Life Insurance as an Asset Class
SALES KIT

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I want to show my clients how valuable cash value life insurance can be

Advanced Markets

Private reserve sales guide

EQUITABLE

In this guide

Welcome to Equitable's sales guide series

Dear Practitioner,

The playbook for helping clients pursue financial security is changing. Clients are living longer. And pensions are becoming a thing of the past.

What does that mean for you? Opportunity. When you think less about specific products and more about goal-based planning, your more holistic approach can help fulfill your clients' insurance and financial plans. This represents an outstanding prospect to grow and diversify your own practice.

That's why we've developed a series of Sales Guides — to help you comfortably prospect to a broader set of client needs and, in turn, grow your practice.

This sales guide focuses on the subject of Private Reserve to help you:

- Speak to the value of life insurance for financial protection needs.
- Understand how permanent insurance products can provide the life insurance coverage clients' families need, offer a potential source of cash and enhance your clients' wealth accumulation strategy.
- Start conversations with your clients about their mid- and long-term insurance and accumulation needs, and discuss how permanent life insurance can help.
- Define and execute an effective Private Reserve strategy for your clients.

It is our hope that you'll find this guide helpful, insightful and actionable. If you'd like to discuss any of the concepts you read about in this guide, we encourage you to reach out to your life wholesaler or contact the Life Sales Desk at (800) 924-6669.

Section 1:

Identifying the right clients for a Private Reserve strategy

Within your existing book of business, there is probably a range of clients who could benefit substantially from a sound Private Reserve strategy. The key is identifying them, so you can better support their household insurance and accumulation needs.

Look for clients who:

1. Are financially savvy, need life insurance coverage and have assets to allocate to cash value life insurance.

Those who are contributing to their 401(k), enthusiastically investing, and own an annuity or some life insurance are more likely to see the interconnection of the various parts of their financial life. For them, adding a Private Reserve may be a natural fit.

Look for:

- The need for life insurance coverage
- Active contributions to qualified plans, with money left over to contribute
- Ownership of some type of life insurance or annuity
- Sizable assets in bonds or longer-term CDs

2. Are "planners."

Clients who have expressed an interest in achieving tangible long-term goals (e.g., sustained retirement income) and need life insurance, but may have cash accumulation needs for additional goals (such as purchasing a second home), should be open to hearing more about how a dependable source of liquidity can help keep them on target without sacrificing potential growth.

Look for:

- Individuals contributing to 529 plans
- People who want to attain longer-term lifestyle goals prior to retiring, such as purchasing a vacation home or starting a business

3. Do their research.

Any of your clients who tend to do their own research and discuss more advanced financial concepts may be good candidates for Private Reserve strategies. They will often be more receptive to new financial ideas and will appreciate why potential access to cash surrender value is essential.

Look for:

- Someone who has expressed frustration with tax rates
- A client who makes sizeable charitable contributions

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Introducing the concept of Private Reserve to your clients

Once you've identified clients who could benefit from a Private Reserve strategy, you can now introduce them to the concept.

1. Talk about your client's insurance needs, accumulation goals and financial planning objectives.

It's important that you and your client have a shared understanding of their financial objectives and how a Private Reserve can help promote and protect those objectives.

2. Discuss their current and future household assets and liabilities.

After establishing a clear view of a household's overall current financial picture, determine where sources of cash flow have been identified. One key to a successful plan is ensuring that you have reviewed your client's anticipated needs in the short, medium and long term.

For advanced practitioners

Start with a full set of data that encompasses financial capital (including portfolio allocation), human capital (dependability of earned income), social capital (sources of guaranteed income) and monthly household surplus/deficit.

3. Determine if an allocation to a permanent life insurance product is suitable.

This should be based on steps 1 and 2 above. In addition to the valuable life insurance protection it provides, explaining the multiple additional benefits of permanent coverage, particularly its tax-deferred growth and potential tax-free distributions, can help boost your client's confidence levels with the product. When discussing allocations, be sure to mention that for optimal effectiveness as a Private Reserve, permanent life insurance should be funded at the maximum practical level, with a minimal death benefit.

Conversation starters

Ready to talk Private Reserve with your clients? Try these conversation starters.

Have you thought about what you'd do if you lost your job?

It's great that you're planning for retirement, but do you have a potentially tax-free source of funds that can help you meet goals during your income-earning years — such as purchasing a vacation home or paying for a semester abroad for your child?

Do you have a source of funds to help protect your plans for the future?

Are you missing out on potential growth by keeping some extra money "parked"?

Case in point:

The big day

The situation

Rochelle, a 56-year-old orthodontist in private practice, has earnings that fluctuate annually based on patient load. She's entering into a period in which a higher-than-expected number of patients have completed their treatment, reducing her patient roster and income.

The complication

Rochelle's daughter, Ella, gets engaged to her long-time boyfriend. It's great news, but Rochelle knows that there may be a hefty price tag attached — she's eager to help fund the wedding.

The strategy

Tapping into the cash value of her indexed universal life policy, Rochelle takes a tax-free loan to help pay for her daughter's big day. Then, when her patient roster recovers, she repays the loan to help ensure she has sufficient cash value to provide a substantial portion of her retirement income in the future. Please note: This strategy will reduce the cash value and face amount of her policy. Rochelle may need to fund higher premiums in later years to keep the policy from lapsing.

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Section 2:

Strategies for driving accumulation

There are a number of sources that an individual might turn to for cash flow needs. Each has its own advantages and drawbacks. Often, a combination of tactics will yield optimal results for your clients. So it's important to understand the relevant considerations for each of the most popular options.

How to evaluate:

In evaluating these strategies, understanding your client's life stage, situation, financial needs and long-term goals is critical.

Life cycle stage

First take into account where your client is in his or her life. A 30-year-old may take a longer-term position than a 60-year-old, who will have less flexibility in terms of risk and liquidity.

Financial status

Whether a client is considered high net worth, affluent or mass affluent should play a significant role in evaluating the right strategy. In general, the more affluent a client is, the greater the opportunity for upside exposure.

Earned income

Salary and other earned income is an important consideration to keep in mind. Households with less earned income may have a greater need for short-term access to cash, while clients with higher amounts of earned income may have enough excess cash flow to potentially build a long-term Private Reserve.

Taxes

Tax implications should always be factored into the equation. Since it is uncertain what anyone's tax bracket will be in the future, particularly in retirement, products that offer potential tax-free distributions when properly structured can offer a significant advantage.

Future household expenses/liabilities/goals

Having a good understanding of a client's future needs is extremely helpful. While day-to-day needs may be easily met, anticipated expenses, such as college tuition or elder care, will perhaps require an alternate source of funds in the future.

Action plan

1. Know the advantages of using permanent life insurance in a Private Reserve strategy.
2. Help your clients understand the time value of money and how permanent insurance may provide a way to participate in market upside.
3. Think about how to adapt your conversation with clients based on life stage.
4. Be aware of the tax advantages of permanent insurance, particularly when cash is accessed, and the income tax-free death benefit.

Case in point:

High net worth meets high liabilities

The situation

John, a 45-year-old senior vice president for a global pharmaceutical company, earns $210,000 a year. His earned income is sizeable, but so are his liabilities. John and his wife, Jennifer, recently bought a larger house and their oldest daughter is about to start college.

The opportunity

John's wife, Jennifer, has left her job to start her own business. John wants to help cover her start-up costs. But if he cashes out of the stock market now, he'll be locking in substantial losses.

The strategy

For the last 7 years, John has maintained a universal life policy with a cash value that has grown more than enough to cover Jennifer's start-up costs. He borrows from the policy tax-free, without penalty, and begins to repay it once Jennifer's business turns a profit. Please note: This strategy will reduce the cash value and face amount of his policy. John may need to fund higher premiums in later years to keep the policy from lapsing.

Section 3:

Executing your Private Reserve strategy

When it's time to put your Private Reserve strategy into play, the following guidelines can help you build a highly effective strategy for your clients using permanent life insurance.

Effective funding for permanent life insurance in Private Reserve strategies

When using a permanent life insurance product to create a potential Private Reserve, an effective strategy is to overfund the cash value account while funding a minimal death benefit. This provides a number of benefits:

- Greater upside exposure.
- More flexibility in premium payments.
- Potential additional access to cash value.

Benefits of permanent insurance

Permanent life insurance, particularly IUL and VUL, offer some upside and tax-deferred growth potential. And, of course, it provides an income tax-free death benefit, giving beneficiaries a source of ready cash when it is most needed. Keep in mind that with VUL, there is a possible substantial loss of principal invested, as well.

Age	Annual premium outlay	Cash surrender value	Loans taken out of policy before retirement	Distributions during retirement	Net death benefit
25	$10,000	$0	$0	$0	$508,000
45	$10,000	$71,000	$35,000	$0	$575,000
55	$10,000	$230,000	$45,000	$0	$730,000
65	$10,000	$587,000	$0	$0	$1,087,000
66	$0	$575,000	$0	$49,000	$1,029,000
85	$0	$75,000	$0	$49,000	$152,000

$10,000 premium payable to age 65

In 10 years, client borrows $35,000 to help start a business

Supplemental income of $49,000 from age 66 to 85

In 20 years, client borrows $45,000 for a vacation home

The policy premium, cash value and death benefit amounts used for this case are intended only to help demonstrate the planning concept discussed, and not to promote any specific product. The values are broadly representative of rates that would apply for a policy of this type and size for the insured's health and the ages noted in the example. To determine how this approach might work for your client, individual illustrations based on their own individual age and underwriting class, containing both guaranteed charges and guaranteed interest rates, as well as other important information, should be prepared.

Our role in your Private Reserve strategy

We can help you build a Private Reserve strategy that best fits your clients' needs. Our BrightLife® Grow and VUL Optimizer℠ are generally best suited for this purpose.

BrightLife® Grow

BrightLife® Grow can be an appropriate choice for clients looking for an income tax-free death benefit and tax-deferred accumulation, but need protection against negative returns.

Use it with clients who:

- In addition to needing life insurance coverage, are looking for upside exposure through index-linked accounts of the S&P 500® Index, but want a 0% floor to protect them from risk.
- Are sensitive to costs, and do not want higher internal charges relative to savings products.
- Realize they may want a product that doesn't illustrate overly optimistic scenarios.

Don't use it with clients who:

- Want the full, uncapped upside potential of the financial markets.
- Are comfortable enough with risk to pass up downside protection.
- Do not need life insurance coverage.

VUL Optimizer℠

VUL Optimizer℠ may be instrumental in creating a potential Private Reserve for clients who, in addition to needing life insurance coverage, are less risk averse and have the time horizon to ride out the ups and downs of fluctuating financial markets.

Use it with clients who:

- In addition to life insurance, prefer a moderate or aggressive approach to investing.
- Have a specific investment strategy preference.
- Want to have a way to shield at least part of their investment with downside protection or risk-managed investments.
- Have a tolerance for investment risk, including loss of principal invested, and potentially paying higher premiums in later years.

Don't use it with clients who:

- Are afraid of losing principal.
- Want to see immediate results with investment performance.
- Do not need life insurance coverage.

Action plan

1. Review your clients' life insurance coverage to determine their currrent life insurance needs.
2. Be familiar with how cash value can be accessed by policyholders.
3. Think about the impact of persistent low interest rates on the cost of holding reserves in cash accounts.
4. Talk to your clients about whether they are comfortable with market risk; if so, how much? Would they prefer a product with maximum upside potential but also the risk of some losses? Or, would they prefer to give up some upside potential but also receive a 0% earnings floor?
5. Consider the pros and cons of cost-of-insurance fees and other charges (including a front-end load and surrender charges) versus tax expenses from taxable investments.
6. Know how to explain the tax advantages of overfunding a permanent policy.

Appendix A:

Launching and growing your accumulation practice

When it's time to put your Private Reserve strategy into play, the following guidelines can help you build a highly effective strategy for your clients using permanent life insurance.

Five components of a successful action plan:

A winning action plan for your wealth accumulation practice involves educating current clients and establishing the means with which to pull in new clients.

Pull

Revise your website, point-of-sale materials, client worksheets and handouts to reflect your expanded offering. Equitable has a wide range of digital and printable client-ready materials you can use for this purpose.

Outreach

Send a carefully crafted email and/or letter to your clients announcing your new offering. Equitable templates and scripts can provide you with a strong starting point.

Relationship

Nothing is more effective than one-to-one interactions with your clients. So give them a call. Ask them about their life insurance accumulation goals.
See our Life's telephone scripts for guidance on effective ways to structure these conversations.

Network

Networking with local companies to inquire about organizing workplace seminars on wealth accumulation can be a highly effective way to mine for new prospective clients. Many companies are eager to provide their employees with helpful financial guidance.

Prepare

Work on developing a clear, easy-to-understand perspective on the importance of building an adequate Private Reserve with life insurance. The better you can articulate the need, the more likely you'll be to connect with your audience.

Appendix B:

Getting the support you need

Expanding your practice into the accumulation space can offer you deeper relationships with existing clients, along with entry into entirely new potential markets. But it's important to have the backing you need to succeed.

That's where Equitable can help.

As a global leader in insurance and asset management, Equitable is here to provide whatever information and support you need to optimize your practice.

Five questions to consider:

1. Do you have adequate materials to support your client conversations about accumulation, liquidity and permanent life insurance?
2. Do you have your clients' email addresses?
3. Are you comfortable conducting the conversation with clients, and diagnosing their life insurance needs and accumulation opportunity?
4. Have you reviewed your book of business and identified clients who might be interested?
5. Have you segmented your book of business based on life stage (e.g., builder, pre-retiree, wealth)?

If you have any questions about what you've read in this guide, please contact Advanced Markets for more details.

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Life insurance as an asset to stabilize market fluctuations

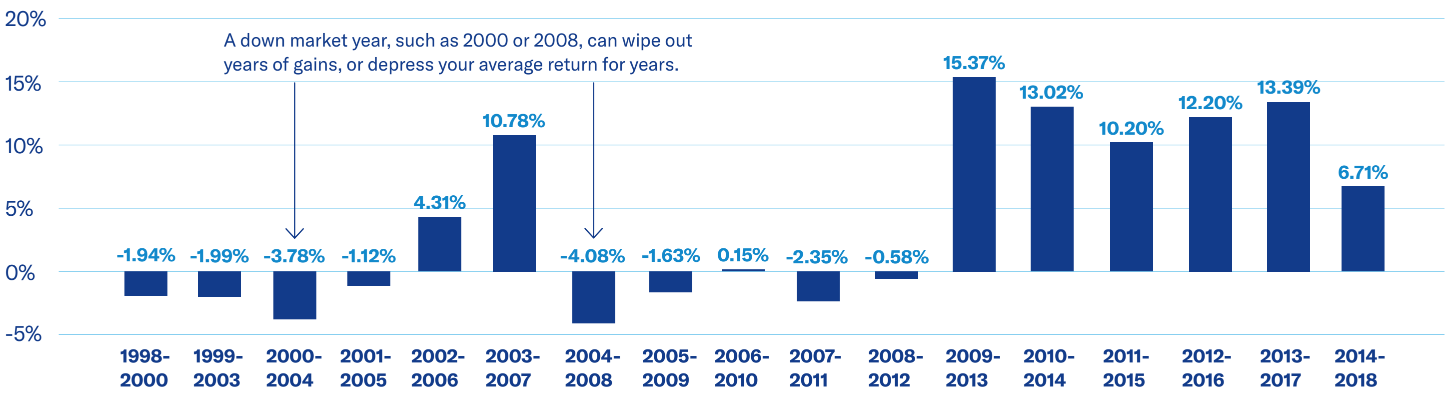
Advanced Markets

Use life insurance to stabilize wealth transfer

Whether the market is currently up or down, clients who want to transfer their wealth to their families often remain uneasy when committing dollars to the market. Clients who want to transfer their wealth also want to be certain their heirs receive everything that's intended to go to them. But, what if they die in a down market? Even the best asset management can't entirely guard against market drops or extended down markets. For clients planning to transfer their wealth to their next generation, this can be a major concern. Over the past several years, the results for the S&P 5-year average has been mixed. Take a look at the S&P 500® — 5-Year Average Return chart below.

> **"I think that I could achieve a 7% rate of return on my investments over the next 25 years, but I'm worried that my children won't receive much of the legacy if the market doesn't perform as planned."**

S&P 500® – 5-Year Average Return[1]



Insure that your client's wealth transfer will happen. **Taking a small amount of client assets, or the annual growth, can purchase a death benefit that assures a basic amount of wealth will transfer to a client's heirs, regardless of when a client dies.**

Financial professionals can:

- Help your client assure a wealth transfer.
- Manage your client's assets with more flexibility, knowing a fixed amount will pass to their heirs.

This is a hypothetical example intended to demonstrate conceptually how this plan would work and does not represent any specific product. For hypothetical results using a specific life insurance product, please refer to a life insurance illustration from Equitable Financial or Equitable America.

How the strategy works

By directing a small amount of their net worth, or income, each year to life insurance, clients can leverage their dollars and benefit. For example, John Wilson is a 65-year-old male. He has a $6,000,000 net worth that he wants to direct to his children. For just $50,000 per year (or 0.83% of his net worth), he can use the leverage provided by life insurance,[2] as long as he qualifies both medically and financially for the insurance. This gives him peace of mind that no matter what happens to his assets, no matter how the market performs, his family will receive at least a $2,500,000 legacy from him.

Year	Premium	Cumulative Premium	Death Benefit	Before-Tax Equivalent on IRR on Net Death Benefit [3]	Probability of Death
1	$50,000	$50,000	$2,500,000	8,166.67%	0.40%
5	$50,000	$250,000	$2,500,000	149.75%	3.79%
10	$50,000	$500,000	$2,500,000	47.02%	12.26%
15	$50,000	$750,000	$2,500,000	23.34%	28.46%
22[4]	$50,000	$950,000	$2,500,000	11.06%	62.81%
25	$50,000	$1,250,000	$2,500,000	8.31%	77.34%
30	$50,000	$1,500,000	$2,500,000	5.37%	93.31%

This is a hypothetical example intended to demonstrate conceptually how this plan would work and does not represent any specific product. For hypothetical results using a specific life insurance product, please refer to a life insurance illustration from Equitable Financial or Equitable America.

For more information, please call the Sales Desk.

1 Source: Standard & Poor's — the S&P 500® is shown here reflecting the compounded annual growth rate without dividends. Past performance is not indicative of future results. Clients cannot invest directly in the S&P 500®.

2 Based on a hypothetical death benefit amount of a $2,500,000.

3 Assumes policyowner is subject to 40% in federal, state and local income taxes.

4 Client life expectancy based on the 2008 VBT table rates.

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‹ Sales concepts

Using life insurance as an asset

If your clients are uneasy about the market, they may want to consider using life insurance as an asset to help stabilize and transfer their wealth regardless of market performance.

How does this strategy work?

By directing a small percentage of their overall net worth or income each year to pay life insurance premiums, your clients can leverage their dollars into a relatively large life insurance benefit generally income tax free. This can allow them to pass assets on to their family or beneficiaries and hedge against the risk of low market returns. Especially in the early years,[1] life insurance death benefits can offer substantially more than the hypothetical investment. As time goes on, the leverage offered by life insurance may be reduced as the non-life insurance assets grow and compound.

Strategy in action

- Helen is a 60-year-old widow.
- She has a portfolio[2] of $3,000,000 in real estate and equities.
- She wants to make sure her children and grandchildren receive a meaningful inheritance, but she is concerned that her assets may underperform if left in the market.

Helen's financial professional suggests she take $30,000 each year (1 percent of her accessible assets) and direct the funds to a life insurance policy on her life. As a result, she may purchase a life insurance benefit of $2,400,000. Her portfolio is reduced each year by the amount of the policy's costs, but the life insurance benefit gives her a potentially more effective transfer strategy.

The following chart compares Helen's portfolio with and without the life insurance policy. As you can see, in the early years, the policy creates a large life insurance benefit in relation to the amount of premiums paid.

At Average 7% Growth				
Year-End	Portfolio without Insurance Planning	Portfolio Reduced by Life Insurance Premiums	Reduced Portfolio Plus Life Insurance Death Benefit	Difference with Life Insurance
5	$3,842,539	$3,668,096	$6,037,260	$2,194,721
10	$4,921,701	$4,523,824	$6,892,988	$1,971,287
15	$6,303,942	$5,619,880	$7,989,044	$1,685,101
20	$8.074,381	$7,023,759	$9,392,923	$1,318,542
25	$10,342,040	$8,821,912	$11,191,076	$849,036
28[3]	$11,997,877	$10,134,918	$12,504,082	$506,204
40	$21,731,875	$17,853,547	$20,222,711	-$1,509,165

Prospective client

- Older clients with a large portfolio invested in the stock market
- Concerned about market declines
- Want to pass assets on to loved ones in a tax-efficient way

Considerations

Although using life insurance as a part of a wealth transfer strategy may make sense, your clients should weigh this against other considerations relative to their long-term financial strategy.

Points to consider include:

- By purchasing a life insurance policy, clients will consume a portion of assets that might otherwise grow in an investment portfolio. Although life insurance has the potential to offer leverage in the early years, leaving the premium dollars in a portfolio might provide more to their beneficiaries over time. This is particularly true if clients live beyond their life expectancy. Clients should not dedicate excessive amounts of their assets to life insurance. Instead, consider life insurance as only one aspect of their overall financial picture.

- The effectiveness of this technique depends on the underlying pricing assumptions in the life insurance policy. Should the life insurance fail to meet the pricing assumptions, or should clients live significantly beyond their life expectancy, the anticipated death benefit may not provide their beneficiaries with the anticipated leverage.

- Clients' ability to purchase life insurance is conditioned by financial and medical underwriting. Based on their overall medical and financial profile, the total amount of life insurance protection they might be able to purchase could be limited or cost prohibitive.

- Generally, there are many additional charges associated with a life insurance policy, including but not limited to a front end load, monthly administration charge, cost of insurance charge, additional benefit rider costs and surrender charges.

Highlighted product(s) with this concept

IUL Protect

See all permanent protection products

VUL Survivorship

See all wealth transfer products

1 Generally, this refers to the first 20-30 years. The number of years will vary depending on the client's age, underwriting class, premium payments, and other factors.
2 This portfolio represents a 50% Income/50% Appreciation portfolio allocation that is primarily made up of real estate and equities.
3 This year indicates life expectancy based on the 2008 VBT Mortality Table.

IU-3000295 (08/2020) (Exp. 08/2024)

Too much of one stock?

If your clients are looking to transfer wealth and have a high concentration of one stock in their portfolio, they may want to sell some stock (and pay low capital gains taxes) and purchase life insurance.

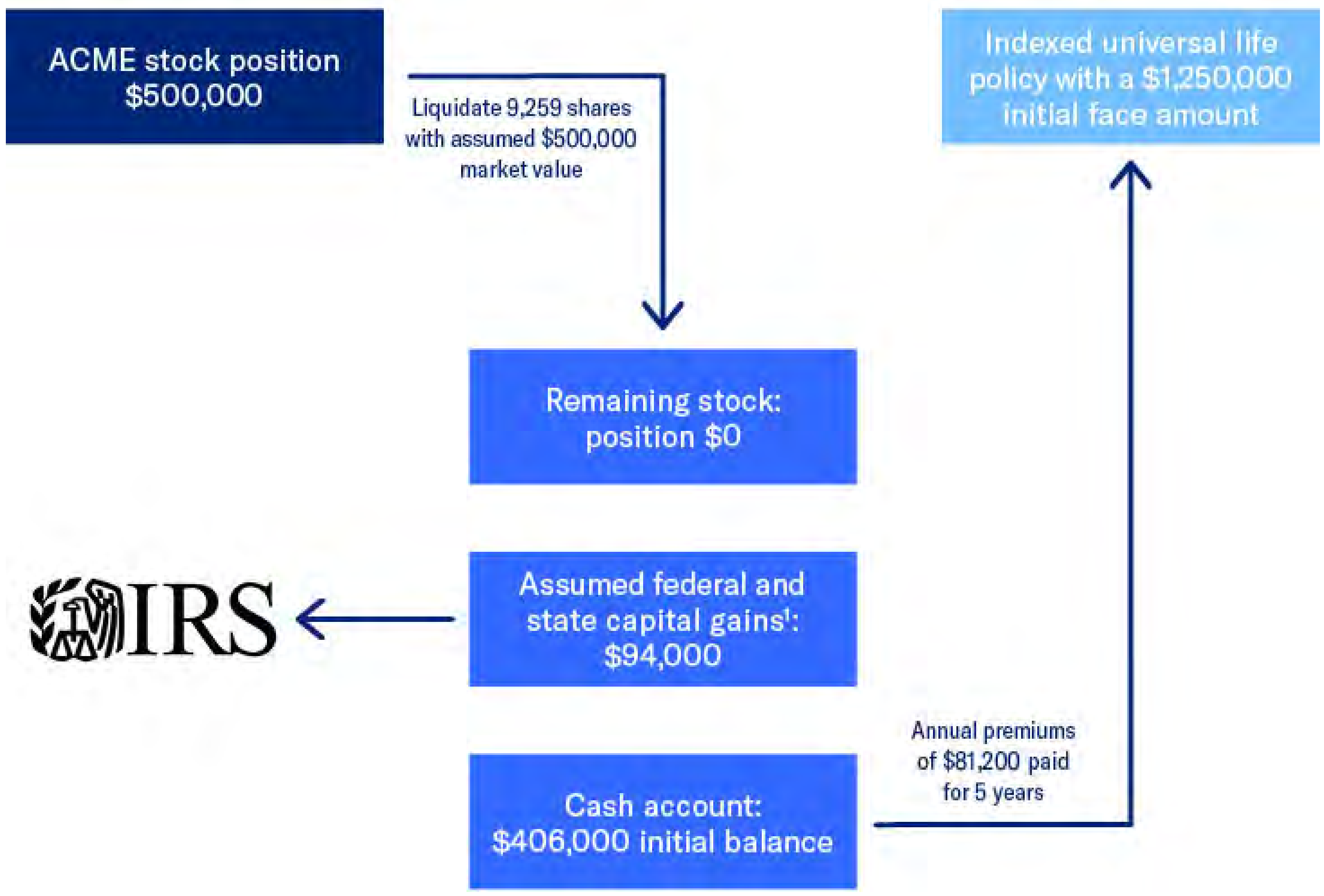
How does this strategy work?

With capital gains rates at near historic lows, now may be a good time to reposition some of your client's portfolio. Selling a portion of concentrated stock and using the proceeds to purchase cash value life insurance may be a good alternative to help ensure a certain level of wealth transfer. By moving a portion of the gain from the sale of their stock into life insurance, your clients can:

- Provide an income-tax-free life insurance benefit for their family
- Provide a specific sum of money for wealth transfer, regardless of what happens in the market
- Potentially accumulate tax-deferred cash value

Strategy in action

- Mary and John are 55 years old and on track with their retirement savings.
- Six years ago, they bought stock in Acme, a medical tech company, and its value has skyrocketed to $500,000, representing a quarter of their portfolio.
- They need life insurance and want to diversify their portfolio further.
- They sell their Acme stock for $500,000, pay $94,000 in capital gains and over the next five years, pay premiums of $81,200 into an indexed universal life insurance policy. That will give them a life insurance benefit to pass, income-tax-free, to their family, of $1,250,000 – significantly more than passing the stock itself and with much less risk.



[1] Includes 3.8% Medicare Surcharge tax.

The policy premium and death benefit amounts used for this case are intended only to help demonstrate the planning concept discussed and not to promote any specific product. The values are broadly representative of rates that would apply for a policy of this type and size for the insured's health and the ages noted in the example. To determine how this approach might work for a client, individual illustrations based on their own individual age and underwriting class, containing both guaranteed charges and guaranteed interest rates as well as other important information, should be prepared.

Prospective client

- Has a life insurance need
- 45-65 years old, but may be older
- Net worth of at least $1 million, exclusive of residence
- May be a corporate executive with stock in the company that makes up a large portion of their net worth
- May have a large portion of wealth tied to a stock with family or sentimental value

Highlighted product(s) with this concept

VUL Survivorship

See accumulation products

IUL Protect

See all permanent protection products

IU-3067783 (06/2020) (Exp. 06/2024)

‹ Sales concepts

What's the return on a lifetime?

Your clients may think that their family could build more money for the future if they self-insure and invest their money in a product other than life insurance. But, have they looked at the internal rate of return life insurance can provide at death?

How does this strategy work?

By purchasing life insurance with a relatively small premium, your clients can generate a substantial death benefit, which can help them provide the assets needed to make sure their loved ones are financially secure. This works because life insurance provides leverage, so the internal rate of return for life insurance can be substantial, not only in the short-term, but all the way through life expectancy.

Strategy in action

- Peter is age 55
- He needs $1 million in life insurance
- He pays $11,100 per year in premiums for that benefit[1]

Here's what another investment would have return annually (pre-tax) to keep pace with the life insurance benefit.

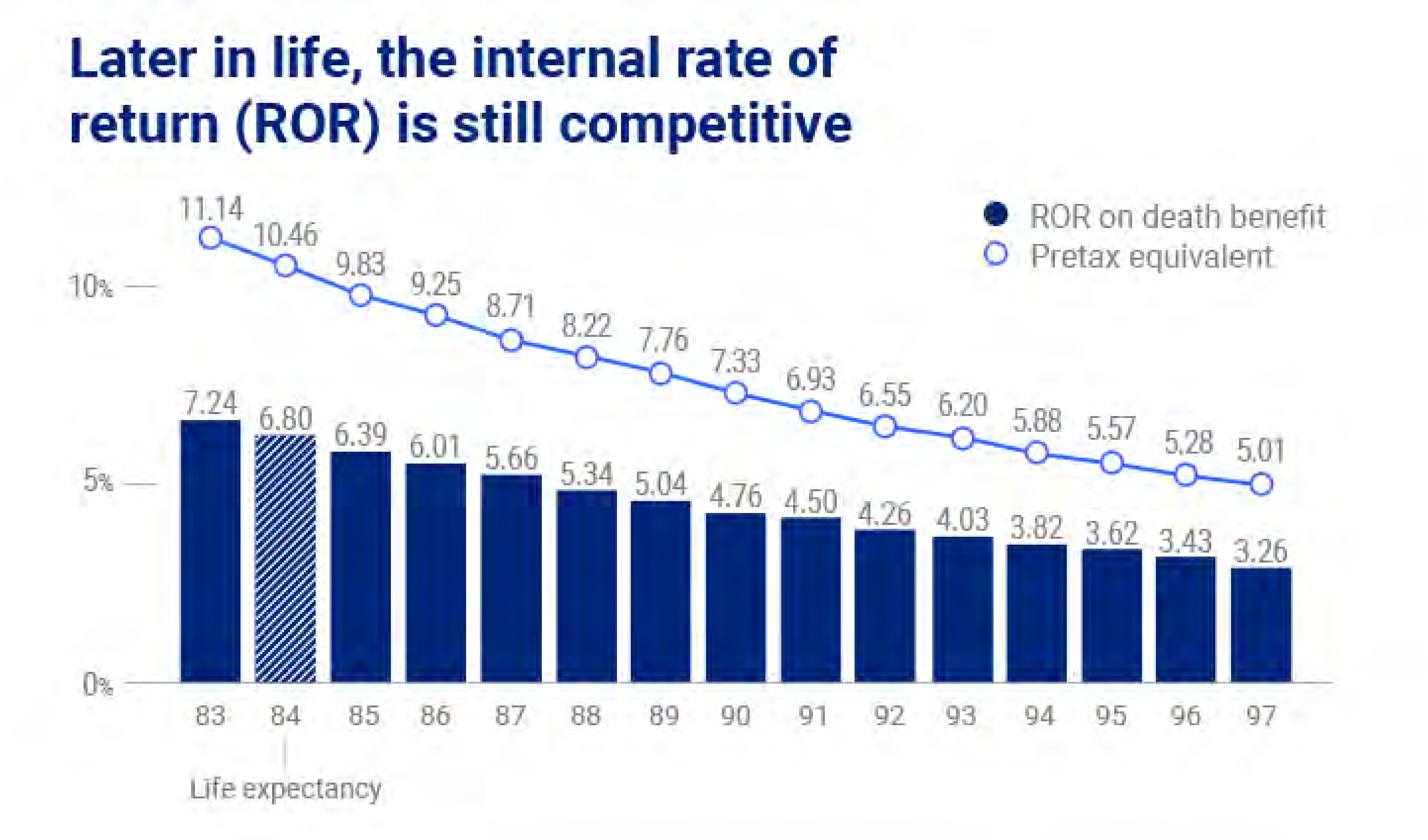
Return on lifetime

Year end	Attained age EOY	Planned premium	Death benefit	IRR on death benefit	Pretax equivalent[2]	Probability of death (EOY)
1	56	$11,100	$1,000,000	8,909.01%	13,706.17%	0.34%
5	60	$11,100	$1,000,000	118.56%	182.40%	1.93%
10	65	$11,100	$1,000,000	38.55%	59.31%	4.77%
15	70	$11,100	$1,000,000	20.45%	31.46%	9.36%
20	75	$11,100	$1,000,000	12.88%	19.81%	16.81%
25	80	$11,100	$1,000,000	8.84%	13.61%	28.97%
29	**84**	**$11,100**	**$1,000,000**	**6.80%**	**10.46%**	**42.91%**
30	85	$11,100	$1,000,000	6.39%	9.83%	47.03%
35	90	$11,100	$1,000,000	4.76%	7.33%	70.34%
40	95	$11,100	$1,000,000	3.62%	5.57%	89.89%
45	100	$11,100	$1,000,000	2.78%	4.28%	98.11%

Internal Rate of Return at Death

Note that by the age of 84 (life expectancy) there is a 42.91% chance of death occurring based on the 2017 CSO Table.

- An alternative product must have earned 6.8% after-tax to equal the insurance death benefit, or
- Alternative product must have earned 10.46% pre-tax (assumes a 35.00% tax rate) to equal the insurance death benefit.



[1] The life insurance values represented here are for a preferred, non-tobacco male, non-guaranteed and assume current charges and a current interest rate of 6.12% + 0.50 (Extra Interest Credit).

[2] Based on a 35.00% income tax bracket.

Prospective client

- Age 50-70
- Needs insurance but isn't convinced it's a "good deal"
- Wants to provide a substantial benefit for children or grandchildren at death
- Is healthy and can buy life insurance at a reasonable price

Highlighted product(s) with this concept

IUL Protect

See all permanent protection products

VUL Survivorship

See all wealth transfer products

IU-2958627 (08/2020) (Exp. 08/2024)

Financial objectives discussion guide

Confidential

Date: ______________________________

1. PERSONAL OVERVIEW

	Client 1	Client 2
Name		
Gender		
Date of birth		
Address		
Home phone		
Work phone		
Cell phone		
Email		
Preferred contact method and time		
Occupation		
Business owner?		

Please provide me with a general overview of your financial situation and experience including any disappointments and achievements.

____

____

____

List any recent events in your life related to you, your loved ones or your financial situation. Examples include: change in marital status, death of a family member, health concerns, change in employment, change in income, new investments, etc.

____

____

____

Tell me about your current retirement plan.

What would your retirement look like if we worked together? Think about where you'd live during the various stages of your retirement, how you'd spend your typical days, what activities or hobbies you'd be involved in, etc.

Who have you relied on for financial guidance?

	Insurance professional	Broker or Financial advisor	Accountant	Attorney
Name				
Firm name				
Phone				
How did you meet?				
How long have you been associated?				
When did you last meet?				
Rate satisfaction Level from 1 – 5 with 1 being poor and 5 being excellent				

Your financial concerns

I'd like to understand your current financial concerns and know about the relationships in your life that may be impacted by these concerns. First, let me know if any of the following items are of concern to you and, if so, how they rank in order of importance.

Concern	Level of importance – Check appropriate column				
	1 None	2 Minimal	3 Somewhat	4 Very	5 Urgent
A. Income protection for my family					
B. Funding children's education[1]					
C. Outliving your assets in retirement					
D. Leaving a legacy for heirs					
E. Providing for extended family and/or dependents with special needs					
F. Estate planning/wealth transfer					
G. Charitable giving					
H. Concern about market volatility					
I. Concern about yields on savings or other fixed vehicles					
J. Affording to retire					
K. Business continuation					
L. Executive benefits for employees					
M. Loss of key employee or partner					
N. Affording in home health care or nursing home care					
O. Other:					

Additional comments: ______________________________

____

Your relationships

Based on your concerns, list others who you are supporting or plan to support financially. When identifying your relationship with these individuals, be as specific as possible from a legal perspective (i.e. "daughter of previous spouse" vs. "step-daughter", "son-in-law's child from a previous marriage" vs. "grandchild", etc.).

Name	Relationship	Gender	Date of birth	Social security number*	Concern (use letter from previous chart)

*Will be required if a life insurance transaction results from this conversation.

Now that we've discussed your personal situation, I'm going to ask you for a lot of data. Before we move on though, is there anything else that you'd like to share?

2. CURRENT FINANCIAL SITUATION

Pre-retirement earnings and benefits	Client 1	Client 2
Annual salary		
Bonus		
Other income		
Annual value of employer paid benefits/ contributions		
Health insurance		
Life insurance		
Disability insurance		
Other:		

General assets

Description	Current value	Owner (Client 1, Client 2 or J – joint, T - trust)	Plan to use for retirement?	Plan to pass on to heirs?
Residence				
Other property				
Automobiles				
RV/other				
Savings account				
Certificate of deposit				
Bonds				
Mutual funds				
Stocks				
Business interest				
Other:				
General assets total				

Note: A separate chart for Retirement Assets follows.

Retirement assets

Description	Current value		Annual contributions			
	Client 1	Client 2	Client 1	Client 1's employer	Client 2	Client 2's employer
401(k)						
403(b)						
Pension plan						
Employee stock plan						
Traditional IRA						
Roth IRA						
Annuities						
Life insurance						
Other:						
Retirement assets totals						

Liabilities

Description	Amounted owed	Duration
Mortgage 1		
Mortgage 2		
Home equity loan		
Credit cards		
Student loans		
Line of credit		
Business loan		
Other:		
Liabilities		

Net worth

(Assets ____________ + Retirement assets ____________ = ____________) – Liabilities ___________ = Net worth ___________

Taxes

	Current	Expected at retirement
Federal tax bracket		
State tax bracket		

3. COLLEGE FUNDING NEEDS[1]

Current college funding sources

Saving vehicles	Current value
529 Plan	
Savings accounts	
Certificate of deposit	
Sources from family (grandparents, etc.)	
Future potential sources (scholarships, grants, loans, student aid, other?)	
Life Insurance	
Other:	

Expenses	Estimated cost
Tuition	
Housing	
Food	
Books	
Supplies (computer, pens, notebooks, other?)	
Fees (activity, parking, other?)	
Transportation	
Other:	

4. INSURANCE REVIEW

Do you currently have coverage under any of the following types of insurance policies? Indicate the number of policies if you have more than one of any type.

Type	Client 1	Client 2
Life insurance		
Disability insurance		
Long term care insurance		

How did you purchase this coverage? (i.e. from the same representative, multiple representatives, on-line, other)

How did you come to a decision on the amount of death benefit coverage you currently have.

What life changes have occurred since you bought these policies? (i.e. marriage, children, mortgage, other?)

When was the last time you reviewed your beneficiary designations?

Let's review the insurance policies that you current have as well as any annuities that you referenced earlier.

NOTE: Use additional sheet(s) for multiple policies/contracts.

Life insurance coverage

Current coverage	Client 1 (insured)	Client 2 (insured)
Owner*		
Beneficiary(ies)*		
Issuing insurance company		
Policy issue date		
Product type		
Death benefit		
Annual premium		
Underwriting classification		
Riders (type and reason for having them):		
For permanent life insurance:		
Death benefit guarantee		
Cash accumulated value		
Cash surrender value		
Surrender charge period		
Guaranteed interest rate		
For term life insurance:		
Level term period		
Years remaining of initial level term period		
Years remaining for eligible conversion privilege		

*Be sure to list trusts if appropriate.

Disability insurance coverage

Current coverage	Client 1 (insured)	Client 2 (insured)
Issuing insurance company		
Annual premium		
Monthly benefit		
Inflation adjustment?		
Offset by social security?		

Long term care insurance coverage

Current coverage	Client 1	Client 2
Issuing insurance company		
Annual premium		
Daily benefit (in-home)		
Daily benefit (care facility)		
Maximum lifetime benefit		
Inflation adjustment?		

Annuity contracts

Current coverage	Client 1	Client 2
Issuing insurance company		
Current value		
Cost basis		
Growth rate		
Other:		

5. DISCUSSION SUMMARY

Is there anything that we haven't discussed that you feel is important for me to know?

Next appointment

Date: ______________________________

Time: ______________________________

Place: ______________________________

The content of this material is not intended sell, discuss the risks, recommend, or provide any type of advice relative to securities. Nor is it intended to recommend the liquidation of specific securities, or identify specific securities that could be used to fund a life insurance product.

Neither North American Company 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.

1 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 make personal savings the cornerstone of your client's college funding program. However, even a well-conceived savings plan can be vulnerable. Should your client die prematurely, your client's 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 client's 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.

| Life

North American Company
for Life and Health Insurance
Since 1886

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Next appointment

Date: ______________________________

Time: ______________________________

Place: ______________________________

NOTES

PROPERTY RECEIPT

This receipt should be left with the client should the financial representative obtain copies of the client's insurance policies.

The following policies have been provided by the client(s) to the financial representative for review. Those policies will be returned to the clients by _______________(date).

Issuing company	Policy number	Insured	Policy owner

Client #1 printed name　　　Client #1 signature　　　Date

Client #2 printed name　　　Client #2 signature　　　Date

Financial representative printed name　　　Financial representative signature　　　Date

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Life

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Financial Analysis Worksheet

Now, later, legacy

SYMETRA
RETIREMENT | BENEFITS | LIFE

	NOW For today	LATER For the future	LEGACY For wealth transfer
Asset Type	Amount	Amount	Amount
Checking	$	$	$
Savings	$	$	$
Money Market	$	$	$
Savings Bonds	$	$	$
Treasury Bills	$	$	$
CDs 1–6	$	$	$
CDs 6–12	$	$	$
CDs 12–24	$	$	$
CDs 24+	$	$	$
Mutual Funds	$	$	$
Stocks	$	$	$
Bonds	$	$	$
Wrap Accounts	$	$	$
Immediate Annuities	$	$	$
Retirement Plans	$	$	$
Pensions	$	$	$
Deferred Annuities	$	$	$
Life Insurance Cash Values	$	$	$
Life Insurance Death Benefits	$	$	$
Other	$	$	$
TOTAL	$	$	$
ADJUSTMENTS	+/-	+/-	+/-
NEW TOTAL	$	$	$

Financial Solutions

Prepared for ______________________________

Prepared by ______________________________

Phone number ______________________________

Branch/Location ____________________ Date ________

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ADVANCED PLANNING

Life Insurance

Twelve Life Insurance Mistakes to Avoid

When it comes to choosing a life insurance policy, there is the potential to make serious and costly mistakes. Here are twelve mistakes to avoid when you are considering purchasing a policy.

Life insurance is one of the most important purchases that you will ever make.

Mistake Number One
LACK OF EDUCATION

Lack of education, whether your financial professional's or your own, can lead to many mistakes, including the subsequent eleven mistakes below.

Life insurance is not a one-size-fits-all commodity. You need a high degree of comfort with the insurance company, the financial professional, and the products being considered before purchasing anything. Spend the time to do the research first, and you can avoid headaches later.

Mistake Number Two
THE "TRIANGLE"—THREE PEOPLE ON A POLICY

The beneficiary of a properly structured life insurance policy will generally receive the death proceeds income[1] and gift tax-free. However, policy proceeds are subject to gift taxation when three different parties are designated as the owner, the insured, and the beneficiary of a life insurance policy. This is called the "Triangle," named for a famous 1946 federal court decision.[2] This court decision held that, where a "Triangle" exists at the death of the insured, the owner of the policy (not the insured) will be deemed to have made a taxable gift of the entire death proceeds to the beneficiary. Should the insured person die under those circumstances, the policy proceeds are considered to be a gift from the owner to the beneficiary.

The solution is very simple: either the insured and owner should be the same individual, or the owner and beneficiary should be identical.

Mistake Number Three
THE BUSINESS "TRIANGLE"

Similar to the mistake above, but, in this situation, a business is the owner. This form of the "Triangle" frequently occurs with business owners when they name themselves as the insured, use the business to own the policy, and name a spouse, children, or another business owner as the policy beneficiary.

The negative tax consequences of the transaction are changed if the business owns the policy. In this situation, the death proceeds paid to the beneficiaries are subject to income tax instead of gift tax.

Like the previous mistake, the solution lies in properly structuring the policy ownership and beneficiary designation.

Continued on the next page.

[1] Under IRC § 101(a).

[2] Triangle v. Commissioner, 156 F.2d 218 (2d Cir. 1946).

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Mistake Number Four
FAILURE TO NAME A SUCCESSOR OWNER

Think of the assets you own. Chances are you thought of stocks, bonds, and real estate. But what about life insurance? All too often, people fail to think of a life insurance policy as an asset.

If the owner and insured on a life insurance policy are two different people and the owner dies first, the policy ownership has to pass to a successor owner. If the policyowner did not name a successor owner, the policy will be subject to probate. Probate can cause the policy to be subject to creditors' claims and unnecessary costs. It can also cause ownership of the policy to pass to an unintended owner or to be divided among multiple owners.

The solution is quite simple: if the insured and owner are different individuals, either name at least one successor owner or have an entity such as a trust own the policy.

Mistake Number Five
ESTATE AS BENEFICIARY

This occurs when the estate is named or becomes the beneficiary of an insurance policy. The estate may become the beneficiary unintentionally. For example, if only one beneficiary is named but he or she predeceases the insured, then, by default, the estate becomes the beneficiary.

If the insured's estate is the beneficiary, the policy proceeds may needlessly be subject to probate, creditor claims, and estate or inheritance taxes.

The solution is to name both primary and secondary beneficiaries.

Mistake Number Six
POLICY SUBJECT TO ESTATE TAX

If an individual is the owner of his or her policy, all of the death proceeds are included in his or her estate. For most individuals, this will not be a problem; however, if the individual has a large estate, this may trigger unnecessary estate taxation. Typically, when an individual discovers that ownership of a policy creates an estate tax problem, he or she transfers ownership to another individual or to a trust. That sounds like a quick and easy solution, but it could be Mistake Number Six.

The Internal Revenue Code contains a rule that provides that if an insured owns a policy on his or her life and gives the policy to another person, trust, or entity and then dies within three years of the transfer, the policy proceeds will be included in the estate of the insured and subject to estate taxation.

While there are a number of complex ways to structure a transfer to avoid the three-year estate inclusion, one simple solution is to purchase a separate insurance policy for the three-year period during which the policy would be subject to estate tax.

Mistake Number Seven
FAILURE TO MEET NOTICE AND CONSENT REQUIREMENTS ON AN EMPLOYER-OWNED CONTRACT

It's not unusual for a business to purchase insurance on the life of a key employee or owner. In general, death proceeds on employer-owned contracts issued after August 17, 2006, are subject to income tax. At first glance, you might wonder why any business would purchase life insurance.

Fortunately, where specific employee notice and consent requirements are met and certain exceptions apply, a business can continue to receive death proceeds income tax-free. The notice and consent requirements must be met before policy issue. Failing to meet the notice and consent requirements is the mistake.

If the specific notice and consent requirements are not met before policy issue, the only corrective option appears to be reissuing the contract, subject to full underwriting. Consequently, it is important that action be taken before the policy is issued.

Continued on the next page.

Mistake Number Eight
GIFT OF A POLICY SUBJECT TO A LOAN

The gift of a policy with an outstanding loan is a common occurrence. In fact, individuals often borrow from a policy before transferring it in order to reduce its value for gift tax purposes. But, as with any technique, too much of a good thing can lead to an undesired tax result.

The transfer of a policy subject to a loan, even by gift, is treated as if the policyowner sold the policy and received money equal to the debt deemed forgiven. If the amount of loan exceeds basis[3] at the time of the transfer, or if the transfer is considered for valuable consideration ("bargain sale"), a portion of the death proceeds will be subject to income tax.

On the other hand, if the loan is less than the policyowner's basis,[3] the death proceeds will generally be received income tax-free by the beneficiaries. Consequently, the solution is to make sure the loan amount does not exceed policyowner basis at the time of transfer and the gift of a policy in this scenario is not considered a transfer of a policy for value.

Mistake Number Nine
EXCHANGING A POLICY SUBJECT TO A LOAN

Very little in life is static. For a number of reasons, there may be a need to exchange an existing life insurance policy for a new one. Congress recognized that changes do occur and addressed the need by permitting the exchange of one policy for another without any income tax implications at the time of the exchange as long as the requirements contained in Section 1035 of the Internal Revenue Code are met.

One of the requirements is that no money or property other than "like-kind" can be received at the time the policy is exchanged. And if it is, income will be recognized to the extent of that other property. Like the prior mistake, when an existing policy has a loan against it, if the new policy does not carry over the old loan, the policyowner is treated as if money is received, and any gain in the contract will be recognized up to the amount of the loan.

One solution is to arrange for the new policy to be subject to the existing policy loan. In circumstances where that cannot be done, the policyowner should use funds independent of the policy to pay off the loan on the old policy before the exchange.

Mistake Number Ten
PLEDGING A MODIFIED ENDOWMENT CONTRACT (MEC)

Because life insurance enjoys a number of tax benefits, there are limits on how much premium can be put into a life insurance policy. One of the limits imposed is contained in the Modified Endowment Contract (MEC) rules. Premiums that exceed these limits will cause the policy to be classified as a MEC, causing a loss of some of its income tax benefits.

One of the lost benefits involves the treatment of loans and withdrawals of policy cash surrender values. The general rule is that as long as a life insurance policy is in force, withdrawals that do not exceed the policyowner's basis[3] may be taken from the policy's cash values income tax-free.

Further, loans of any amount permitted by the insurance carrier can be taken income tax-free. However, if a policy is classified as a MEC, loans and withdrawals are subject to income tax to the extent of gain in the policy. In addition, there may be an additional 10% tax. This result cannot be avoided by pledging the policy as security for a loan.

The solution is to pledge other assets.

Continued on the next page.

[3] Generally basis is equal to the amount of premiums paid.

Mistake Number Eleven
TAKING POLICY WITHDRAWALS WITHIN THE FIRST 15 YEARS

Two characteristics of life insurance allow it to serve as an efficient retirement income supplement:

- Cash value build-up is not subject to income tax.
- Cash values can be withdrawn (to the extent of basis) or borrowed, free of income taxation.

It is important to understand that withdrawing or borrowing cash values may cause a decrease in the policy's death benefit.

To prevent abuses of the tax-favored treatment of life insurance, Congress enacted provisions in the Internal Revenue Code sometimes referred to as the "cash-rich rules." In general, the rules affect policies with large premiums relative to the death benefits that are issued or exchanged after 1984.

According to the cash-rich rules, any time there is a cash distribution from a policy that results in a reduction of the death benefit within the policy's first 15 years, there is the possibility that some portion of the distribution will be subject to income tax.

There are many ways to avoid the adverse income tax consequences of a "cash-rich" policy. One simple solution is to either wait until year 16 before taking a withdrawal, or structure the distribution as a loan.

Mistake Number Twelve
FAILURE TO DO POLICY REVIEWS[4]

Change is a reason for considering the exchange of an existing insurance policy. Not all change requires a new policy, but it is an important reason for reviewing existing policies.

Generally speaking, it is a good idea to review policies every three years, as well as whenever circumstances change or an event occurs that would warrant an immediate review.

Life insurance is an integral part of a package of personal and financial protection that requires care and attention. Be sure to engage the help of a trusted financial professional who can provide guidance and education as you make your choice.

You should carefully consider the risks and benefits before taking action, including your current need for coverage, current health status and insurability, fees and charges associated with terminating an existing contract, and future liquidity needs.

CONCLUSION

No one would argue that a listing of twelve mistakes is inclusive of all of the errors that could be made with life insurance. It is hoped that an awareness of these limited issues has highlighted the fact that protecting one's family and business by means of life insurance is very serious and should be done with considerable thought as to the details. Insurance is an integral part of a package of personal and financial protection that requires care in its implementation. The role of a competent team of financial professionals is important and should not be overlooked.

This material is being provided for informational or educational purposes only and does not take into account the investment objectives or financial situation of any client or prospective clients. The information is not intended as investment advice and is not a recommendation about managing or investing your retirement savings. If you would like information about your particular investment needs, please contact a financial professional.

[4] When conducting an insurance policy review and presenting options that include replacing an existing insurance contract, it is important to discuss the risks and benefits. Client should carefully consider the risks and benefits before taking action, including their current need for coverage, their current health status and insurability, fees and charges associated with terminating an existing contract, and future liquidity needs.

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All guarantees and benefits of the insurance policy are backed by the claims-paying ability of the issuing insurance company. Policy guarantees and benefits are not backed by the broker/dealer and/or insurance agency selling the policy, nor by any of their affiliates, and none of them makes any representations or guarantees regarding the claims-paying ability of the issuing insurance company. We do not provide tax, accounting, or legal advice. Clients should consult their own independent advisors as to any tax, accounting, or legal statements made herein.

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THE TAX CHALLENGE

Managing When and How You're Taxed

There are three types of vehicles that you can use to set aside money for retirement. Proper allocation among these vehicles can allow you to help enhance your retirement distributions by controlling how and when you are taxed.

BEFORE: Typical Allocation – Heavily Invested in "Tax Me Later" and "Tax Me Now" Vehicles

Most people typically don't consider how their assets are taxed.

"TAX ME NOW"
- Mutual Funds
- Annuities
- CD/MMAs[1]
- Real Estate

NON-QUALIFIED
Invest with after-tax dollars; potential to enjoy capital gains rate on some investments

"TAX ME LATER"
- Traditional 401(k)[2]
- Traditional IRA/ SEP/SIMPLE
- 403(b)[2]
- 457(b)[2]

QUALIFIED
Invest with pre-tax dollars to enjoy tax-deferred growth

"DON'T TAX ME AGAIN"
- Municipal Bonds & Bond Funds[3]
- Life Insurance[4]
- Roth IRA/401(k)[5]

TAX-EXEMPT
Invest with after-tax dollars to enjoy income tax-free growth potential

AFTER: Balanced Approach – More Equal Diversification Among All Three Vehicles

GOAL: Money with greater tax control.

"TAX ME NOW"
- Mutual Funds
- Annuities
- CD/MMAs[1]
- Real Estate

"TAX ME LATER"
- Traditional 401(k)[2]
- Traditional IRA/SEP/ SIMPLE
- 403(b)[2]
- 457(b)[2]

"DON'T TAX ME AGAIN"
- Municipal Bonds & Bond Funds[3]
- Life Insurance[4]
- Roth IRA/401(k)[5]

After all, it's not necessarily how much money you have that is important… it's how much you get to keep that really matters.

Contact your financial professional to discuss how you can better diversify your portfolio among these three vehicles.

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Bring Your Challenges®

[1] Certificate of Deposit/Money Market Accounts.

[2] Does not include amounts invested in Roth 401(k)/TSA/457(b).

[3] May be subject to Alternative Minimum Tax (AMT) and may impact taxation of Social Security benefits.

[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 which are modified endowment contracts (MECs) receive less favorable tax treatment.

[5] 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 disabled.

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Bring Your Challenges®

Understanding Your Life Insurance Options

Life Insurance

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1012404-2

Financially protecting those who depend on you may be easier than you think.

For the people in your life whom you care for deeply, life insurance plays an important role. It can help you ensure that those who count on you to financially support them remain protected—even if you die prematurely.

That's why we've prepared this reference guide to give you a quick understanding of the most commonly available life insurance options and how they work. It can provide you with the knowledge you need to decide on the policy, or combination of policies, that makes sense for your loved ones and circumstances.

Please note that this guide provides a summary of common policies but does not represent the features of any particular company's policies. Life insurance policies within the same category can vary significantly from one another and from the descriptions presented here.

A financial professional can help you. He or she will help you to identify your needs and can make recommendations that consider your goals, budget, and tolerance for risk.

Ask your financial professional for more information about any of these types of policies. He or she will be happy to discuss the specific policies available from The Prudential Insurance Company of America and its affiliates.

	TERM	PERMANENT		
	Traditional	Universal Life (UL)	Indexed Universal Life (IUL)	Variable Universal Life (VUL)
Overview	Temporary protection with no cash value. It provides life insurance coverage for only a specific number of years. When that period ends, coverage ends. Some policies have a feature that enables you to convert the policy to a permanent one without having to medically re-qualify if you convert within a specific time.	Insurance that can last a lifetime, with flexible premium payments and death benefit, with a minimum interest-crediting rate guaranteed by the insurer, and the potential for additional cash value.	Insurance that can last a lifetime and has the potential to accumulate cash value. Its death benefit and premiums are flexible, but cash values, which are not guaranteed, fluctuate with the value of the account options that you select. Typically account options include a fixed rate account and at least one indexed account, the interest rate of which is based on a market index, although it is not an actual investment in the index itself.	Insurance that can last a lifetime and has the potential to accumulate cash value. Its death benefit and premiums are flexible, but cash values, which are not guaranteed, fluctuate with the value of the underlying variable investment options that you select.
How long it lasts	Temporary, a fixed number of years or to a specific age such as age 65.	Up to lifetime.	Up to lifetime.	Up to lifetime.
Death benefit	Guaranteed, fixed. Generally income tax-free.[1]	May be guaranteed. Generally income tax-free.[1]	May be guaranteed. Generally income tax-free.[1]	May be guaranteed. Generally income tax-free.[1]
Cash value[2]	None.	Not guaranteed because of fluctuations in interest rates (excluding money allocated to the fixed-rate account option at the guaranteed rate). Cash value grows tax-deferred. Potential tax-free access to cash value.[3]	Not guaranteed because your choices and the account options affect it (excluding money allocated to the fixed-rate account option at the guaranteed rate). Has potential for cash value growth, which is tax-deferred. Potential tax-free access to cash value.[3]	Not guaranteed because your choices and the underlying investment options affect it (excluding money allocated to the fixed-rate account option at the guaranteed rate). Has potential for cash value growth, which is tax-deferred. Potential tax-free access to cash value.[3]
Amount of insurance	Usually fixed.	Adjustable.	Adjustable.	Adjustable.
Premiums you pay	Usually fixed.	Flexible.	Flexible.	Flexible.

[1] According to IRC §101(a). There are some exceptions to this general rule, including certain changes in ownership and payment of any additional interest at death.

[2] A policy's cash value may consist of both guaranteed and non-guaranteed values. Non-guaranteed values may include dividends or other earnings that are not guaranteed and are subject to change.

[3] Access to cash value can occur through policy loans and withdrawals. Outstanding loans and withdrawals will reduce policy cash values and the death benefit and may have tax consequences. Distributions, including loans, from modified endowment contracts (MECs) receive less favorable tax treatment than policies that are not classified as MECs. A MEC, as determined by the IRS, can result from paying more than a certain amount in premium payments or from reducing coverage.

	TERM	PERMANENT		
	Traditional	**Universal Life (UL)**	**Indexed Universal Life (IUL)**	**Variable Universal Life (VUL)**
May be for you if	You need life insurance protection for a specific number of years or to a specific age, perhaps to cover a specific need, such as: • a mortgage or car loan. • a business loan. • education expenses. You do not wish to make the often greater premium payments for a permanent policy right now but want to be able to convert to a permanent policy later without needing to medically re-qualify.	You need lifetime coverage with: • flexibility to change premiums. • flexibility to adjust death benefit amounts. • flexibility to adjust the duration of the guarantee against lapse. • guaranteed minimum interest-crediting rate.	You would like the potential for lifetime coverage and the added flexibility to choose the account options to which to allocate premium payments (after charges are deducted).	You would like the potential for lifetime coverage and the added flexibility to: • choose the variable investment options to which to allocate premium payments (after charges are deducted). • manage the policy to more closely match your investment objectives and risk tolerance.
Why some people buy	Often initially less expensive than permanent insurance premiums, perhaps enabling you to afford more coverage for a shorter coverage period. Often supplements permanent insurance for times of greatest need.	You can adjust premium payments and the amount of coverage as your financial situation changes, depending on your health and subject to certain limitations.	You can adjust premium payments and the amount of coverage as your financial situation changes, depending on your health and subject to certain limitations. You have control over how to allocate the premiums (after charges are deducted). The cash value can be accessed to supplement income in retirement.[3]	You can adjust premium payments and the amount of coverage as your financial situation changes, depending on your health and subject to certain limitations. You have control over how to allocate the premiums (after charges are deducted). You can participate in market performance. The cash value can be accessed to supplement income in retirement.[3]
What you should know about premiums	Most term policies offer premiums that are guaranteed to be the same for 10, 15, 20, or 30 years and in some instances to a specific age such as age 65—and then increase at the end of that period. Coverage usually expires at a specified age, such as 80 or 95.	Premiums are flexible in that you may adjust the amount paid and timing of payments, subject to certain limitations. Paying a specified premium may guarantee the policy against lapse for a limited time or for a lifetime. Premiums (after charges are deducted) are allocated to the insurance company's general account.	Premiums are flexible in that you may adjust the amount paid and timing of payments, subject to certain limitations. Premiums (after charges are deducted) are allocated to account options—fixed or indexed—that you choose. Paying a specified premium may guarantee the policy against lapse for a limited time or a lifetime.	Premiums are flexible in that you may adjust the amount paid and timing of payments, subject to certain limitations. Premiums (after charges are deducted) are allocated to variable investment options—money market, bond, stock, and diversified portfolios—that you choose. Paying a specified premium may guarantee the policy against lapse for a limited time or a lifetime.

	TERM	PERMANENT		
	Traditional	Universal Life (UL)	Indexed Universal Life (IUL)	Variable Universal Life (VUL)
Other points to consider	If you want to continue coverage after the policy expires, you usually must apply for a new policy and medically re-qualify. Premiums will generally be higher since they are based on your health and new, older age. It's possible that you will outlive your coverage, be unable to medically qualify for a new policy, or be unable to afford one. There is generally no cash value.	Generally more expensive than term insurance but some types of policies can be less expensive than other forms of permanent insurance. Cash value is not guaranteed (excluding money allocated to the fixed-rate account option at the guaranteed rate) by the insurer. Premiums are invested in the company's general account, which means that there are no investment options to select. Because premiums are flexible, you may pay too little or withdraw or borrow too much of the cash value and cause the policy to lapse.	Generally more expensive than term insurance. Cash value is not guaranteed (excluding money allocated to the fixed-rate account option at the guaranteed rate) by the insurer, so the value will vary with the account options you choose, which are susceptible to market fluctuations. Additional premiums may be necessary to keep the policy in effect if the policy has insufficient funds and no guarantee against lapse is in effect. Because premiums are flexible, you may pay too little or withdraw or borrow too much of the cash value and cause the policy to lapse.	Generally more expensive than term insurance. Cash value is not guaranteed (excluding money allocated to the fixed-rate option at the guaranteed rate) by the insurer, so the value will vary with the investment options you choose, which are susceptible to market fluctuations. Additional premiums may be necessary to keep the policy in effect if the policy has insufficient funds and no guarantee against lapse is in effect. Because premiums are flexible, you may pay too little or withdraw or borrow too much of the cash value and cause the policy to lapse.

Many people benefit from having a combination of both term and permanent life insurance.

TERM POLICIES

Offer **convenience and affordability** for short-term protection needs.

PERMANENT POLICIES

Can provide **lifelong protection** and features that can **adapt to changes** in your life.

Please note that this guide provides a summary of common policies but does not represent the features of any particular company's policies. Life insurance policies within the same category can vary significantly from one another and from the descriptions presented here.

Ask your financial professional for more information about any of these types of policies. He or she will be happy to discuss the specific policies available from The Prudential Insurance Company of America and its affiliates.

We do not provide tax, accounting, or legal advice. Clients should consult their own independent advisors as to any tax, accounting, or legal statements made herein.

This material is being provided for informational or educational purposes only and does not take into account the investment objectives or financial situation of any client or prospective clients. The information is not intended as investment advice and is not a recommendation about managing or investing your retirement savings. If you would like information about your particular investment needs, please contact a financial professional.

Life insurance policies contain exclusions, limitations, reductions in benefits, and terms for keeping them in force. A financial professional can provide you with costs and complete details.

Life insurance is issued by The Prudential Insurance Company of America, Pruco Life Insurance Company (except in NY), and Pruco Life Insurance Company of New Jersey (in NY). Variable life is distributed by Pruco Securities LLC, member SIPC, 751 Broad Street, Newark, NJ 07102 (1-800-778-2255). All are Prudential Financial companies located in Newark, NJ. Each is solely responsible for its own financial condition and contractual obligations.

[Guarantees are based on the claims-paying ability of the issuing company and do not apply to the underlying investment options.]

You should consider the contract and the underlying portfolios' investment objectives, risks, charges, and expenses carefully before investing in a variable policy. This and other important information is contained in the prospectuses. They can be obtained from your financial professional. You should read them carefully before investing.

It is possible to lose money by investing in securities.

Investment and Insurance Products:
Not Insured by FDIC, NCUSIF, or Any Federal Government Agency.
May Lose Value. Not a Deposit of or Guaranteed by Any Bank, Credit Union, Bank Affiliate, or Credit Union Affiliate.

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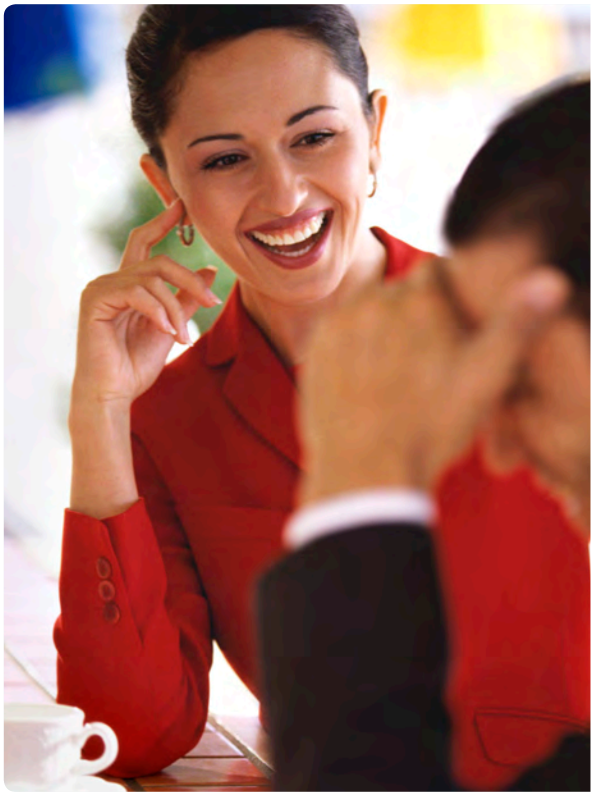
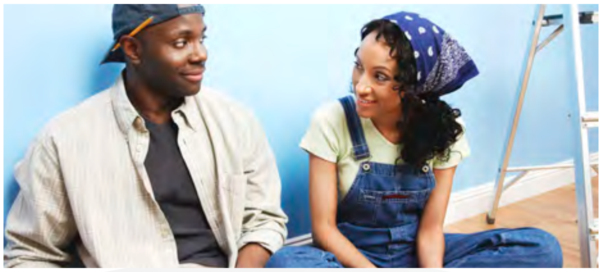


Permanent Life Insurance

FINANCIAL PROTECTION FOR THE PEOPLE YOU LOVE.
LIVING BENEFITS FOR YOU.



Life Insurance

Prudential
Bring Your Challenges®

Issued by Pruco Life Insurance Company or
Pruco Life Insurance Company of New Jersey.

1014770-00002-00 Ed. 01/2020

Financial Protection for Them. Cash Value Access for You.[1]

Permanent Life Insurance Can Provide Both.

First and foremost, the purpose of life insurance is to provide a death benefit to your loved ones. The death benefit from a life insurance policy can help them to continue living the life you envisioned for them.

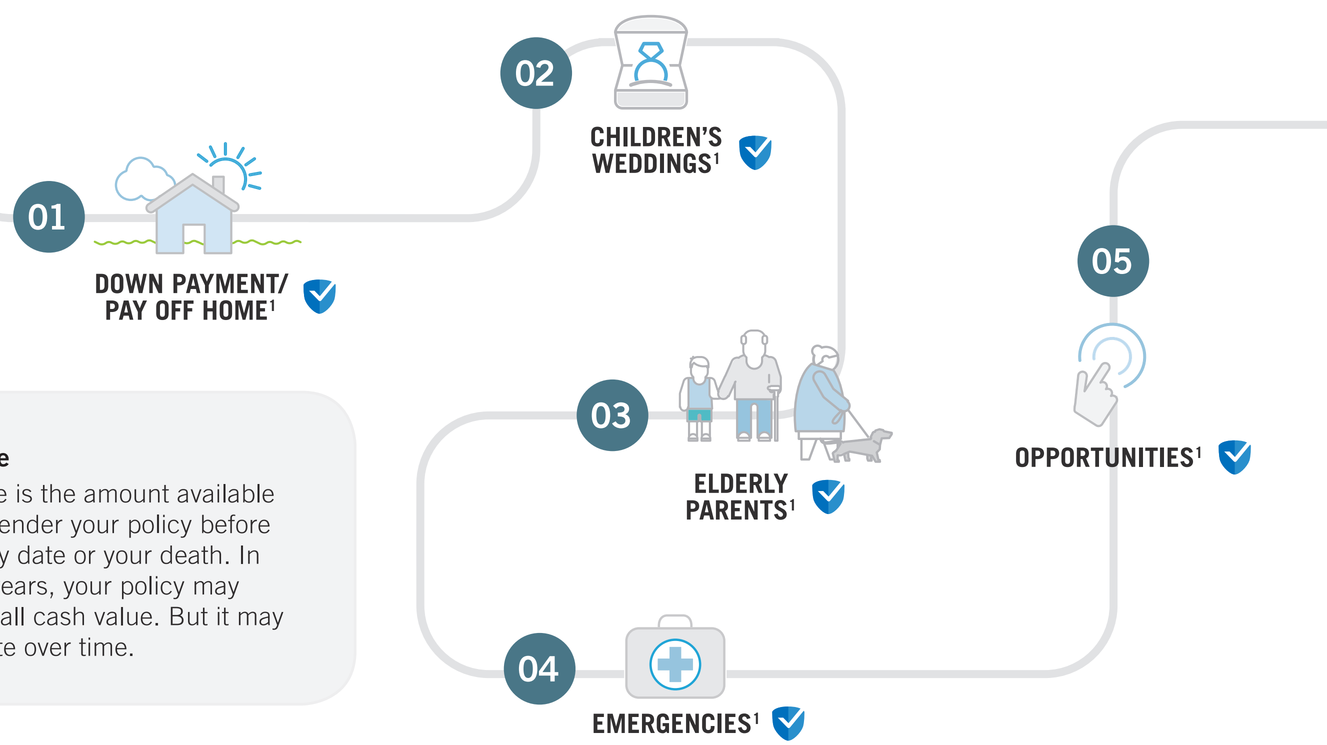
Your family is important to you. That's why you work so hard to see to it that they have what they need—a place to live, food on the table, and, sometimes, the little extras that make them smile.

But if there's one thing in life that's certain, it's uncertainty. Without warning, life may drastically change. What would happen to those who depend on you most if you were to die, get laid off, become disabled, or any number of things that would bring to an end the income your loved ones have come to depend on?

PERMANENT LIFE INSURANCE CAN HELP

Permanent life insurance provides financial protection for those who depend on your income, **plus the potential to accumulate cash value on a tax-deferred basis**. Such a policy will remain in force for as long as you continue to pay your premiums.

Your Permanent Life Insurance Policy's Cash Value[1]



Cash value

Cash value is the amount available if you surrender your policy before its maturity date or your death. In the early years, your policy may have a small cash value. But it may accumulate over time.

[1] You can access cash value through policy loans and withdrawals. Outstanding loans and withdrawals will reduce policy cash values and the death benefit and may have tax consequences.

06

GENERATE INCOME[1]

07

SUPPLEMENTAL RETIREMENT INCOME[1]

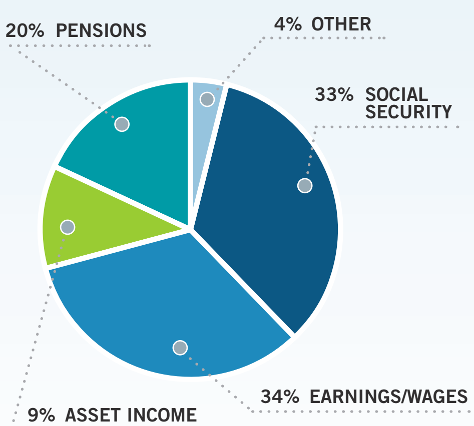
Flexibility

How you use the cash value in your permanent life insurance policy is up to you.[1]

SOURCES OF RETIREMENT INCOME

Your retirement income can come from several sources. The below chart shows the aggregate total income sources of those age 65 and over. Consider whether or not you have access to all of these forms of retirement income or adequate balances. If you have a gap, life insurance may be able to help you to close it.[1]

TOTAL AGGREGATE RETIREMENT INCOME BY SOURCE:*



*Source: Fast Facts & Figures About Social Security, 2017. Data for 2015 are SSA calculations from the March 2016 Annual Social and Economic Supplement to the Current Population Survey. https://www.ssa.gov/policy/docs/chartbooks/fast_facts/2018/fast_facts18.pdf

LIFE INSURANCE CAN PROVIDE FLEXIBILITY

Your permanent life insurance policy has the potential to accumulate cash value over time. This cash value offers you flexibility and can be used for any purpose you wish. For example, you can borrow cash value[1] from your policy to:

- Put toward a down payment on a home or pay off a mortgage later on.
- Help pay for your children's weddings.
- Assist aging parents or other loved ones who may need your support.
- Use as a resource for emergencies—or opportunities.
- Allow you to delay Social Security to increase your Social Security benefits later on.
- Provide supplemental income when you retire.

LIFE INSURANCE CAN PROVIDE TAX-ADVANTAGED SUPPLEMENTAL RETIREMENT INCOME

As you prepare for the future, life insurance may offer options that can supplement your retirement income.

- You have access to the policy's cash value, without a tax penalty, prior to age 59½.[1,2]
- You can pay additional policy premiums over time as your life changes and/or earned income increases.
- Your income level won't preclude you from applying for life insurance.

There is a limit to how much can be paid into a policy in relation to the death benefit and still be considered to be life insurance for tax purposes. If your premiums exceed certain limits, your policy will be classified as a modified endowment contract (MEC).[2]

[2] 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.

How you use your permanent life insurance policy's cash value is up to you. And, unlike loans from many financial institutions, when you borrow money from your permanent insurance policy, the loan is not dependent on credit checks or other restrictions. It's important to understand that, if you don't repay the loan, your beneficiaries will receive a reduced death benefit.

OPTIONAL RIDERS

Some forms of life insurance may offer optional riders that accelerate the death benefit in the event of chronic or terminal illness.[3]

PREMIUM PAYMENT FLEXIBILITY

If you need or want to stop paying premiums to free up cash for other expenses, you can use the cash value to continue your current insurance protection. This could be for a specified time or to provide a lesser amount of death benefit protection covering you for your lifetime.

THE VALUE OF PROFESSIONAL GUIDANCE

Your financial professional can help you make an informed decision about financially protecting your family with life insurance. It starts with a conversation—reach out to your financial professional today.

A FINANCIAL LEADER FOR OVER 140 YEARS

Prudential Financial is a worldwide financial leader with a long tradition of serving the public interest. Prudential Financial has approximately 50 million customers. The well-known Rock symbol is an icon of strength, stability, expertise, and innovation that has stood the test of time.

[3] Accelerating the death benefit of a life insurance policy will reduce and may eliminate the death benefit.

Prudential Financial and its financial professionals do not give legal or tax advice. Please consult your own advisors.

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You should consider the investment objectives, risks, and charges and expenses carefully before investing in the contract and/or underlying portfolios. This and other important information can be found in the prospectus and, if available, the summary prospectus. A copy of the prospectus may be obtained from www.prudential.com. You should read the prospectus carefully before investing. It is possible to lose money by investing in securities.

Investment and Insurance Products:
Not Insured by FDIC, NCUSIF, or Any Federal Government Agency. May Lose Value. Not a Deposit of or Guaranteed by Any Bank, Credit Union, Bank Affiliate, or Credit Union Affiliate.

Our policies contain exclusions, limitations, reductions in benefits, and terms for keeping them in force. A financial professional can provide you with costs and complete details.

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Creating wealth to leave a lasting legacy

Advanced Markets

Life insurance as an asset

EQUITABLE

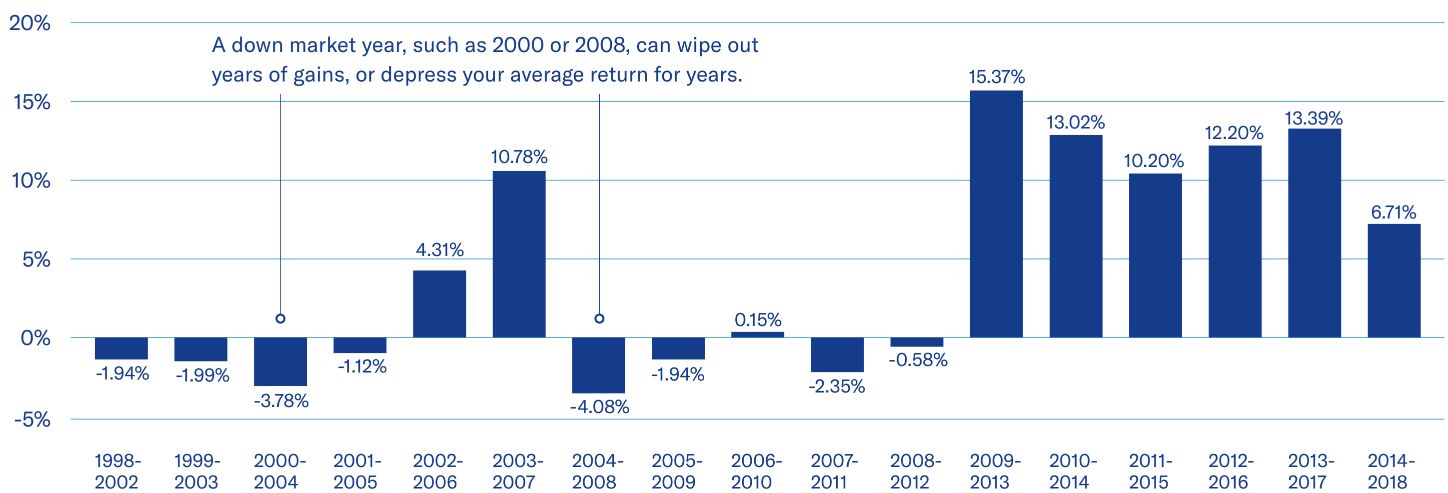
Life insurance as an asset

The greatest strength of life insurance lies in the ability to provide money to a family when someone passes away. Sometimes this amount can be many multiples of the premiums that were paid into the insurance policy.

Many people think of life insurance only as a way to provide for a family after the loss of a breadwinner. But some families are also using life insurance as an asset to ensure that an inheritance can be passed on to their family, regardless of how their other assets perform. This is increasingly important to many families who are still uneasy after the 2008 market crash and unsure of where the market is headed. **A badly timed down market can devastate a planned legacy for years.** The chart below shows market fluctuations in recent years, based on the 5-year S&P 500® Index, without dividends.

By taking a portion of your assets each year to cover the cost of life insurance premiums, you may be able to hedge a portion of your portfolio against fluctuations in the marketplace, because payment comes from the life insurance company,[1] not your assets directly. Knowing that your beneficiaries will be cared for may also allow you to make other choices with your remaining assets — perhaps a more aggressive, growth-oriented strategy, or you might invest more conservatively, knowing you don't need as much growth.

S&P 500® — 5-Year Average Return[1]



Source: Standard & Poor's — the S&P 500® is shown here reflecting the compound annual growth rate without dividends. Past performance is not indicative of furture results. Clients cannot invest directly in the S&P 500®.

1 The ability to receive a life insurance benefit is dependent on premium payments being made in a timely manner and the claims-paying ability of the life insurance carrier, among other factors.

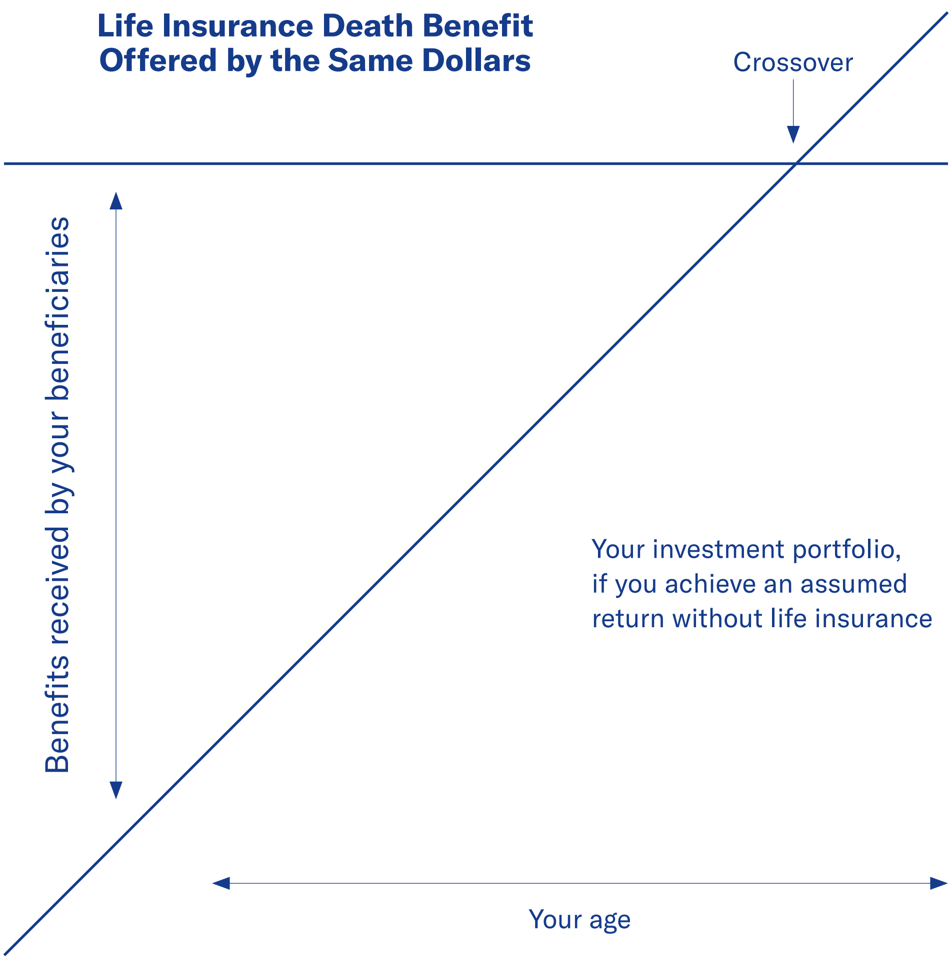
How the strategy works

A hypothetical example of how the strategy works can be seen in the chart below. It shows what you might expect from the same dollars if they were paid into a life insurance policy as premiums, or if they were placed in a hypothetical investment account.

In the early years,[2] life insurance death benefits typically offer substantially more than the hypothetical investment. As time goes on, the leverage offered by life insurance may be reduced as the non-life insurance assets grow and compound. At some point there is a crossover, where the growth in the investment account outweighs the benefit provided by the life insurance policy. Of course, it's hard to know which strategy is more beneficial unless someone knows their precise life expectancy, and whether it is before or after this crossover point.

However, this is a conversation you can have with your financial professional. They can run numbers for you and estimate the internal rate of return in the years before and after your life expectancy.

For you to get the most out of your policy's life insurance benefit, it has to stay inforce until you pass away. If your policy ends or terminates, or if you otherwise dispose of your policy before your death, your beneficiaries would receive a substantially reduced benefit, and any proceeds they would receive could be subject to income taxation.



2 Generally, this refers to the first 20-30 years. The number of years will vary depending on the client's age, underwriting class, premium payments and other factors.

Life insurance as an asset: in action

Meet Helen

- **60 years old**
- **Widowed**
- **Portfolio[3] of $3,000,000 in real estate and equities**

Value of portfolio at age 88

$11,997,877

Pretax 7% Rate of Return

$8,130,710

Pretax 5% Rate of Return

Helen's objectives: Helen wants to make sure that her children and grandchildren receive a meaningful inheritance. While Helen expects to receive a 7% return on her investments over time, she is concerned that, in today's environment, the assets might underperform. For example, if her assets receive only a 5% average annual return over time, her beneficiaries might receive substantially less than her expectations. Assuming a blended income and capital gains tax bracket of 27.50%,[4] that 2% difference in return rate over 28 years could result in a difference of more than $3,000,000 in the legacy for her children. A down market near Helen's death could have that type of effect on years of wealth accumulation.

Helen's wealth transfer strategy: As a hedge against that risk, Helen's financial professional suggests she take $30,000 each year, or 1% of her accessible assets, and direct the funds to a life insurance policy on her life. She can own this policy outright, although she may want to consider using a trust. If structured properly, life insurance owned by an irrevocable trust will generally keep the proceeds of the life insurance out of the insured's estate. This will prevent the proceeds from being subject to estate taxation. Estate taxes aren't an issue for Helen, but for others they could be an issue.

Helen's results: Assuming a policy on Helen's life (a 60-year-old female who receives an underwriting category of preferred non-tobacco user), her beneficiaries might see the following results. Each year's life insurance premium is $30,000. That may purchase a life insurance benefit[5] of $2,369,164. Helen's portfolio is reduced slightly due to the premium expense, but the life insurance benefit gives her a potentially more effective transfer strategy.

3 This portfolio represents a 50% income/50% appreciation portfolio allocation that is primarily made up of real estate and equities.

4 This is a blended tax rate, which assumes a 35% ordinary income tax rate, a 20% capital gains tax rate and a constant 50% income/50% appreciation portfolio allocation.

5 The policy premium and life insurance benefit amounts used for this case are intended only to help demonstrate the planning concept discussed and not to promote the sale of a specific product. The rates are broadly representative of rates that would apply for a policy of this type and size for insureds of good health in the ages mentioned. To determine how this approach would work for you, individual illustrations should be prepared or requested for your review. If different rates were used, there might be significantly different results.

Additionally, the death benefit will ensure a return of the funds contributed, something few other financial assets can offer.

In effect, by using her assets to buy life insurance, Helen is giving up some upside potential for greater safety in her wealth transfer strategy — By directing this relatively small amount of her net worth into life insurance, she adds a stabilizing element to the dollars ultimately transferred to her family (provided the policy stays inforce).

At Average 7% Growth				
Year-end	Portfolio without insurance planning	Portfolio reduced by life insurance premiums	Reduced portfolio plus life insurance death benefit	Difference with life insurance
5	$3,842,539	$3,668,096	$6,037,260	$2,194,721
10	$4,921,701	$4,523,824	$6,892,988	$1,971,287
15	$6,303,942	$5,619,880	$7,989,044	$1,685,101
20	$8.074,381	$7,023,759	$9,392,923	$1,318,542
25	$10,342,040	$8,821,912	$11,191,076	$849,036
28[6]	$11,997,877	$10,134,918	$12,504,082	$506,204
40	$21,731,875	$17,853,547	$20,222,711	-$1,509,165

At Average 5% Growth				
Year-end	Portfolio without insurance planning	Portfolio reduced by life insurance premiums	Reduced portfolio plus life insurance death benefit	Difference with life insurance
5	$3,584,627	$3,417,504	$5,786,668	$2,202,041
10	$4,283,184	$3,916,370	$6,285,534	$2,002,350
15	$5,117,872	$4,512,453	$6,881,617	$1,763,745
20	$6,115,221	$5,224,697	$7,593,861	$1,478,641
25	$7,306,928	$6,075,741	$8,444,905	$1,137,977
28[6]	$8,130,710	$6,664,035	$9,033,199	$902,489
40	$12,465,308	$9,759,535	$12,128,699	-$336,608

6 This year indicates life expectancy based on the 2008 VBT Mortality Table.

If Helen received a lower rate of return, using life insurance could help offset the risk of loss or underperformance. Through the purchase of life insurance, Helen has, at least in part, shifted the risk of underperformance from her to the insurance company.

Make a difference with life insurance

Ultimately, at her life expectancy, Helen's purchase of life insurance increases the amount passing to her beneficiaries.

- If Helen continues to receive the expected pretax return of 7% average annual growth, her beneficiaries would gain an additional $506,204.
- If Helen receives a lower pretax return of 5% on her assets, the gain to beneficiaries would be $902,489. **In fact, if Helen had invested the $30,000 annual premium at a 5% return, she would have to wait until she was age 97 before the funds would grow to a level greater than the $2,300,000 life insurance death benefit.**

Other considerations

Although using life insurance as a part of your wealth transfer strategy may make sense, you should weigh this against other considerations relative to your long-term financial strategy. Points to consider are:

- By purchasing a life insurance policy, you will consume a portion of assets that might otherwise grow in your investment portfolio. Although life insurance has the potential to offer leverage in the early years, leaving the premium dollars in your portfolio might provide more to your beneficiaries over time. This is particularly true if you live beyond your life expectancy. You should not dedicate excessive amounts of assets to life insurance. Instead, consider life insurance as only one aspect of your overall financial picture.
- The effectiveness of this technique depends on the underlying pricing assumptions in the life insurance policy. Should the life insurance fail to meet the pricing assumptions, or should you live significantly beyond your life expectancy, the anticipated death benefit may not provide your beneficiaries with the anticipated leverage.
- Your ability to purchase life insurance is conditioned by financial and medical underwriting. Based on your overall medical and financial profile, the total amount of life insurance protection you might be able to purchase could be limited or cost prohibitive.
- The ability of the life insurance carrier to pay its obligations will also affect your planning. You should be certain that you are working with a sound carrier and monitor the carrier's overall financial ratings on a periodic basis.

You have choices

Life insurance is one of those choices. When used properly, it can not only protect your family from the unexpected loss of a breadwinner, it can help ensure your beneficiaries a predetermined death benefit. In turn, you will have other choices for the balance of your portfolio.

Why Equitable?
Our dedicated, expert team of Advanced Markets specialists meets the changing needs of clients by offering custom-designed advice and actionable strategies that can proactively help them achieve their desired results — including:

- Strong life insurance portfolio with competitive cash-value product options.
- A wide selection of riders to choose from, including the Charitable Legacy Rider®, which offers an additional death benefit to the charity(ies) of your choice at no added cost.
- Strength and stability. For 161 years, we've been working with clients across generations, building on what's proven and pursuing what's possible.[1]

1 The 161-year history reference applies exclusively to Equitable Financial Life Insurance Company.

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