find the right bank.

Primary references

1. [Income Tax Regulations, s. 306 — Exempt policies](#)
2. [Income Tax Act, s. 148 — Life insurance policies \(policy gains and dispositions\)](#)
3. [Income Tax Act, s. 89\(1\) — Capital dividend account definition](#)
4. [Financial Consumer Agency of Canada — Life insurance](#)

Illustrations are not guarantees of future dividends, cash values above contractual guarantees, or premium offset dates. Additional deposits, dividend options and available payment structures vary by insurer and product. Tax treatment depends on policy ownership, transactions and applicable law. Optional riders may carry separate premiums. Educational information only; not tax, legal or insurance advice for your situation.

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