

Which Policy Is Right for My Client?

Life Protection Advantage IUL vs. a Fully-Guaranteed UL Policy

A fully-guaranteed universal life insurance policy can be a great option for clients who are certain they need a death benefit for their entire lifetime - if they can afford the cost in all years. However, clients who are looking for a more affordable premium and want more flexibility may want to consider a Life Protection Advantage IUL policy. Here's how the two compare:

	A Fully-Guaranteed UL Policy	Life Protection Advantage IUL
Death Benefit Guarantee	<p>Clients pay a no-lapse guarantee premium that fully guarantees their policy for a period they choose:</p> <ul style="list-style-type: none"> Typically, for a lifetime (to age 120) Options to dial-back the guarantee period to the duration the client chooses 	<p>Clients are encouraged to pay the long-term no-lapse protection premium, which guarantees coverage up to age 85.¹</p> <p>The death benefit protection can last beyond the no-lapse protection period as long as the surrender value is sufficient to cover the monthly policy charges.</p>
Cash Value² Accumulation	<p>Uses a fixed interest rate. Typically, the cost of insurance charges are higher, which means the policy results in little to no cash value accumulation.</p>	<p>Based on the performance of a market index, allowing greater potential for cash value accumulation.</p>
Future Flexibility	<ul style="list-style-type: none"> Since GUL policies do not typically build much cash value, there is little opportunity to 1035 exchange into a different policy in the future, or to access the cash value for emergency expenses Clients typically have to pay their premiums in all years in order for the death benefit to continue. Most fully-guaranteed UL policies do not offer flexibility to skip or reduce premium payments Some fully-guaranteed UL policies come with a refund option, which allows clients to get their premiums back during specified periods if their needs change (this feature may be at an additional cost) 	<p>An IUL has the potential to build cash value,² giving your clients additional options down the road:</p> <ul style="list-style-type: none"> If their needs change, they can 1035 the surrender value into a new policy If their policy performs well, they have flexibility to reduce or stop paying their premiums If they need access to their cash value² to help supplement retirement income or for emergency expenses, they can take a loan or a withdrawal If the policy doesn't perform as expected or their needs change, the client has an option to exercise the Guaranteed Refund Option Rider³ and get all or a portion of their premiums back

(continued)

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¹ For insureds issue ages 75 and above, this guarantee is provided by paying the short-term no-lapse protection premium. Insureds issue age 80 and over receive a 5-year guarantee.

² The amount that may be available through loans or withdrawals, as defined in the contract.

³ The GRO rider is not available for clients age 60 or above (regardless of risk class), for substandard or tobacco cases under age 50 or for substandard tables 5-16 at ages 50 and above. In order to remain eligible for the rider, the client must continue to make their required premium payments as defined in the rider.

Product Similarities

Although the differences are substantial, there are also similarities between the two policies:

- An income tax-free death benefit that is paid to the client's beneficiaries ⁴
- Opportunities to access a portion of the death benefit early for terminal illness, chronic illness or long-term care expenses (although these types of riders can vary by policy and by company)

All these points are important to consider as you work with your clients on choosing the product that is right for them.

A Hypothetical Example

Jack is 40 years old and has a \$500,000 life insurance need. He's currently in good health and would receive a Preferred Nontobacco rate class. It's important to him that his death benefit lasts as long as he does. Jack is still relatively young, so although he may not realize it now, his current life insurance needs could change in the future. Here are a couple of products for Jack to consider:

A fully-guaranteed UL policy:

- Jack can pay approximately \$3,500 to \$3,750 annually for a fully-guaranteed UL policy. Paying this premium every year would guarantee coverage for his lifetime (to age 120)

A Life Protection Advantage IUL policy:

- Jack can pay the long-term no-lapse protection premium of \$2,950. This guarantees his coverage until 85, which is beyond his current life expectancy of age 78.5
- At a projected interest rate of 5.5 percent, based on non-guaranteed assumptions, this premium results in:
 - \$282,522 in cash value at age 85
 - a death benefit that lasts to age 120 with \$1,282,105 in cash value remaining

A Life Protection Advantage policy also offers these opportunities:

- If Jack's needs change, or if a different type of life insurance policy that better meets Jack's needs is developed, he has a surrender value that can be 1035 exchanged into a new policy (assuming Jack is still insurable)
- If Jack's policy performs better than what he originally projected, he has the option to use his policy's cash value to pay for his monthly policy charges (as long as the surrender value is positive). This gives him the flexibility to reduce – or even possibly stop – paying his premiums in the future
- If Jack needs access to cash to help pay for his children's college education expenses or to help supplement his retirement income, or for other emergency expenses, he can take a loan or withdrawal from his policy's cash value

The Right Policy

Recommending a policy to your clients is an important responsibility. Knowing the differences between the available policies will help you in your efforts to successfully solve your clients' life insurance needs.

For further details about United of Omaha's Indexed Universal Life products, visit discoveriul.com.

⁴ Death benefit proceeds from a life insurance policy are generally not included in the gross income of the taxpayer/beneficiary (Internal Revenue Code Section 101(a)(1)). There are certain exceptions to this general rule including policies that were transferred for valuable consideration (IRC §101(a)(2)).