Cash Value Life Insurance

Reimagine the Possibilities

Not for CE credit

Your financial professional may be operating under his or her own firm ("independent firm") and not in the capacity of a Prudential financial professional. In that case, he or she is authorized to sell and service certain insurance products of Prudential companies in addition to products of companies not affiliated with Prudential. Your financial professional's independent firm is not affiliated with any Prudential company.

[Presented by:]
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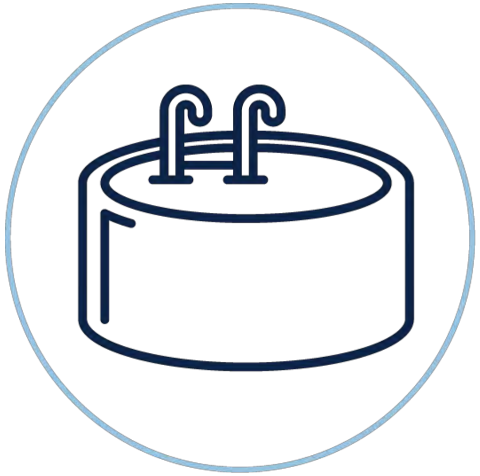
Take a Step Back

Total Accumulation

Income stream vs. Total accumulation

vs.



$xx,000 a year for 15 years

Retirement income only

$xxx,000

Possibilities

For financial professional use only. Not for use with consumers.

Agenda

The Often-Overlooked Tax Advantages

The Three Ls of Life Insurance

Client Profiles

The Often-Overlooked Tax Advantages

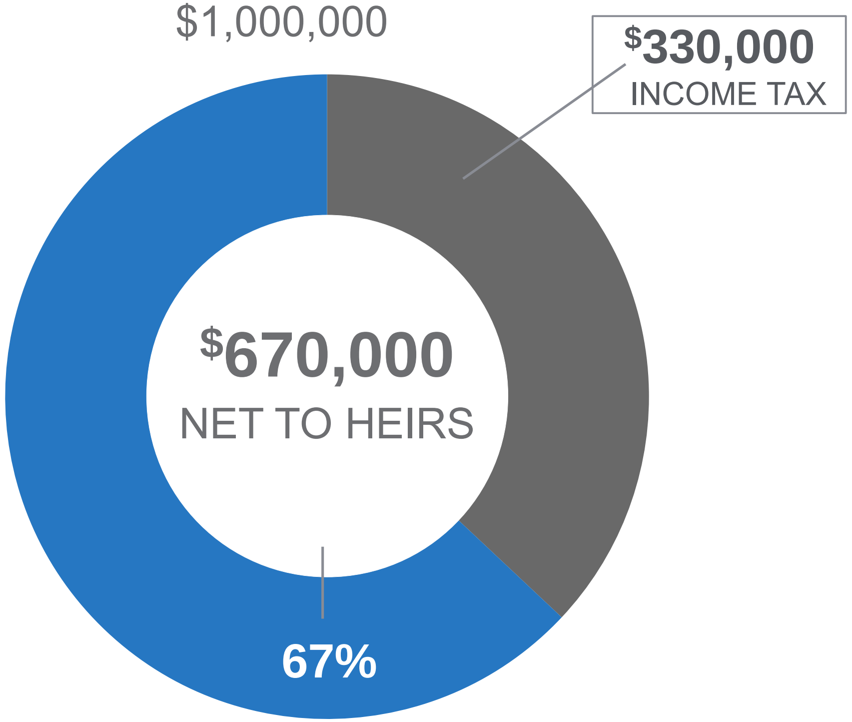
Tax Advantages

Section	Benefit
IRC §101(a)	Allows death benefits to pass income tax-free to the beneficiary
IRC §7702	Definition of life insurance for tax-deferred growth
IRC §7702A	Sets the maximum you can put into a life insurance policy to maintain favorable tax treatment on lifetime distributions and still receive tax deferral
IRC §72	Allows for tax-free policy withdrawals to basis from a non-MEC policy
IRC §101(g)	Life insurance death benefit may be accelerated in the event of chronic or terminal illness, tax-free

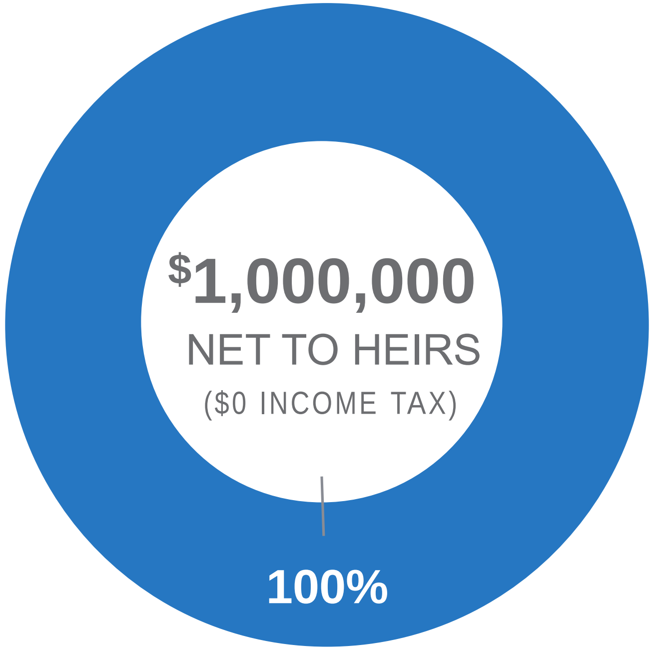
Tax-Free Death Benefit: IRC §101(a)

Life insurance death benefits are income tax-free

Qualified Tax-Deferred Asset Death Benefit:
$1,000,000



Life Insurance Death Benefit:*
$1,000,000



*Life insurance policies are purchased with after-tax dollars.

Tax-Free Acceleration of Death Benefit: IRC §101(g)

What assets will clients use in the event of chronic or terminal illness?

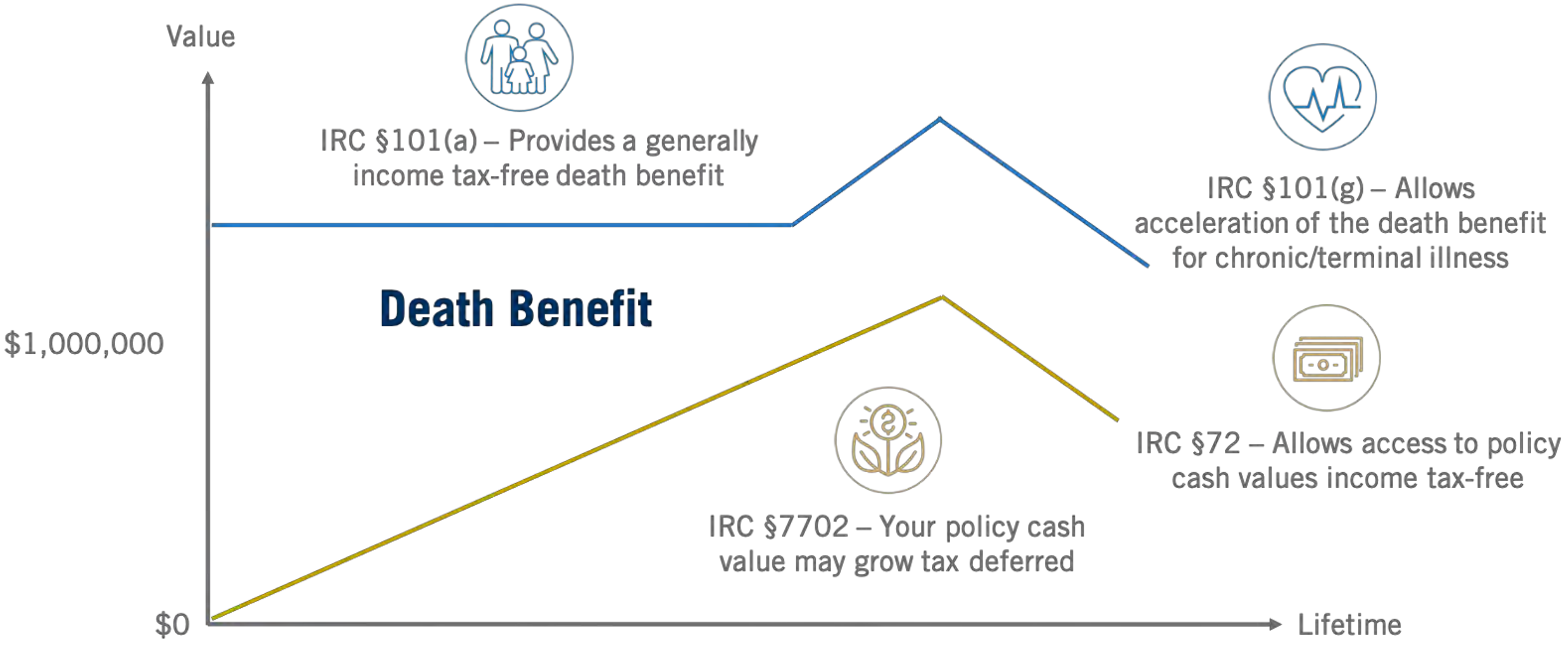
The U.S. spends nearly **$725 billion a year** on chronic illness:

- $7 billion is paid by LTC policies
- $63 billion is paid by families out of pocket, but
- Most of the care ($450 billion) is provided by family members who are unpaid.[2]

7 out of 10 people over the age of 65 will experience a **chronic illness or disability.**[1]

[1]*Alliance for Aging Research, The Growing Older Population, Accessed 03/2018.*
[2]*State of Long-Term Care Financing, Accessed 04/30/2019.*

Life Insurance Tax Codes



Tax Brackets and Rates: Opportunity Now

Current Tax Rates vs. 2017

<table>
<tr><th>Married Filing Jointly</th><th>2017</th><th>2023</th></tr>
<tr><td>$0 –22,000</td><td>10%</td><td>10%</td></tr>
<tr><td>$22,000 – 89,450</td><td>15%</td><td>12%</td></tr>
<tr><td>$89,450 -183,100</td><td>25%</td><td rowspan="2">22%</td></tr>
<tr><td>$183,100 – 190,750</td><td rowspan="2">28%</td></tr>
<tr><td>$190,750 – 278,950</td><td rowspan="2">24%</td></tr>
<tr><td>$278,950 – 364,200</td><td rowspan="3">33%</td></tr>
<tr><td>$364,200 – 462,500</td><td>32%</td></tr>
<tr><td>$462,500 -497,000</td><td rowspan="3">35%</td></tr>
<tr><td>$497,000 – 562,750</td><td>35%</td></tr>
<tr><td>$562,750 – 693,750</td><td rowspan="2">39.6%</td></tr>
<tr><td>$693,750 +</td><td>37%</td></tr>
<tr><td></td><td></td><td>Sunsets after 2025</td></tr>
</table>

<table>
<tr><th>Single</th><th>2017</th><th>2023</th></tr>
<tr><td>$0 –11,000</td><td>10%</td><td>10%</td></tr>
<tr><td>$11,000 - 44,725</td><td>15%</td><td>12%</td></tr>
<tr><td>$44,725 -93,375</td><td>25%</td><td>22%</td></tr>
<tr><td>$95,375-182,100</td><td rowspan="2">28%</td><td>24%</td></tr>
<tr><td>$182,100-228,500</td><td rowspan="2">32%</td></tr>
<tr><td>$228,500-231,250</td><td rowspan="2">33%</td></tr>
<tr><td>$231,250-498,100</td><td rowspan="3">35%</td></tr>
<tr><td>$498,100 -499,000</td><td>35%</td></tr>
<tr><td>$499,000 – 578,125</td><td rowspan="2">39.6%</td></tr>
<tr><td>$578,125 +</td><td>37%</td></tr>
<tr><td></td><td></td><td>Sunsets after 2025</td></tr>
</table>

The Benefits of Tax Diversification

"Tax Me Now"

- Brokerage Accounts
- CDs/MMAs[1]
- Real Estate

"Tax Me Later"

- Traditional 401(k)[2]
- Traditional IRA/SEP/SIMPLE
- Annuities[3]
- 403(b)[2]
- 457(b)[2]

"Don't Tax Me Again"

- Life Insurance[4]
- Municipal Bonds[5]
- Roth IRA/401(k)[6]

[1]Certificate of deposit/money market accounts. [2]Does not include amounts invested in Roth 401(k)/TSA/457(b). [3]Non-qualified annuities purchased with after-tax dollars generally enjoy the same tax-deferred growth and ordinary income taxation as qualified annuities. [4]Life insurance death benefits are generally income tax-free pursuant to U.S. IRC §101(a). Contract cash values can be accessed during the insured's lifetime via loans and withdrawals. Loans are generally income tax-free as long as the policy remains in force. Withdrawals are tax-free to the extent of basis. Policies that are modified endowment contracts (MECs) receive less favorable tax treatment. [5]May be subject to Alternative Minimum Tax (AMT) and may impact taxation of Social Security benefits. [6]Qualified distributions are income tax-free. Roth IRA distributions are qualified if the account has been open for 5 tax years, and the owner is age 59½, dies, is disabled, or is a first-time homebuyer ($10,000 lifetime limit). Roth 401(k) distributions are qualified if the plan participant has contributed to the account for 5 tax years, and is 59½, dies, or is disabled.

The Three Ls of Life Insurance

LIRP it | **Leverage it** | **Leave it**

LIRP It – Traditional

Life insurance policies contain fees and expenses, including cost of insurance, administrative fees, premium loads, surrender charges, and other charges or fees that will impact policy values. Variable universal life insurance policies also have additional charges and fund operating expenses. Guarantees are based on the claims-paying ability of the issuing company.

Distributions from MECs (such as loans, withdrawals, and collateral assignments) are taxed less favorably than distributions from policies that are not MECs to the extent there is gain in the policy. For distributions from a MEC prior to age 59½, a federal income tax penalty may apply to the extent there is gain in the policy. However, death benefits are still generally received income tax-free pursuant to IRC §101(a). The death benefit will be reduced by any withdrawals or loans (plus unpaid interest). Clients should consult a tax advisor.

LIRP It – Income Bridge

Social Security

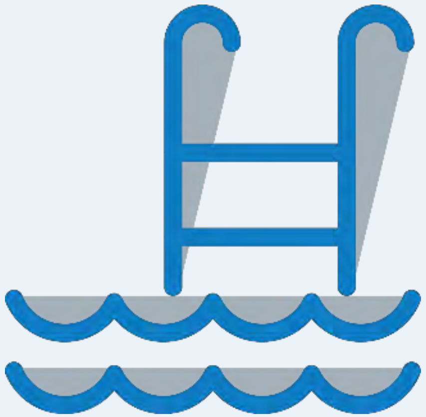
Grows by a guaranteed 8% for every year deferred

RMDs

First withdrawals are now at age 73

Leverage It – Large Expenses

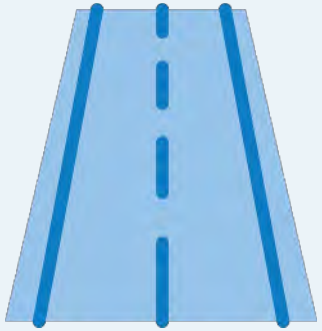
Cash Stream



Cash Accumulation

Leverage It – Policy Review

Future Need for Guarantees?



1035x to Annuity

or Explore Settlement Option in the Life Policy

1035x to Life Insurance with NLGs

Leave It – Wealth Transfer

Life insurance is like a parachute:
If it isn't there the first time, chances are you won't be needing it again.

Leave It – DB or Chronic Illness

Death benefit for beneficiary

or

Potentially accelerated for chronic illness

NOTE: Riders for chronic illness typically are available for an additional cost to the policy.

Flexibility

Supplement income

Bridge to Social Security

Pay for a major expense

Help during an illness or injury

Death benefit to beneficiaries

Life insurance policy cash values grow tax deferred and are potentially income tax-free. Cash values are accessed through withdrawals and policy loans. Withdrawals are generally taxable to the extent they exceed basis in the policy. Any loans that remain unpaid when the policy lapses or is surrendered while the insured is alive will be taxed immediately to the extent of gain in the policy. Unpaid loans and withdrawals will reduce cash values and death benefits.

Client Profiles

Client profiles on the following slides are for hypothetical purposes only and do not represent a specific product. Clients must receive a personalized illustration before purchasing a variable life insurance product. The illustration can be based on a return assumption you select (subject to a 12% maximum).

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Social Security Delay:
Existing Taxable Assets or Savings Repositioning

Pre-retired Affluent & Middle Market

Ted and Wanda, *50 years old*

Both purchase $150K policy with a chronic illness rider

- Max non-MEC premiums for 15 years
- Withdraw to basis from ages 65 to 69 (5 years)
- 0% income tax x 5 years
- Chronic illness benefit
- Death benefit to help replace Social Security after passing of spouse

This is a hypothetical example used for illustrative purposes only to describe how the strategies may work. Actual client results will vary.
Hypothetical policy assumptions: 7% non-guaranteed interest rate to age 121 variable universal life policy, male, age 50, Preferred Non-Tobacco, $8,117 annual premium for 15 years, and female, age 50, Preferred Non-Tobacco, $7,591 annual premium for 15 years. If policy does not perform as illustrated, results will be less favorable.

Policy Repositioning:

Pre-retired Affluent & Middle Market

- 10- to 20-year accumulation/premium period; customized distributions
- 5 to 10 years for “Leave it” or repositioning assets for short/early LIRP

Gordon, *55 years old, NSP*

Purchases $350K with chronic illness rider via $100K 1035

- $10K premium for 10 years
- $300K of tax-advantaged funds at 65
- Death benefit flexibility
- Protects other assets from chronic illness withdrawals
- Source of short-term retirement income if market downturn occurs

This is a hypothetical example used for illustrative purposes only to describe how the strategies may work. Actual client results will vary.
Hypothetical policy assumptions: 7% non-guaranteed interest rate to age 121 variable universal life policy, male, age 55, Non-Smoker Plus, $10,000 annual premium for 10 years, and $100,000 1035. If policy does not perform as illustrated, results will be less favorable.

Reposition Taxable Retiree Assets:

Wealth Transfer – Chronic Illness Protection

5 – 10 years for Leave it or repositioning assets

LaChonne and Max, *72 years old, retired*

- Premiums are $28,500 a year for 3 years; $5,000 after for a $250,000 policy
- Tax-free death benefit to replace asset used to fund policy and/or loss of Social Security income
- Death benefit acceleration for chronic illness: $10,000/month, tax-free
- After 7 years: over $80,000 available for each

This is a hypothetical example used for illustrative purposes only to describe how the strategies may work. Actual client results will vary.
Hypothetical policy assumptions: 7% non-guaranteed interest rate to age 121 variable universal life policy, female, age 72, Non-Smoker Plus, $28,500 annual premium for 3 years and $5,000 after, and male, age 72, Non-Smoker Plus, $28,500 annual premium for 3 years and $5,000 after. If policy does not perform as illustrated, results will be less favorable.

Asset or Savings Repositioning

Pre-retired Affluent & Middle Market

- Social Security delay with shorter distribution phase
- 1035 policies that have less favorable benefits and cash value access

Retired Clients

- If they don't plan to use their taxable assets and are concerned about chronic illness

Prudential Individual VUL Comparison

PruLife® Custom Premier II

Accumulation Focused

Explore minimum death benefit/maximum premium

LIRP designs

Index rider* with a 1% floor

Cash Value

VUL Protector®

Protection Focused

Dialable NLGs

Extra chronic illness protection

Higher death benefit

* Not available in NY.

eCapabilities

Making LIFE easier for you and clients

With simplicity, speed, and ease, from start to finish:

eSubmission

Easily submit clients' life insurance applications electronically.

eReview with PruFast Track

Our accelerated underwriting path may approve clients within days.

eInterview

Clients can answer health questions online when and where they want.

eDelivery

Policies are automatically delivered for placement after eSignatures are delivered.

Policy Management

Tools to help you help clients

With LifeInsight, you can:

- Help clients manage investment options
- Run projected scenarios
- Help clients manage policy to reach goals

Client self-service online

Clients can:

- Make payments
- Reallocate funds
- Change beneficiaries
- Update profiles and contact information
- And much more

Summary

- The Often-Overlooked Tax Advantages
- The Three Ls of Life Insurance
- Client Profiles

Life, Reimagined

Life insurance for:

- Death benefit
- Tax advantages
- Potential cash value accumulation
  - Retirement income
  - Major expense
  - Help a child
  - Pay for a wedding
  - Start a new business
  - Buy a dream home
  - Bridge to Social Security
  - Help during an illness or injury

Next Steps

- Determine which clients can benefit
- Look past the spreadsheet and consider:
  - Total cash value
  - All the ways to use the policy
- Empower clients to take action

What Can I Answer for You?

Thank you!

Important Information

The BenefitAccess Rider is an optional rider that accelerates the life insurance death benefit when the insured is terminally ill or is chronically ill as defined in the rider. It is not Long-Term Care (LTC) insurance. Benefits received under the rider will reduce and may deplete the death benefit. Electing the BenefitAccess Rider results in an additional charge and underwriting requirements. Some benefit payments may be subject to a fee. Other terms and conditions apply and can vary by state. Clients should consult their tax and legal advisors.

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Clients should consider the investment objectives, risks, and charges and expenses carefully before investing in the contract and/or underlying portfolios. The initial summary prospectus for the contract and the prospectus or summary prospectus for the underlying portfolios (collectively, the "prospectuses"), contain this information as well as other important information which may be obtained by contacting your Prudential Life Wholesaler or from prudential.com. Clients should read the prospectuses carefully before investing.

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