

# Splitting Policies May Help Clients Save Money and Provide Future Flexibility

Our Income Advantage IUL and Life Protection Advantage IUL policies now offer a Long-Term Care Rider in addition to an Accelerated Death Benefit for Chronic Illness Rider. In some cases, it may benefit your clients to choose both riders.

Although both riders can't be added to the same policy, your clients have the option to split a larger policy into two.

**Note:** Only one application is needed - you just need to include instructions on the application regarding the client's intent to split the policy.

**Let's take a look at a case study:**

- 50-year-old male, preferred nontobacco
- Currently has a \$2 million life insurance need
- Wants the ability to use his life insurance coverage to pay for long-term care services, if needed
- Using the cost of care calculator, he estimates his future long-term care expenses at \$18,500 per month

## Single Policy Approach

The client purchases a single Life Protection Advantage IUL policy with a 1 percent LTC Rider with a \$2 million cumulative benefit to have \$20,000 per month available to cover long-term care services.

Coverage	Premium (when projected to carry to 120 at 5.5%)
Life Insurance Coverage: \$2 million	\$17,968.49
LTC Rider Coverage: <b>1%</b> LTC Rider with a <b>\$2 million</b> cumulative benefit	\$1,549.93
<b>Total Annual Cost</b>	<b>\$19,518.42</b>

## Split Policy Approach

The client purchases two separate Life Protection Advantage IUL policies and only one includes the LTC Rider. To have \$20,000 per month available to cover long-term care services, he purchases a 2 percent LTC Rider with a \$1 million cumulative benefit.

Coverage	Premium (when projected to carry to 120 at 5.5%)
<b>Policy 1:</b>	
Life Insurance Coverage: \$1 million	\$9,015.39
LTC Rider Coverage: <b>2%</b> LTC Rider with a <b>\$1 million</b> cumulative benefit	\$969.80
<b>Policy 2:</b>	
Life Insurance Coverage: \$1 million	\$9,015.39
LTC Rider Coverage: None, but Chronic Illness Rider is included at no additional charge with a benefit up to \$1 million	\$0.00
<b>Total Annual Cost</b>	<b>\$19,000.58</b>

The split policy approach saves this client \$517 per year. It also provides the client with more flexibility.

## The Flexibility of the Split Policy Approach

The beauty of the split policy approach is the flexibility it offers your clients:

- When your clients qualify for benefits under the Long-Term Care Rider, they can start taking benefits from Policy 1 to reimburse themselves for long-term care services. If a client needs additional cash, either for expenses that exceed the Long-Term Care Rider benefit on Policy 1 or for non-qualifying expenses,\* he or she can take additional benefits from the Chronic Illness Rider on Policy 2\*\*
- Your clients can use Policy 2 to extend their duration of benefits. Let's say your client uses all of his Long-Term Care Rider benefits on Policy 1 over a four-year period. After the four years, he still requires long-term care services. This client can begin taking benefits under Policy 2's Chronic

Illness Rider. Since the charge (actuarial discount) for the Chronic Illness Rider is based on the client's life expectancy, his charge will likely be lower now than it would have been four years earlier

- If your client decides he no longer needs his full \$2 million of coverage, he can surrender one of the policies during a window following policy years 20 to 25 and receive either a refund of premiums paid under the GRO Rider\*\*\* or his surrender value, whichever is greater. He may even want to put this money toward his other policy's premium to reduce or stop paying premiums on the remaining policy

Keep in mind that United of Omaha's IULs provide additional flexibility by offering both a Long-Term Care Rider and a Chronic Illness Rider. For more information on these two riders, go to [MutualofOmaha.com/ltc-rider](http://MutualofOmaha.com/ltc-rider).

\*Benefits taken in excess of the IRS's HIPAA limit may be taxed if the client cannot prove qualifying long-term care expenses.

\*\* The maximum benefit under the Accelerated Death Benefit for Chronic Illness Rider is the lesser of \$1 million or 80 percent of the specified amount.

\*\*\*For Life Protection Advantage<sup>SM</sup>, the GRO Rider is not available for clients age 60 or above (regardless of risk class), or for substandard or tobacco cases under age 50 or for substandard tables 5-16 at ages 50 and above. For Income Advantage<sup>SM</sup>, the GRO Rider is not available 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. In addition to the windows following policy years 20 to 25, a refund of 50 percent of the premium is also available following policy year 15. The refund amount is capped at 50 percent of the policy's lowest face amount and is reduced by any previous withdrawals and outstanding loans.

## Why Mutual of Omaha

We're invested in your success. We're committed to giving you the products your customers want plus the tools, resources and support you need.

[MutualofOmaha.com/sales-professionals](http://MutualofOmaha.com/sales-professionals)