



How to Use Permanent Life Insurance for Your “Smart Money”

Help Gain Financial Protection and a Financial Safety Net

Consumer Brochure





Death Benefit Protection for Your Family and a Strategy for Your Financial Security

Do you have funds set aside that you can access easily? Is this money stored where exposure to loss is limited? If so, this money is your “smart money.” This is the money you want to keep close at hand, and you don’t want it to lose significant value. While there are many options for where to hold this smart money, only one helps you gain generally income tax-free death benefit protection:¹ life insurance. Worried about accessing your money? With permanent life insurance, you can access your money through loans and withdrawals.² Plus, permanent life insurance offers the potential for cash value growth—funds you can access down the line when needed. Consider using permanent life insurance for your smart money.

KEY QUESTIONS	MEETING OBJECTIVES WITH PERMANENT LIFE INSURANCE
Who can benefit?	People who can benefit are those seeking death benefit protection, access to funds in case of emergency, and the potential for cash value growth.
Why life insurance?	Death benefit proceeds provide generally tax-free funds for beneficiaries.
How does it work?	Typically, a lump sum is transferred into a life insurance policy.
What are the considerations?	There are a few items to consider when using permanent life insurance. Be sure to review this section and speak with your representative for further details.

WHO CAN BENEFIT?

Do you have money in certificates of deposit (CDs),³ money market accounts, annuities,⁴ or other vehicles? You may be holding these funds for long-term growth, and you value having access to these funds for emergencies or other needs. The returns on these assets may not be impressive, but ultimately the safety of being able to access the funds wins out.

Have your needs changed since you purchased them? If this sounds like you, another option to consider is permanent life insurance.

WHY PERMANENT LIFE INSURANCE?

Permanent life insurance offers four key benefits:

1. Income tax-free death benefit to beneficiaries¹
2. Access to cash value for unexpected or immediate needs²
3. Access to the death benefit for living needs⁵
4. Competitive returns on death benefit over life expectancy and/or cash surrender value

Permanent life insurance can provide you with a valuable solution to meet your short- and long-term needs. You may find that other smart money vehicles currently earn low rates of return and do not offer the same tax advantages as life insurance.¹

HOW DOES IT WORK?

There are many ways to fund a permanent life insurance policy. One way is to use a lump sum transfer. The funds may come from just about any type of financial vehicle. This movement of assets can purchase a permanent life insurance policy that is projected to provide a variety of benefits:

- **Income tax-free death benefit:** If your intention is to leave money for heirs or beneficiaries, life insurance is designed to leverage funds into a larger death benefit and pass the proceeds generally income tax- and probate-free to beneficiaries.¹

- **Control and access to funds:** Life insurance offers cash surrender value that is available for unexpected or immediate needs. Funds may be taken as loans or withdrawals for any reason.²
- **Access to funds above and beyond cash surrender value:** Additional design elements may include the ability to “accelerate,” or access, the death benefit during your lifetime when diagnosed with a qualifying critical, chronic, or terminal illness.⁵
- **Competitive performance:** Life insurance provides immediate, generally tax-free proceeds in the event of death. It also offers the potential for strong cash value growth. Features such as competitive interest rates and interest rate bonuses can help provide the potential for compelling cash value growth.

WHAT ARE THE CONSIDERATIONS?

There are also some considerations of using permanent life insurance:

- **Cost of insurance charges (COIs) or other charges:** Life insurance comes with charges that you need to be aware of for planning purposes.
- **Loss of principal:** Depending on funding, life insurance may not guarantee avoiding loss of principal.
- **Maintaining the death benefit:** Additional premiums may be necessary to continue the desired death benefit, depending on funding.
- **Modified Endowment Contracts (MECs):** MECs may have tax implications that you need to take into consideration.⁶
- **Surrender charges:** Withdrawals may be subject to surrender charges.

Contact your North American representative today to learn more about using permanent life insurance for your smart money.



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

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2. Policy loans from life insurance policies generally are not subject to income tax, provided the contract is not a Modified Endowment Contract (MEC), as defined by Section 7702A of the Internal Revenue Code. A policy loan or withdrawal from a life insurance policy that is a MEC is taxable upon receipt to the extent cash value of the contract exceeds premium paid. Distributions from MECs are subject to federal income tax to the extent of the gain in the policy and taxable distributions are subject to a 10% additional tax prior to age 59½, with certain exceptions. Policy loans and withdrawals will reduce cash value and death benefit. Policy loans are subject to interest charges. Consult with and rely on your tax advisor or attorney on your 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 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.

3. Removing funds from a Certificate of Deposit may result in penalty.

4. Removing funds from an annuity may result in surrender charges and/or income taxes.

5. Subject to eligibility requirements.

6. 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).

For Texas Residents Only: Receipt of acceleration-of-life-insurance benefits may affect your, your spouse's or your family's eligibility for public assistance programs such as medical assistance (Medicaid), Aid to Families with Dependent Children (AFDC), supplementary social security income (SSI), and drug assistance programs. You are advised to consult with a qualified tax advisor and with social service agencies concerning how receipt of such a payment will affect you, your spouse's and your family's eligibility for public assistance.

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