

Life insurance

Offer clients the Power of 3

A simplified retirement income solution





There's a fast-growing market segment that includes people you know. In fact, you probably know a lot of them. Because it's projected there will be over 73 million people in the retirement income market by 2030.¹

Pre-retirees face a challenge:

- › Fewer pension plans
- › Uncertainty about social security and future tax legislation
- › Reliance on personal savings
- › Contribution limits of qualified plans, such as 401(k) plans

You can provide a solution. Cash value life insurance from Principal® offers death benefit protection, asset and tax diversification, and no income-based funding limits.

Combine our quality products with attractive time-saving features to give your clients the Power of 3.

¹ Projected Age Groups and Sex Composition of the Population: Main Projections Series for the United States, 2017-2060, released September 2018. U.S. Census Bureau, Population Division: Washington, DC.

Power of 3

1

Principal Accelerated UnderwritingSM

2

Accumulation-focused life insurance

3

Automated income

Who you should talk to

There are many great prospects in the individual and business markets. Here's a common profile:



Individuals

- Need life insurance coverage
- Age 30-55 with at least 10 years until retirement
- In good health
- Income of \$100,000 or more
- Limited by, or no access to, a qualified plan
- Seek to diversify tax portfolio
- Prime occupations: attorney, doctor, engineer, architect



Businesses

- C corporation, S corporation, partnership, LLC, non-governmental tax-exempt
- Want to recruit, reward and retain key employees
- Want to help solve a retirement income problem
- Need to supplement the business owners' retirement income

It's a crucial time in the retirement income market — and you can help your clients be prepared.

1

Principal Accelerated UnderwritingSM

Secure fast and easy coverage

People often view buying life insurance as a time-consuming and inconvenient process. You can offer your clients a better experience while making your own life easier with Principal Accelerated Underwriting.²

This innovative program can get your applicants rated Standard or better approved more quickly and with less requirements than traditional underwriting.

72% of consumers indicated “fast and easy” is an extremely or very appealing benefit of simplified underwriting

- 2018 Insurance Barometer, LIMRA

- › **Less intrusive** — eliminates medical exams and blood work for roughly half of qualifying cases
- › **Less hassle** — leaves the medical question process to our online or telephone interview
- › **Less time** — gets decisions in as little as 24 hours and payment within 10 days

The bottom line

Principal was among the first carriers to introduce an accelerated underwriting program. Others have entered the market since. But still, few can match the robust features of our program, including:

- \$1 million maximum face amount is double the amount of several other top programs
- Good health is needed to qualify — not great health like some other programs require
- Maximum issue age of 60 exceeds the age of 50 or 55 allowed by many others
- Available on all products, not just a select few
- Can be used with both individual and business cases, and is ideal for young business owner/executives

Your qualified clients will love the process that eliminates inconvenient medical exams and delivers a quicker decision.

² Accelerated Underwriting is an expedited underwriting program offered by Principal Life Insurance Company that eliminates paramed exams and lab tests for 45-55% of applicants who qualify. Applicants may qualify based on age, product, face amount and personal history, and must be approved at a Standard or better underwriting classification without the use of any other special underwriting programs or reinsurance. To monitor quality and ensure solid mortality results, a small, random sample of applicants who qualify for Principal Accelerated Underwriting will go through full, traditional underwriting.

2

Accumulation-focused life insurance

Choose the product that fits

Finding the right product to fit the needs of your clients is essential. And our selection of honest products makes it easy.

Universal Life	Indexed Universal Life	Variable Universal Life
Steady, fixed-rate growth	Index-linked growth with downside interest rate protection	Market-based performance with no floor or cap
Principal Universal Life Accumulation II SM	Principal Indexed Universal Life Accumulation SM	Principal Variable Universal Life Income III SM 4 and Principal Variable Universal Life – Business
<ul style="list-style-type: none"> › Ideal for situations where consistent, more predictable cash value growth is important › Includes zero net-cost loans after year 10, a third death benefit option and 10-year no-lapse guarantee 	<ul style="list-style-type: none"> › Use with clients who seek greater cash value growth potential than declared-rate products but who don't want the volatility of full market participation › Features two complementary index linked accounts, a guaranteed account value enhancement and accelerated benefits for chronic illness³ 	<ul style="list-style-type: none"> › Built for clients who seek to maximize cash value growth and accept the risk of market volatility › Offers well-known investment options, guaranteed zero net-cost loans after year 10 and optional death benefit guarantees⁴

The bottom line

Many popular products have complex designs intended to make illustrated values look good today. With Principal, you can be assured your clients are getting products built on long-standing beliefs.

Trust — Simple, transparent designs that are easy to understand with no hidden “gotchas”

Value — Features that enhance and simplify their lives

Service — Work with people who take pride in being accessible, caring and responsive

When you recommend life insurance from Principal, your clients get a policy that offers uncommon value from a company they can trust.

³ Rider availability varies by state.

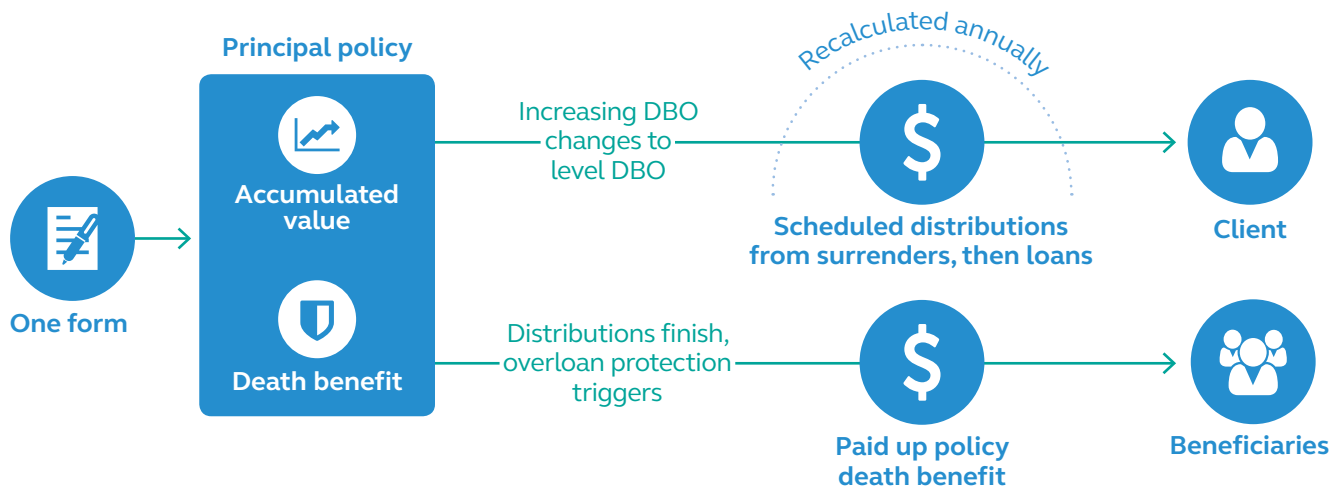
⁴ Principal Benefit Variable Universal Life IISM is available in NY.

3

Automated income

Leave the details to us

Your clients are busy. When it's time to start taking income distributions they don't want to deal with a lot of details. Our automated income management platform is designed to eliminate the burden for them, and you. This feature makes sure key actions occur automatically and at just the right time. That's important, because skipping or mistiming any of the actions could lead to reduced income or worse yet, a tax liability⁵.



The bottom line

It may be tempting to pick a policy based strictly on high illustrated income values. But what about the administration? The reality is, few carriers automate the process like we do. Instead, responsibility falls to the client to make sure paperwork is submitted when needed. Our automated process takes care of your clients.

- One form starts the process so the client can set it and forget it
- Death benefit option (DBO) changes to maximize your client's income
- Surrenders switch to loans when cost basis is gone to keep income tax free
- Payments are recalculated each year so money doesn't run out early
- Overloan protection triggers to prevent the surprise taxes that come with a policy lapse

See income automation by the numbers 

⁵ Distributions from a life insurance policy are generally received tax-free, when structured properly. If the policy is a Modified Endowment Contract (MEC) any gain withdrawn from the policy may be taxable and distributions taken before age 59½ may also be subject to a 10% penalty.

Potential pitfalls of a process that isn't automated

Assumptions:

- Max, age 45, purchases a policy from Fictional Life Insurance Company
- Pays \$12,000 annual premium for 20 years
- Scheduled to receive monthly income (\$36,624) annually starting at age 66 and lasting for 15 years

At age 66, Max received income as planned. At age 72, Max was surprised with a tax bill because surrenders didn't change to loans on time. At age 81, Max received his final payment. But because he didn't understand the overloan protection notice, the loan grew and the policy lapsed.

Age	Partial surrender (\$)	Annual loan (\$)	Taxable income (\$)
66	36,624	0	0
...
72	36,624	0	16,368
73	12,208	24,416	12,208
74	0	36,624	0
...
80	0	36,624	0

Cost basis was gone by July. Unfortunately for Max, Fictional Life doesn't have an automated switch from surrenders to loans, so withdrawals continued to be made for the remainder of the year.

Result: \$16,368 of taxable gain withdrawn.

Max got a surprise when he received a Form 1099 for the previous year's gain. By the time he got advice from his tax advisor and switched surrenders to loans, it was April.

Result: additional \$12,208 of taxable gain withdrawn.

Age	Death benefit (\$)	Taxable income (\$)
81	35,519	0
...
90	0	472,844

Max faces a frustrating situation as the policy lapses with an outstanding loan leaving him with **no coverage** and a

\$165,495⁶ tax bill

With Principal, you get a solution that helps maximize income and provide a safety net from an unwanted Form 1099.

⁶ Assumes 25% income tax rate.

Get started now

Use the following case design tips to get the most from your Power of 3 cases.



Talk to all who can benefit

The Power of 3 isn't just for your individual clients. Its ease and convenience make it attractive to busy business owners and executives, too.



Get clients all the coverage they qualify for

When your client qualifies for more accelerated underwriting coverage than applied for, consider adding a Principal Term or Principal Universal Life Protector IVSM policy to offer income potential plus affordable protection.



Maximize accumulation potential

Over-funding the policy allows more premium dollars to go toward cash value growth. A good rule of thumb to use is \$1,000 of premium for every year of the client's age.



Set expectations

Show illustrations using multiple interest rate assumptions to help clients understand that a range of outcomes is possible. And it can prevent tough conversations later if performance doesn't match expectations.



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