

Finding opportunities in your retirement planning

Indexed Universal Life Insurance Sales

Quick look

As you help clients plan for their future needs and retirement, make life insurance part of the conversation. Indexed universal life (IUL) insurance can provide death benefit protection and the potential for an income stream later on.

Hypothetical scenario

Your client is 45 years old. He and his wife have two children. He has \$1,000/month to set aside toward his long-term goals and hopes to retire at age 65. He is healthy (preferred class) with no other life insurance and limited retirement savings. A needs analysis identified an outstanding mortgage, college funding concerns, and income replacement for a total death benefit need of \$800,000.



Hypothetical case study

You run a Builder Plus IUL® 3 illustration using a level death benefit option for minimum death benefit. To meet your client's death benefit needs, you recommend supplementing the indexed universal life sale with an ADDvantage® Term policy.

ILLUSTRATION

ADDvantage® Term 20-year term

Death benefit: \$340,000
Monthly Premium: \$44.62

ILLUSTRATION

Builder Plus IUL® 3

Death benefit: \$458,295
Monthly Premium: \$1,000
Annualized distributions: \$42,624 starting at age 65
Total Premiums Paid: \$240,000
Accumulated Income Starting at Age 65–95: \$1,278,720

Did You Know?

North American's **ADDvantage® Term** policies are convertible¹ (full or partial conversion) during the majority of the level term period to either an increase in an existing policy or a new policy. Converting to the existing IUL policy could increase the income stream in retirement by increasing the guideline premiums which may allow more premium to be put into the policy.

Source: North American Illustration Software, May 2022. Illustrated using the default index at 5.72%. Fixed interest participating policy loan interest rate of 5%.² The information presented is hypothetical and not intended to project or predict investment results. Illustrations are not complete unless all pages are included.

Benefits of North American's IUL products



Immediate financial protection

Death benefit protection for their loved ones.



Downside protection, upside potential

Interest credited is never less than zero percent and can reach as high as the interest rate cap, if the selected index has a cap in place. The index account can't lose money due to poor index performance.



No maximum contribution limit

Life insurance is not a qualified plan, so it is not subject to tax-qualified plan⁴ contribution limits. However, there are limits on the amount of premium that may be paid into a policy to qualify as life insurance.



Generally tax-free distributions

Potential cash values within your policy can be taken as generally income tax-free loans and withdrawals, as long as the policy is not a Modified Endowment Contract (MEC).^{5,6}



Accelerated death benefit

Can offer financial assistance at a time when clients may be left wondering how they'll pay the bills.³

Case design tips

- Make a lump sum premium deposit with a Premium Deposit Agreement, which can make automatic future premium payments while helping to avoid a MEC.
- Aim for a minimum non-MEC death benefit: The lower death benefit may allow the policy to accumulate greater cash value.
- For cases that help supplement retirement income, you want to keep the death benefit low for the longest period of time. Use the Guideline Premium Test (GPT) keeping in mind that the death benefit may be higher in the early years, but lower for a longer number of years. The Cash Value Accumulation Test (CVAT) may require additional necessary premium tests to avoid creating a MEC.
- Be mindful of the projected cash value versus the death benefit to help ensure the client's needs are being met.

Need help with your retirement planning cases?

Contact your MGA for a North American illustration or marketing materials.

1. Conversions are allowed according to the following schedule: • 10-year term length: the earlier of 7 years or age 70 • 15-year term length: the earlier of 12 years or age 70 • 20-year term length: the earlier of 15 years or age 70 • 30-year term length: the earlier of 20 years or age 70
The conversion period is never less than 5 years regardless of issue age.

2. The net cost of a Fixed Interest Participating Policy Loan could be negative if the credits earned are less than the interest charged. The net cost of the loan could also be larger than under standard policy loans if the amount credited is less than the interest charged. In the extreme example, the amount credited could be zero and the net cost of the loan would equal the maximum interest rate charged less any guaranteed bonus. In brief, fixed interest participating rate loans have more uncertainty than standard policy loans in the interest rate credited.

3. Subject to eligibility requirements. There is no additional monthly deduction or premium charge for the Accelerated Death Benefit Endorsement. However, the actual payment received in connection with any acceleration will be discounted and is lower than the death benefit amount accelerated. In addition, there is an administrative fee required each time an election is made. Amount can vary by state. Critical illness benefit is not available on ADDvantage Term in California.

4. The tax-deferred feature of the indexed universal life policy is not necessary for a tax-qualified plan. In such instances, your client should consider whether other features, such as the death benefit and optional riders make the policy appropriate for your client's needs. Before purchasing a policy, your client should obtain competent tax advice both as to the tax treatment of the policy and the suitability of the product.

5. For most policies, withdrawals are free from federal income tax to the extent of the investment in the contract, and policy loans are also tax-free so long as the policy does not terminate before the death of the insured. However, if the policy is a Modified Endowment Contract (MEC), a withdrawal or policy loan may be taxable upon receipt. Further, unpaid loan interest on a MEC may be taxable. A MEC is a contract received in exchange for a MEC or for which premiums paid during a seven-year testing period exceed prescribed premium limits (7-pay premiums).

6. In some situations loans and withdrawals may be subject to federal taxes. North American does not give tax or legal advice. Clients should be instructed to consult with and rely on their own tax advisor or attorney for advice on their specific situation. Income and growth on accumulated cash values is generally taxable only upon withdrawal. Adverse tax consequences may result if withdrawals exceed premiums paid into the policy. Withdrawals or surrenders made during a Surrender Charge period will be subject to withdrawal charges, processing fees, or surrender charges, and may reduce the ultimate death benefit and cash value. Surrender charges vary by product, issue age, sex, underwriting class, and policy year.

Agents offering, marketing, or selling accelerated death benefits for chronic illness in California must be able to describe the differences between benefits provided under an accelerated death benefit for chronic illness and benefits provided under long-term care insurance to clients. You must provide clients with the ADBE Consumer Brochure for California that includes this comparison. Comparison is for solicitation purpose only, not for conversions.

Indexed Universal Life products are not an investment in the "market" or in the applicable index and are subject to all policy fees and charges normally associated with most universal life insurance.

Builder Plus IUL 3 (policy form series LS191) and ADDvantage Term (policy form series LS174), or appropriate state variation including all applicable endorsements and riders, are issued by North American Company, West Des Moines, IA. Products, features, riders, endorsements, or issues ages may not be available in all jurisdictions. Limitations or restrictions may apply.

Neither North American Company nor its agents give tax advice. Please advise your customers to consult with and rely on a qualified legal or tax advisor before entering into or paying additional premiums with respect to such arrangements.

The primary purpose of life insurance is to provide a death benefit to beneficiaries. Because of the uncertainty surrounding all funding options except savings, it is critical to encourage your clients to make personal savings the cornerstone of your clients' college funding program. However, even a well-conceived savings plan can be vulnerable. Should your clients die prematurely, their savings plan could come to an abrupt end. To protect against this unexpected event, life insurance may be the only vehicle that can help assure the completion of a funding plan. In addition to the financial protection aspect of insurance, the tax-deferred buildup of cash values can be part of your clients' college savings plan. Generally, if the policy is not a Modified Endowment Contract then tax-free withdrawals can be made up to the contract's cost basis. Moreover, if the policy is not a Modified Endowment Contract, then loans in excess of the cost basis are also tax free as long as the policy remains in force.

Sammons Financial® is the marketing name for Sammons® Financial Group, Inc.'s member companies, including North American Company for Life and Health Insurance®. Annuities and life insurance are issued by, and product guarantees are solely the responsibility of, North American Company for Life and Health Insurance.

