Life Insurance *as an* Asset Class
SALES KIT

In this kit:

Producer strategy guides | Sales ideas | Consumer brochures

PINNEY INSURANCE

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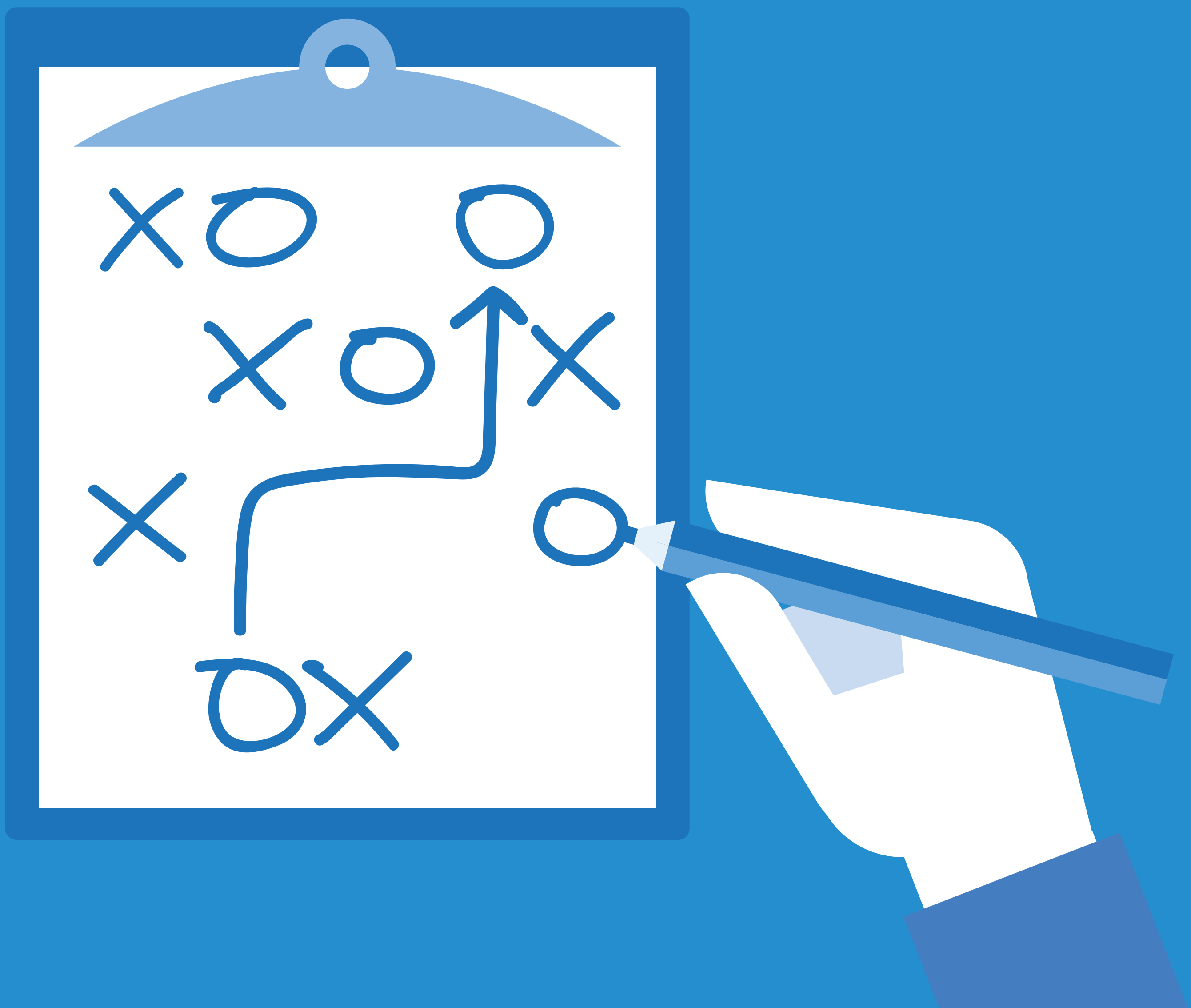
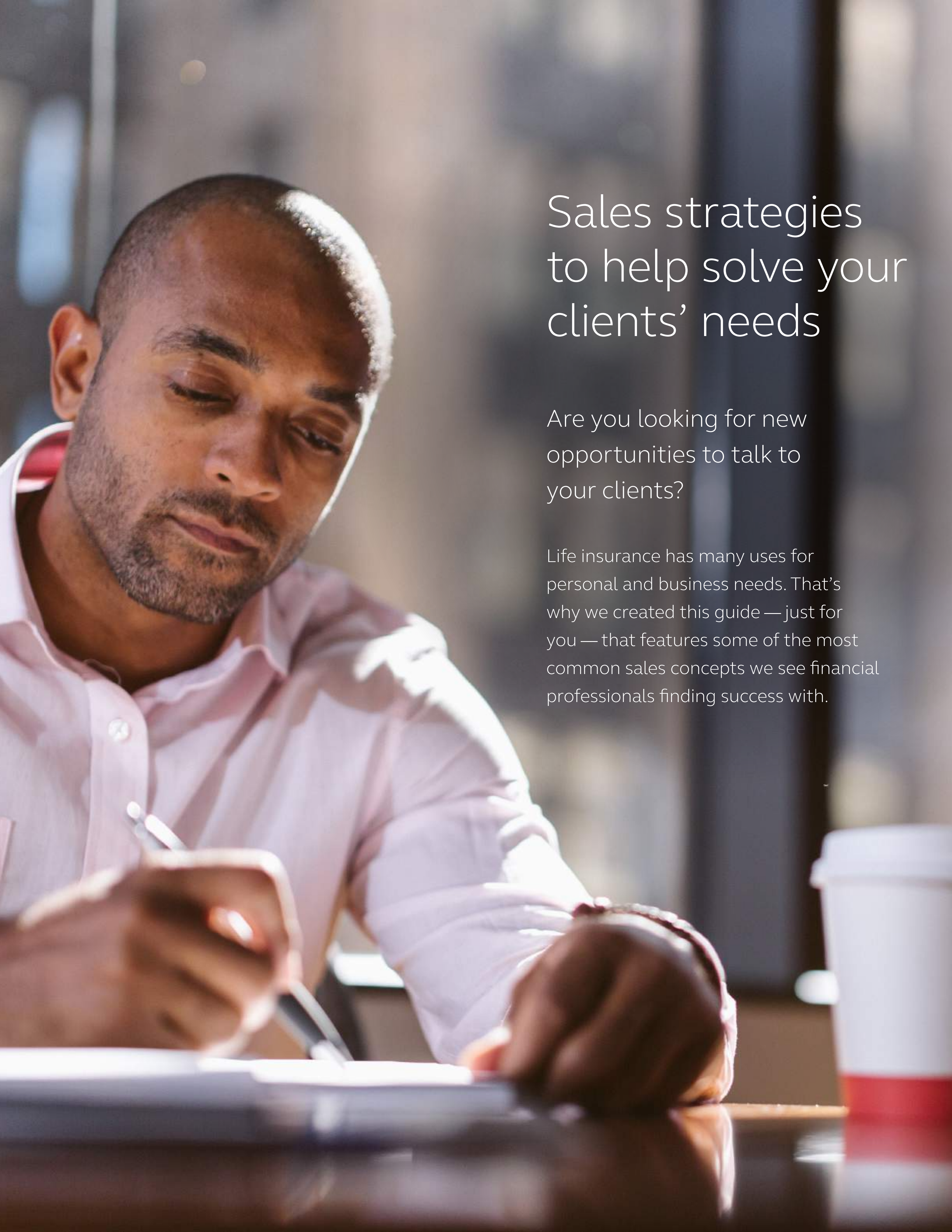
Principal[SM]

Life insurance

Strategies to develop more opportunities

Concept marketing guide





Sales strategies to help solve your clients' needs

Are you looking for new opportunities to talk to your clients?

Life insurance has many uses for personal and business needs. That's why we created this guide — just for you — that features some of the most common sales concepts we see financial professionals finding success with.

Getting started:
Understand and apply the concepts

Simple steps lead to more sales

The easy-to-apply sales concepts are organized by some of the most common needs a business or individual has to plan for, and then focuses on a popular solution to help meet the need. You'll find simple, approachable ways to open doors and start conversations.

- Proven sales concepts to help you deliver personalized solutions
- Value-added services and support that stand out
- Quick tips to close more sales

You can help your clients protect what they've worked for

By taking a little bit of time on the front-end to plan, your clients can continue enjoying the life they've created. And, we know you're busy too, so these sales concepts are designed in an easy-to-sell format that will help you focus your efforts and get results.

Learn

Understand the concept, how it works and the opportunity

Approach

Identify prospects to target your efforts

Consult

Start the conversation and gather important information

Take action

Initiate next steps to deliver a custom solution

Get started now >

Get all of the tools and resources to guide you through the sales process at **advisors.principal.com.**

Key person life insurance

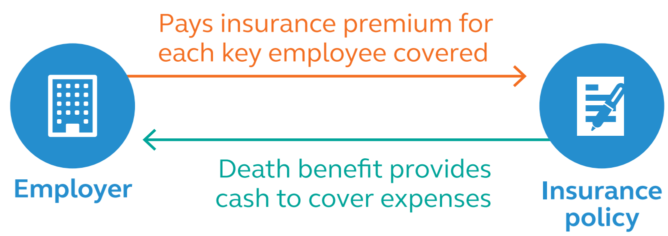
Learn

The most valuable asset of any business is the people who contribute most to its success. Loss of the service of these key employees can cause financial strain on a business from lost sales to additional cost to find and train a replacement. Key person insurance can provide a financial cushion with cost-effective liquidity for replacing employees who critically impact the value of the business.

How it works

Your business is the owner and beneficiary of a life insurance policy for each key employee you choose.

If the unexpected does happen, you receive cash, generally income tax-free, to help with the burdens of the loss.



Approach

Common profile

Key person insurance is among the most common business needs and is appropriate for companies of most types, sizes and industries.

Consult

Start the conversation with clients

- Who are the difference makers in your business — in areas such as operations, workflow, relationship management and sales?
- If one of your key employees died or left for a competitor, would your business be as successful as it is today?

Take action

1. Use the Key Person Calculator and run an illustration OR submit a Key Person Request for Proposal: www.principal.com/keyperson.
2. Develop a plan to protect the business or retain top talent.

Buy-sell agreements

Learn

A buy-sell agreement creates a market for the business when a co-owner dies, becomes disabled or leaves. It also protects the remaining owners by preventing a disruptive or unqualified person from acquiring an interest in the business.

Common buy-sell agreement options

Cross purchase: Co-owners purchase departing owner's business interest

Entity purchase: Business purchases departing owner's business interest

One-way: Key employee purchases departing owner's business interest

Importance of current business valuation

An outdated valuation creates risk for all parties.

- Exiting owner may not get fair value for their share
- Remaining owners may over-pay the exiting owner(s)
- Costly delays and arguments amongst owners may ensue

Approach

Common profile[1]

Industries: Professional, scientific and technical services, manufacturing, construction, wholesale trade, finance and insurance

Employees: 1-99

Business experience: 10+ years

Entity type: Corporation (S or C), partnership

Consult

Ask your clients these questions

- What is your business worth?
- Whom do you see running the business when you leave?
- Do you have a buy-sell agreement in place?

Take action

1. Request a complimentary Informal Business Valuation[2] and/or Buy-Sell Review.
2. Review the report(s) with Advanced Solutions to identify opportunities.

Did you know?

Principal offers complimentary Informal Business Valuations for most businesses.

[1] In Q3 2015, the Principal Financial Group analyzed its business insurance block of business customer data. Dunn & Bradstreet demographic data is also appended.

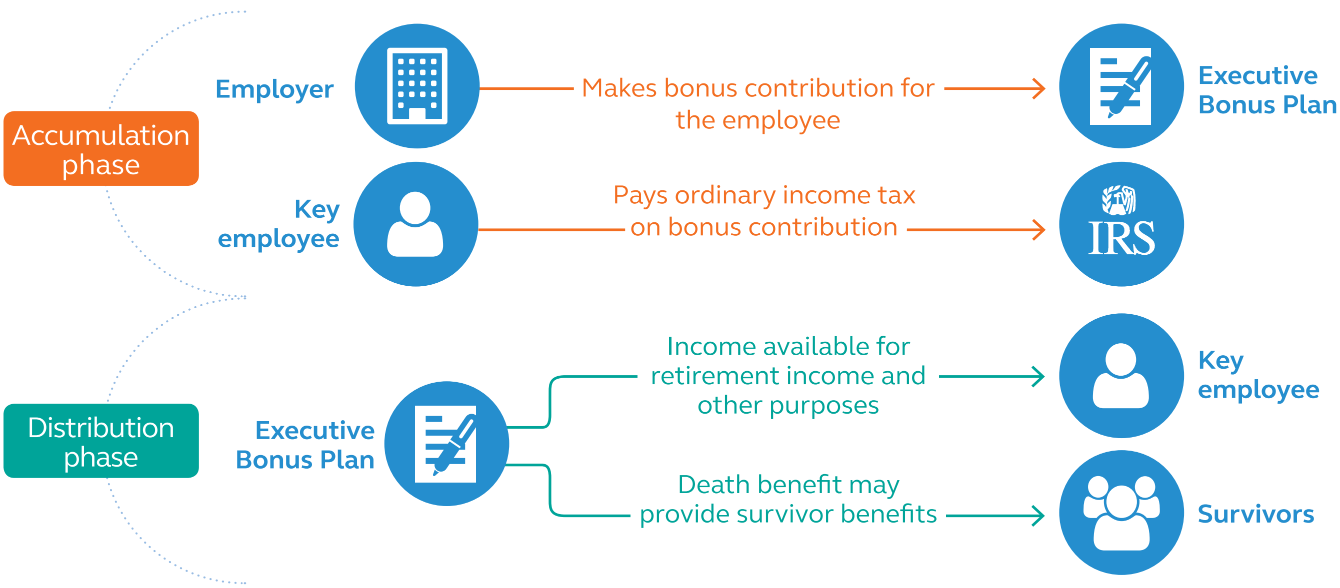
[2] Buy-Sell Reviews and Informal Business Valuation Planning Reports are available for a variety of business types. Some prospects may present challenges, including: farms, nonprofit organizations, publicly traded companies, nonprofitable businesses, sole proprietors, real estate holding companies, financial services firms and new companies.

Principal Executive Bonus Plus℠

Learn

Business owners want a simple way to recruit, reward, retain and retire key employees. One option is with a Principal Executive Bonus Plus plan. It provides a platform for employers to offer supplemental retirement income benefits to key employees on a tax-deductible basis.

How it works



Approach

Common profile

Industries: Professional, scientific and technical services; healthcare and social assistance

Employees: High income earners — $150,000

Business experience: 10+ years

Entity type: Corporations (S or C)

Consult

Talk to your clients about their key employees

- Are you looking for ways to recruit, retain and reward key employees?
- Would your key employees like to save more money on a tax advantaged basis?

Take action

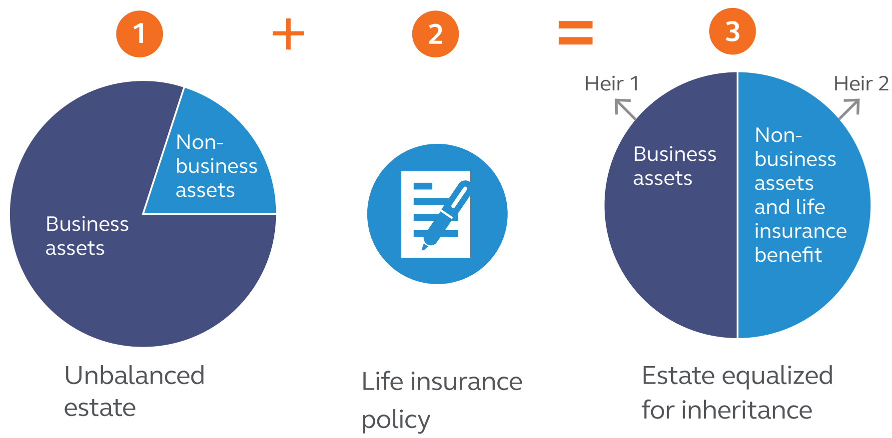
1. Use the Employer Summary (BB8976) to approach clients about the need.
2. Submit the Principal Executive Bonus Plus Request for Proposal.

Inheritance equalization

Learn

Business owners, like most of us, want to be fair to their children when leaving an inheritance. They also know some may want to continue the business' success while others won't. But when a majority of their assets are tied up in the business, how can they leave it intact for the future owner and have enough left to be fair to others? Using life insurance to equalize inheritance can help.

How it works



1 | Determine the amount of business and non-business assets, and what fair distribution looks like to them. Then, calculate the additional assets needed to achieve the distribution goal.

2 | Purchase life insurance in the amount needed.

3 | Upon the owner's death, the business can go to one heir, and the non-business assets and life insurance benefit goes to the other.

Approach

Common profile

Who: Owners of a closely held business; farm and ranch owners

What: Have family members involved or interested in owning the business

Why: To make inheritance distribution intentional and equitable

Consult

Talk to your clients about their estate plan

- What plans do you have for your business after you're gone?
- Do you have children or heirs with potential interest in continuing the business?
- Is it important to you to be fair to all children, including those not involved in the business?

Take action

1. Discuss how the strategy works.
2. Show clients how it can meet their needs using the sample proposal.
3. Complete an Inheritance Equalization Request for Proposal.

Diversified life strategy

Learn

Use a mix of life insurance products to design customized solutions to cover all of a client's needs and provide flexibility for the future. The client allocates their total budgeted premium between two or more policies in order to diversify among product types and policy durations.

Benefits

- Meet multiple protection needs
- Provide flexibility as needs change
- Enhance an overall financial portfolio

Approach

Common profile

Who: Individual or business owner

What: Has multiple needs for life insurance

Why: Seeks to diversify risk, coverage type, objective or duration

Consult

Assess the short- and/or long-term needs your clients want to cover

- Do you need temporary insurance coverage until your children are through college and your mortgage is paid off?
- Do you need permanent coverage for you and your spouse to protect each other?

Consider these strategies:

- **Term + permanent**
  For low-cost protection, plus cash value accumulation
- **Term layering**
  Multiple term policies of varying lengths
- **Risk diversification**
  Policies using different interest crediting strategies
- **Personal and business coverage**
  Business owners and key executives often require both
- **Policy review**
  Identify additional coverage needed

Take action

1. Discuss with your clients the benefits of life insurance.
2. Use the Life Insurance Worksheet (BB9138) to get started.

Outstanding service and support to help you throughout the sales process

When you work with us, we'll partner with you for success — listening and consulting to achieve results. Our life insurance solutions are designed with you and your clients' needs in mind to provide support before, during and after the sale.

Before

Start conversations with clients

Business market
Stand out with our robust business solutions platform. It delivers expertise and service to help you close more cases.

- **Start with business planning services**
  Offer complimentary informal business valuation and buy-sell review

Individual market
Help individuals and their families evaluate their financial goals and objectives.

- **Use tried-and-true approaches**
  Create more opportunities with door openers to assess current life insurance needs, such as life insurance review.

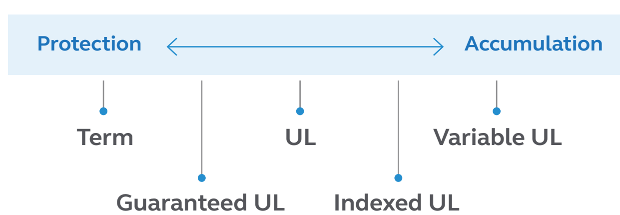
During

Deliver custom solutions

Get consultative and personalized service from experienced professionals

- **Advanced Solutions**
  Talk to attorneys and certified public accountants (CPAs) for custom case design
- **Dedicated sales support**
  Contact our team of wholesalers and sales consultants for your case development needs
- **Underwriters**
  Work directly with underwriters committed to delivering fair and consistent decisions

Choose from our diverse product portfolio



After

Benefit from streamlined services and post-sale support

Close cases faster with time-saving, Principal Accelerated Underwriting℠

- Faster underwriting decisions in as little as 48 hours
- Can eliminate lab testing and paramed exams[3]
- Polices issued and paid in 10 days or less

Provide specialized administrative support with business market services

With some carriers, plan administration is sourced to third-party administrators, which adds costs. Our in-house Business Market Administration (BMA) team provides quality services for your clients, at no charge.

Employers can:

- **Receive** consolidated payment reminders for all of the policies under the program
- **View** policy information online.
- **Get** ongoing support and information:
  - — Tax reporting information for split dollar economic benefit, imputed interest and 101(j)
  - — Retirement income re-projections
  - — Answers to questions regarding the policies and/or plan design

[3] Based on age, product, face amount and personal history.

Connect client solutions with our products to find the right fit

See the full range of product solutions to help you close more cases

	Term	SUL	UL				IUL		VUL		VUL – NY only	COLI
	Principal Term	Principal SUL Protector II℠	Principal UL Protector IV℠	Principal UL Provider Edge℠	Principal UL Flex II℠	Principal UL Accumulation II℠	Principal Indexed UL Flex II℠	Principal Indexed UL Accumulation℠	Principal VUL – Business℠	Principal VUL Income III℠	Principal Benefit VUL II	Principal Executive VUL II
Business protection												
Key person	●		●	●	●	●	●	●	●	●	●	DC
ESOP repurchase						●	●	●	●	●		DC
Stay bonus	●		●	●	●	●	●	●	●	●	●	
Legacy and estate planning												
Charitable giving		●	●	●	●	●	●	●				
Gifting strategies		●	●	●	●	●		●		●	●	
Inheritance equalization		●	●	●	●		●					
Private split dollar		●	●	●	●	●	●	●		●	●	
Trust solutions		●	●	●	●	●	●	●		●	●	
Business succession planning												
Cross-purchase buy-sell	●		●	●	●	●	●	●	●	●	●	
Entity purchase buy-sell	●		●	●	●	●	●	●	●	●	●	
No-sell buy-sell	●		●	●	●	●	●	●	●	●	●	
One-way buy-sell	●	●	●	●	●	●	●	●	●	●	●	
Multi-owner buy-out					●	●	●	●	●	●	●	
Select buy-out					●	●	●	●	●	●	●	
Business continuation general partnership/LLC	●		●	●	●	●	●	●	●	●	●	
Sole owner transition plan	●		●	●	●	●	●	●	●	●	●	
Key employee retention and retirement												
Principal Executive Bonus Plus℠					●	●	●	●	●	●	●	
Principal LLC Bonus℠					●	●	●	●	●	●	●	
Principal S Owner Plus℠					●	●	●	●	●	●	●	
Deferred compensation												DC
Principal Select Reward Plan℠			●	●	●	●	●	●	●	●	●	
Principal SERP Select℠					●	●	●	●	●	●	●	
Endorsement split dollar					●	●	●	●	●	●	●	
Personal planning												
Diversified life strategy	●	●	●	●	●	●	●	●	●	●	●	
Life insurance as an asset		●	●	●	●	●	●	●	●	●	●	
Supplemental retirement income						●	●	●	●	●	●	
Special needs planning	●	●	●	●								

DC = For deferred compensation

Let's connect.

Call the National Sales Desk at 800-654-4278, or your Life RVP.

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Life insurance as an asset

An overlooked way to help improve your financial future

BB11600-01

Discover your policy's financial perks

You probably know life insurance provides protection for your loved ones if you pass away.[1] But are you aware of its other financial benefits?

That's why we're here. We'll walk you through the ways your policy can help you:

- Pay fewer taxes in retirement
- Prepare for health surprises
- Get more value for your money

[1] In exchange for the death benefit, life insurance products charge fees such as mortality and expense risk charges and surrender fees.

Pay fewer taxes in retirement

You have big plans for retirement. But in order to make your plans a reality, it's important to get the most from your financial assets.

How? One way is to minimize taxes that can take a bite out of your retirement income. You can do this by spreading your money across assets that are taxed differently — a strategy called tax diversification.

Most retirement assets are taxed in one of three ways:[2]

Taxed up-front

- Contributions/ premiums are after-tax
- No tax on growth
- No tax when withdrawn

Types: Cash value life insurance and Roth IRA

Taxed as it grows

- Contributions are after-tax
- Growth is taxed
- No tax when withdrawn

Types: savings account, Certificate of Deposit, Money Market and mutual fund

Taxed when you take income

- Contributions are tax-deductible
- No tax on growth
- Full amount is taxable when withdrawn

Types: 401(k) account, traditional IRA and 403(b) account

Diversify your income

A cash value life insurance policy can provide a source of tax-free income[3] to supplement taxable income from other assets, such as a 401(k) or Individual Retirement Account (IRA). Plus, life insurance offers:

- Income tax-free death benefit to your beneficiary
- Tax-deferred cash value build-up
- No penalty for withdrawals prior to age 59½[4]
- No income-based funding limits

Keep more money in your pocket during retirement.

[2] This comparison represents only federal tax treatment. It is not intended to compare the features, fees, expenses or benefits of specific products.

[3] Distributions from a life insurance policy are generally received income tax-free. If the policy is considered a modified endowment contract, distributions in excess of the policy's principal may be subject to current income taxes.

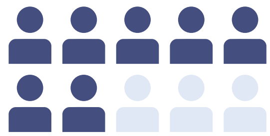
[4] If the policy is a modified endowment contract, withdrawals taken before age 59½ may be subject to a 10% penalty.

Prepare for health surprises

Life throws a lot of curveballs your way. And unfortunately, illnesses are part of life. The good news: If you or a loved one are ever faced with a chronic illness, life insurance can provide much-needed financial protection.

It can happen to anyone

Chronic illnesses are conditions that can be treated but not cured. And they're more common than many people realize.



7 in **10** people age 65 and older will need chronic illness care later in life[5]

It costs more than you think

Paying for professional medical care, rehabilitation services or medication in the event of a chronic illness can really add up. How would you cover these expenses?

$220,000 average couple is expected to pay for medical expenses during retirement[6]

It can deplete your savings

You might be tempted to pay for chronic illness expenses using money set aside for other goals, such as retirement or college savings. But that could negatively impact your family's financial future.

So what can you do in the event of a chronic illness?

That's where life insurance comes in. Select Principal® policies include an additional coverage option that allows you to receive a portion of the benefit typically paid at your death should you be diagnosed with a chronic illness.[7] That gives you a way to offset medical costs while preserving your retirement nest egg for you and your family.

If the unexpected happens, you can be ready.

[5] Source: longtermcare.gov/the-basics/who-needs-care as of February 21, 2017

[6] Source: Genworth 2016 Cost of Care USA

[7] This is the Chronic Illness Death Benefit Advance Rider and its availability varies by product and by state. There is no cost to have the rider; however, if used, the payment amount is discounted to reflect early access. Taking a claim from the rider will reduce the amount your beneficiary receives at your death. Proceeds received may be taxable. Consult your tax advisor prior to taking a claim against the rider.

Get more value for your money

When you think about your financial portfolio, life insurance likely isn't the first asset that comes to mind. But your policy can offer great value and an attractive rate of return.

Most assets take time to accumulate value. With life insurance, there's no build-up period. Your policy's death benefit is available to your loved ones whether you've been paying premiums for 40 years or just one.

See how your premium dollars perform

Consider a hypothetical example in which a 55-year-old man purchases a life insurance policy that will pay his beneficiary $1 million at his death. The chart below shows the strong internal rate of return (IRR) earned on premiums paid.

Even better: Beneficiaries receive the death benefit income tax-free. This needs to be taken into account to truly compare the policy's rate of return to other taxable assets. This is done by looking at a before-tax IRR equivalent[8] that shows how paying zero taxes can further boost your return.

Internal rate of return (IRR)

This is the rate at which premiums paid for a policy would have to grow in order to equal the death benefit at the end of any given year.

If the policy owner in the example below invested $12,101 per year for 24 years in another asset, that asset would need to earn 8.9% per year to equal the $1 million death benefit.

Year	Age (end of year)	Annual premium	Death benefit	IRR on death benefit	Before-tax IRR equivalent
1	56	$12,101	$1,000,000	8,163.8%	10,885.0%
15	70	$12,101	$1,000,000	19.5%	26.0%
24LE[9]	79	$12,101	$1,000,000	8.9%	11.9%
35	90	$12,101	$1,000,000	4.4%	5.8%

This example is based on a Principal Universal Life Protector IV℠ policy for a male, age 55, Preferred non-tobacco, guaranteed protection to age 100. This example is for illustrative purposes only. These figures should not be viewed as an offer or promise of any specific return. See the full product quotation for more complete information regarding this policy.

Put your premium dollars to work for you.

[8] Before-tax IRR equivalent is determined using a hypothetical tax rate of 25%. You should consider your income tax bracket, both current and anticipated, when making a decision, as this may impact the results of any comparison.

[9] Life expectancy (LE) for someone age 55 using the 2001 Valuation Basic Table is age 79.

How to get started

› **First, consider whether you could benefit from a product that offers the following:**

- ☐ Financial security for your family when you pass away
- ☐ Tax advantages while you're living
- ☐ Help if you're faced with a chronic medical condition
- ☐ Value that may make it an attractive alternative to other traditional assets

› **Then talk to your financial professional about life insurance and the options available for your personal situation.**

Your goals, our purpose

No matter what's important to you, Principal is here to help you identify and implement solutions that are right for your needs. We help people protect and achieve their financial dreams through solutions that can help them live their best lives.

We work with people like you every day and make it a priority to understand where you want to be and how you plan to get there. This means you'll get expertise and innovative ideas when you need them to help make your financial progress possible.

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All guarantees and benefits of the life insurance policy are subject to the claims-paying ability of the issuing insurance company.

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ADVISOR TRAINING

Building a Customized Family Protection Plan

For use with concept brochure, LYC8442

When you start working with a family, it's important to talk about the parents' life insurance needs first. The parents' income is what the family relies upon to pay for expenses and that is the most important thing to protect.

Short-term needs for parents may include:

- An outstanding mortgage
- Cancellation of debts
- Providing an emergency fund
- College education

Long-term needs for parents may include:

- Final expenses
- Income replacement
- Social Security maximization

Social Security maximization refers to the beneficiary needing to offset the loss of Social Security income upon the death of a spouse.

If long-term needs increase, most term policies have conversion privileges. It's important to discuss when these privileges can be used so the client is aware of the deadlines to use this privilege.

Once you have had a conversation about the parents' needs, the next step is to have a conversation about why their children may also need life insurance.

- When discussing the need for life insurance on a juvenile, it is typically easier to discuss that you are trying to help guarantee their future insurability, or that you are starting a plan that can help the child accumulate a cash value they can access in the future. Although the premature death of a child may be an important reason to carry life insurance on a child, some parents may be uncomfortable facing that there may be a need to pay for their child's final expenses.
- The life insurance for the children is considered a long-term need because the reason they need life insurance may change, but there will always be a need for some life insurance.

In the brochure, this sales concept focuses only on the death benefit protection; however, a universal life insurance policy, which offers a cash accumulation component, could also be used to solve additional needs. This applies to both the parents and children.

ADVISOR TRAINING

Lifetime Protection without a Lifetime of Payments

Mutual of Omaha

For use with concept brochure, LYC8449

This concept is also referred to as "Short Paying." This means that a client pays their premiums in a reduced time frame, rather than over the life of the policy. Once the policy is paid-up, it remains in force to maturity or until the age the client selected the death benefit be guaranteed to.

- The policyowner determines how many years, or to what age, they would like to pay the premiums. Once they have paid for this length of time, the policy is owned outright and no more premiums will ever be due.
- Short paying a policy will require higher premiums than if the policy were paid for all years. However, there is a break-even point where the cumulative premiums paid will be less with a short pay policy. This savings becomes significantly more each year the insured lives past the break-even point.
- The short pay option may not be appropriate for insureds classified below Standard because:
  - The short pay premiums are more than the level lifetime option. If the insured dies 'too soon,' they will have paid more premiums than required. Although this can happen with healthier people too, the chances of insureds who are rated dying before the break-even point are higher than they are for healthy people
  - A rated premium on an already increased short pay amount may make the short pay option unaffordable

Short paying is an attractive purchasing strategy for many reasons:

- Once there are no longer premiums due, the money that was used to pay the premiums can be used for additional planning needs
- Payment schedules can be designed to coincide with a time when more cash will be needed for other obligations. For example, the payments can be scheduled to end before the oldest child begins college; or the payments can be paid only during the owner's working years in order to increase the amount of cash available during retirement

- When using the short pay strategy, if something happened and the client could not pay the full amount of the premium, the client has the option to lower the premium and pay for a longer duration. You can run an in force illustration to help the client choose a revised payment plan for a lower amount.
- It's important to know that short paying the premiums can cause the insurance policy to become a Modified Endowment Contract (MEC). Becoming a MEC is not necessarily a bad thing, as long as it is intentional and the client understands how a MEC is treated. When distributions are taken from a MEC, the money is treated similar to other qualified plans (i.e., 401(k)s and IRAs):
  - Under the current tax law, if the policy is a MEC, money taken from the policy via a loan or a withdrawal will be subject to income tax
  - Loans and withdrawals prior to age 59½ are subject to a 10 percent federal penalty
  - As long as ownership and beneficiary designations are set up properly, the death benefit remains tax free
- When paying on a short pay schedule, a guaranteed universal life policy will generally work best. These policies are designed to provide guarantees of both the premium amount and the death benefit. These policies are not designed to accumulate significant wealth; therefore, there is not as much concern about the implications of these contracts becoming a MEC since very little, if any, cash will be taken from the policy.
- A non-guaranteed permanent policy can also be used for this strategy; however, the planned premium amount and duration would not be guaranteed. The client will need to continue to monitor the policy since more premiums could be required in the future if the interest rate environment is unfavorable.

As you grow older, get married and start a family, it becomes clearer how important a role life insurance plays in creating a solid financial plan. You may find that your reasons for needing coverage change over time, but there's a good chance that you will always have some type of life insurance need. Even though your needs may last a lifetime, your life insurance payments don't have to.

Mutual of Omaha

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Companion Life Insurance Company
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800-775-6000

Modified Endowment Contracts (MEC) – Any lifetime distributions, loans or assignments from a MEC are treated as ordinary income for tax purposes to the extent there is gain in the contract and could be subject to an additional 10 percent penalty tax, if the policy owner is under age 59 1/2. MECs are considered life insurance and offer tax free death benefits and tax-deferred cash value accumulation. You should discuss potential tax consequences created by a MEC with your tax or legal advisor.

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Mutual of Omaha

Lifetime Protection
Without a Lifetime of Payments

77301

Protection That's Guaranteed
for Life

When purchasing your life insurance policy, you may want to consider paying your premiums over a shorter time frame. By reducing the number of years you will make payments, you can pay your life insurance premiums during your peak income-earning years and free up money to use for other expenses as you approach retirement.

When using a shortened payment plan, a fully-guaranteed permanent life insurance policy generally works best since interest rate fluctuations cannot impact the death benefit guarantee.
Here's how it works:

- You choose the death benefit amount, the number of guaranteed coverage years and the number of years you plan to make your payment. Based on that information, your agent/producer will provide you with a payment amount
- You purchase a policy and continue to make your planned premium payments on time
- As soon as the payments are complete, your policy is guaranteed to remain in force for the guarantee period you selected

A COMPARISON OF PAYMENT OPTIONS*

Chris, age 45, has a need for $1 million of life insurance coverage and chooses to purchase a policy that offers a lifetime guarantee. The annual payments for this policy would be $10,296, assuming payments were made in all years.

Chris likes the idea of paying his policy premiums over a shortened time frame so that he doesn't have to worry about premium payments once he is ready to retire at age 65. His premium based on a 20-year payment plan would be $12,595 annually.

By age 75, Chris will have paid $56,980 less by choosing the 20-year paid up plan. The longer Chris lives, the greater the cumulative savings will be.

A Comparison of Cumulative Premiums

	$10,296 Annually Paid in All Years	$12,595 Annually Paid for 20 Years
10 Years, Age 55	$102,960	$125,950
20 Years, Age 65	$205,920	$251,900
30 Years, Age 75	$308,880	$251,900
40 Years, Age 85	$411,840	$251,900

**This illustration is for example purposes only. The example shown is fictitious in nature and represents a situation a consumer could face.*

The Benefits of
a Shortened Payment Plan

Purchasing a life insurance policy is a smart way to help provide protection for the uncertainties in life. By paying your policy on a shortened payment schedule, you will also benefit from:

Overall Policy Savings
A policy paid over a shortened time frame may cost slightly more up front; however, you may see significant savings on the amount of money paid over the life of your policy.

Additional Available Funds at Retirement
After your payments are complete, the money you have been paying each year will be freed up to be used for other expenses.

Peace-of-Mind
When you select a guaranteed universal life policy, you have the assurance of knowing that upon your death your loved ones will receive a death benefit. This protection will be guaranteed for the period you selected.

Flexibility for Life's Changes
If an emergency arises and you can't make your full payment, you have the flexibility to reduce your premium amount and extend the number of payment years without jeopardizing your coverage. You agent/producer can work with you to determine a new payment amount that continues to allow you to achieve your life insurance goals.

It's time to put a plan in place. The steps you take today can help ensure your family remains financially secure in the future.

[Agent Photo]

[Agent name]
[Agent phone number]
[Agent email address]
[Agent license number]

North American Company
for Life and Health Insurance
Since 1886

Life

Using Life Insurance For Legacy Building

Help Your Clients Gain Financial Protection & Pass Along a Legacy

Marketing Guide

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204NM-1 03/17

Financial Protection with the Ability to Pass On a Legacy

Many of your clients have diligently planned for retirement with prudent investment choices. They have taken sound financial steps to build an amount that will last throughout their retirement years. However, many financial plans fail to address passing wealth to heirs. For clients with excess funds, there is a price to success in the form of various tax liabilities.[1] These tax liabilities may pose unwanted surprises when it comes time to pass along funds to children or grandchildren.

There is a way to help your clients in this situation. Life insurance is designed to pass a death benefit along to beneficiaries upon death. When it comes to legacy building and transferring wealth, this key design feature can offer a favorable solution for your client.

USING LIFE INSURANCE FOR LEGACY BUILDING

Legacy building is a concept designed to help your clients attain death benefit protection and help maximize the assets that are passed along to beneficiaries. It provides a way to help transfer funds efficiently and may be one of the most favorable methods to build a legacy. One key reason for its efficiency is clear—life insurance pays a generally income tax-free[1] death benefit. In this guide you'll discover several other key client benefits and how to put this strategy to work for your client.

A CLOSE LOOK AT LEGACY BUILDING

Legacy building is a strategy using permanent life insurance to offer death benefit protection along with an efficient way to pass along assets to beneficiaries. In most situations, the strategy involves a single-premium asset transfer into a life insurance policy.

Two key legacy building items:

- **Maximizing the death benefit.** The main goal in a legacy-building sale is to maximize the total estate value. For clients committed to this strategy, purchasing the largest amount of death benefit that the asset transfer will provide is key to effective case design.
- **Death benefit guarantees.** The key focus is providing a death benefit, so having a guaranteed death benefit[2] helps to ensure the benefit will be available to beneficiaries.

UNDERSTANDING THE CONCEPT

The first item for your clients to understand is that life insurance provides financial protection. The cornerstone of a solid financial plan usually begins with life insurance. With life insurance, your clients gain comprehensive death benefit protection that would pass along to beneficiaries.

The second item is that life insurance can provide a tax-efficient way to transfer funds to beneficiaries. As mentioned earlier, the proceeds are passed along generally income tax-free[1] to beneficiaries. The death benefit proceeds can be used by the beneficiaries to improve their situation and may help them to fulfill their dreams and goals.

With legacy building, you can help your clients reduce their tax liabilities[1] while passing along a greater death benefit to beneficiaries.

WHY LIFE INSURANCE FOR LEGACY BUILDING?

Key advantages

Let's take a look at several advantages of using life insurance for legacy building.

- **Immediate death benefit protection.** Your client's death benefit protection will be there when their loved ones need it most.
- **Income tax-free transfer to beneficiaries.** When the insured passes away, the death benefit passes generally income tax-free to beneficiaries.[1]
- **Client control.** Clients have full control of their life insurance policies to make changes based on their needs.
- **Probate-free.** When your clients complete a beneficiary designation on their life insurance policies, they are using non-probate transfer, which means that the death benefit will pass directly to the beneficiary.
- **Leverage.** With life insurance, the premium can provide a larger death benefit immediately after issue.
- **Tax-deferred growth.** With life insurance, any cash values grow on a generally tax-deferred basis.[3]
- **Liquidity.** Should the needs of clients change or for emergency purposes, they may access funds in a life insurance policy through loans, withdrawals, if needs arise[4] or accelerated death benefits if qualifications are met.
- **Performance.** Life insurance can offer a compelling internal rate of return.

Items to consider

It's important to explore several options for legacy building. A thorough needs-based analysis will help your clients decide on a direction appropriate for their situation.

- **Cost of insurance.** Permanent life insurance policies require monthly deductions, which include the cost of insurance, expense charges, and potentially other charges. These deductions along with any loans or withdrawals may reduce the cash value of the policy. Withdrawals may be subject to surrender charges and the amount available for policy loans.[4]
- **Spousal scenarios.** For spousal situations, it may be beneficial to consider a survivorship (second-to-die) policy if that aligns with the clients' needs.
- **Modified Endowment Contracts.** Although a single premium may create a modified endowment contract (MEC)[5], which may cause loans or withdrawals to be taxable, death benefit proceeds remain generally tax-free.[1]
- **Maintaining the death benefit.** Additional premiums may be necessary to continued the desired death benefit, depending on the funding.
- **Surrender Charges.** Withdrawals may be suject to surrender charges and the amount available for policy loans.[4]

HOW IT WORKS

After establishing a need for death benefit protection, identify funds that the client already plans to pass along to heirs. These funds represent assets that the client doesn't plan to use for his or her own retirement needs.

The designated funds are then used to purchase a life insurance policy. These assets may immediately increase the amount in the form of a death benefit. The death benefit is passed along to beneficiaries when the insured dies, thus passing on a legacy.

CLIENT PROFILE

People who can most benefit from legacy building are those usually within retirement age that have dormant assets. These are typically assets they plan on leaving for heirs, a church, charity, or possibly to help pay educational costs for grandchildren.

These assets are often held in low interest-earning accounts or vehicles, which may not be an efficient method of wealth transfer for the purpose of legacy building. These "legacy assets" may be leveraged into a greater benefit and a more efficient method of wealth transfer using life insurance. Let's take a look at a typical profile:

- Is within the retirement ages of 55-75 and has a retirement plan in place
- Needs death benefit protection or may have an underperforming life insurance policy that needs to be reviewed
- Holds funds designated to leave to heirs or children savings vehicles such as savings accounts, or money market accounts, especially accounts designated as "payable/transfer on death" or POD/TOD
- Has titled assets jointly with heirs
- Has annuities coming out of surrender
- Currently takes required minimum distributions (RMDs), but doesn't have a current need for the funds

Usually, there are two types of clients—those fully committed to the strategy and those who are committed now but may want to change their strategy down the road.

- **For the fully committed:** Help these clients find a life insurance product that can provide maximum death benefit that meets their needs. Consider a guaranteed death benefit product.[2]
- **For those committed now, but who may want to change:** Help these clients find a life insurance product that offers the opportunity to build cash value. The cash value may provide the client with alternative options, like using the potential cash value to help supplement retirement income.

WHY NORTH AMERICAN?

Turn to North American for your legacy building cases. In addition to our knowledgeable Sales Development team, you'll gain several benefits, including:

- **Competitive products.** A robust product portfolio that helps meet your clients' needs. For legacy building, consider North American's guaranteed death benefit[2] products or a product that may be able to generate cash value. Here's why:
  - Our guaranteed death benefit products[2] offer your clients value.
  - Your clients gain access to several riders, endorsements, and other competitive features to customize a policy to fit their needs and comfort level.
  - Accelerated death benefits are available to help with living needs subject to eligibility requirements.[6]
- **Fair and consistent underwriting.** North American provides fast turnaround times on your submitted business.
- **Competitive compensation.** Your time and commitment could possibly be well-rewarded with our generous compensation. Plus, we take a collaborative approach to helping you grow your business and are here to answer your questions and provide guidance along the way.
- **Financial stability.** Our financial ratings are sound, and private ownership means we're focused on long-term value.[7]
  - A+ (Superior) A.M. Best
  - A+ (Strong) S&P Global Ratings

RESOURCES

Sales Development

Phone: (800) 800-3656 ext. 10411

Email: salessupport@nacolah.com

Hours: 7:30 – 5:00 CST, Monday through Thursday
7:30 – 12:30 Friday

North American Company
for Life and Health Insurance
Since 1886

Life

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

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

2 Subject to premium payment requirements.

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

4 In some situations, loans and withdrawals may be subject to federal taxes. Clients should be instructed to consult with and rely on their own tax advisor or attorney for advice on their specific situation. Income and growth on accumulated cash values is generally taxable only upon withdrawal. Adverse tax consequences may result if withdrawals exceed premiums paid into the policy. Withdrawals or surrenders made during a Surrender Charge period will be subject to surrender charges and may reduce the ultimate death benefit and cash value. Surrender charges vary by product, issue age, sex, underwriting class, and policy year.

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

6 The death benefit will be reduced by the amount of the death benefit accelerated. Since benefits are paid prior to death, a discount will be applied to the death benefit accelerated. As a result, the actual amount received will be less than the amount of the death benefit accelerated. There is an administrative fee when benefits are elected.

7 Rating Agencies: A.M. Best and S&P Global Ratings are third party independent reporting and rating companies that rate insurance companies on the basis of the company's financial strength, operating performance, and ability to meet its obligations to policyholders. A+ is the second highest rating out of 15 categories for AM Best and was affirmed for North American Company as part of Sammons Financial Group on July 14, 2016. S&P Global Ratings awarded its "A+" (Strong) rating for insurance financial strength on February 26, 2009 and affirmed on October 19, 2016 to North American Company, as part of Sammons Financial Group. The "A+" (Strong) rating is the fifth highest out of 22 available ratings.

North American Company
for Life and Health Insurance
Since 1886

Life

Using Life Insurance for Legacy Building

Financial Protection & Help with Legacy Building

QUICK LOOK

Legacy building is a strategy using permanent life insurance to offer death benefit protection along with a tax-efficient way to pass along assets to beneficiaries. Typically, the strategy starts with funds the client already plans to pass along to family. These funds are transferred to a life insurance policy, which may immediately increase the amount in the form of the death benefit.

THE SITUATION

Pam is a busy and successful 65-year-old vice president at a public relations firm.

Over the years, Pam has prepared well for her retirement and is financially stable. She's able to meet her financial needs after she leaves the corporate world and is now looking to slow down and prepare for retirement.

The only life insurance protection she has is through her employer, which she realizes is not enough to provide for her adult children. Her children are beginning families, and she wants wants them to be financially protected when she is no longer around. Pam has set aside money specifically for this purpose, but she's not sure about the best approach for passing on these funds. The funds are currently sitting in a savings account earning very little interest. Pam is uncertain of how to go about putting her wishes in place.

Is there a way for Pam to meet her life insurance needs while helping her efficiently pass funds along to her children?

A SOLUTION

Pam meets with her life insurance agent to discuss her death benefit protection needs along with her desire to pass along a legacy. The agent takes a thorough look at her finances and explains to Pam that with life insurance, she can financially protect her children now and at the same time put a plan in place that would pass the funds she has already set aside to her children. Pam decides on a life insurance policy. Here are a few reasons why she chose the policy:

- **Immediate death benefit protection.** Pam can gain peace of mind from the start with death benefit protection that will be there for her children. When Pam passes way, the death benefit passes generally income tax-free to heirs.[1]
- **Probate-free.** When Pam completes the beneficiary designation naming her children on her life insurance policy, she is using a non-probate transfer, which means the death benefit will pass directly to her children.
- **Leverage.** With life insurance, the premium can provide a larger death benefit immediately after issue.
- **Liquidity.** Should Pam's needs change, she may access funds in her life insurance policy through loans, withdrawals,[2] or accelerated death benefits, if qualifications are met.[3]

CONSIDERATION

- **Cost of insurance.** Permanent life insurance policies require monthly deductions, which include the cost of insurance, expense charges, and potentially other charges. These deductions, with any loans or withdrawls, may reduce the cash value of the policy.
- **Surrender charges.** Withdrawals may be subject to surrender charges and the amount available for policy loans.
- **Modified Endowment Contracts (MECs).** MECs may have tax implications that Pam needs to know about before considering her options.[4]
- **Maintaining the Death Benefit.** Additional premiums may be necessary to continue the desired death benefit, depending on funding.

Need help with your legacy building cases? Contact Sales Development today at (800) 800-3656 ext. 10411 or email salessupport@nacolah.com.

Agents offering, marketing, or selling accelerated death benefits for chronic illness in California must be able to describe the differences between benefits provided under an accelerated death benefit for chronic illness and benefits provided under long-term care insurance to clients. you must provide clients with the ADBE Consumer Brochure for California NAM-3013 that includes this comparison. Comparison is for solicitation purpose only, not for conversions.

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

2 In some situations, loans and withdrawals may be subject to federal taxes. Clients should be instructed to consult with and rely on their own tax advisor or attorney for advice on their specific situation. Income and growth on accumulated cash values is generally taxable only upon withdrawal. Adverse tax consequences may result if withdrawals exceed premiums paid into the policy. Withdrawals or surrenders made during a Surrender Charge period will be subject to surrender charges and may reduce the ultimate death benefit and cash value. Surrender charges vary by product, issue age, sex, underwriting class, and policy year.

3 Accelerated death benefits are subject to eligibility requirements. The death benefit will be reduced by the amount of the death benefit accelerated. Since benefits are paid prior to death, a discount will be applied to the death benefit accelerated. As a result, the actual amount received will be less than the amount of the death benefit accelerated. An administrative fee is charged at the time of election of benefits.

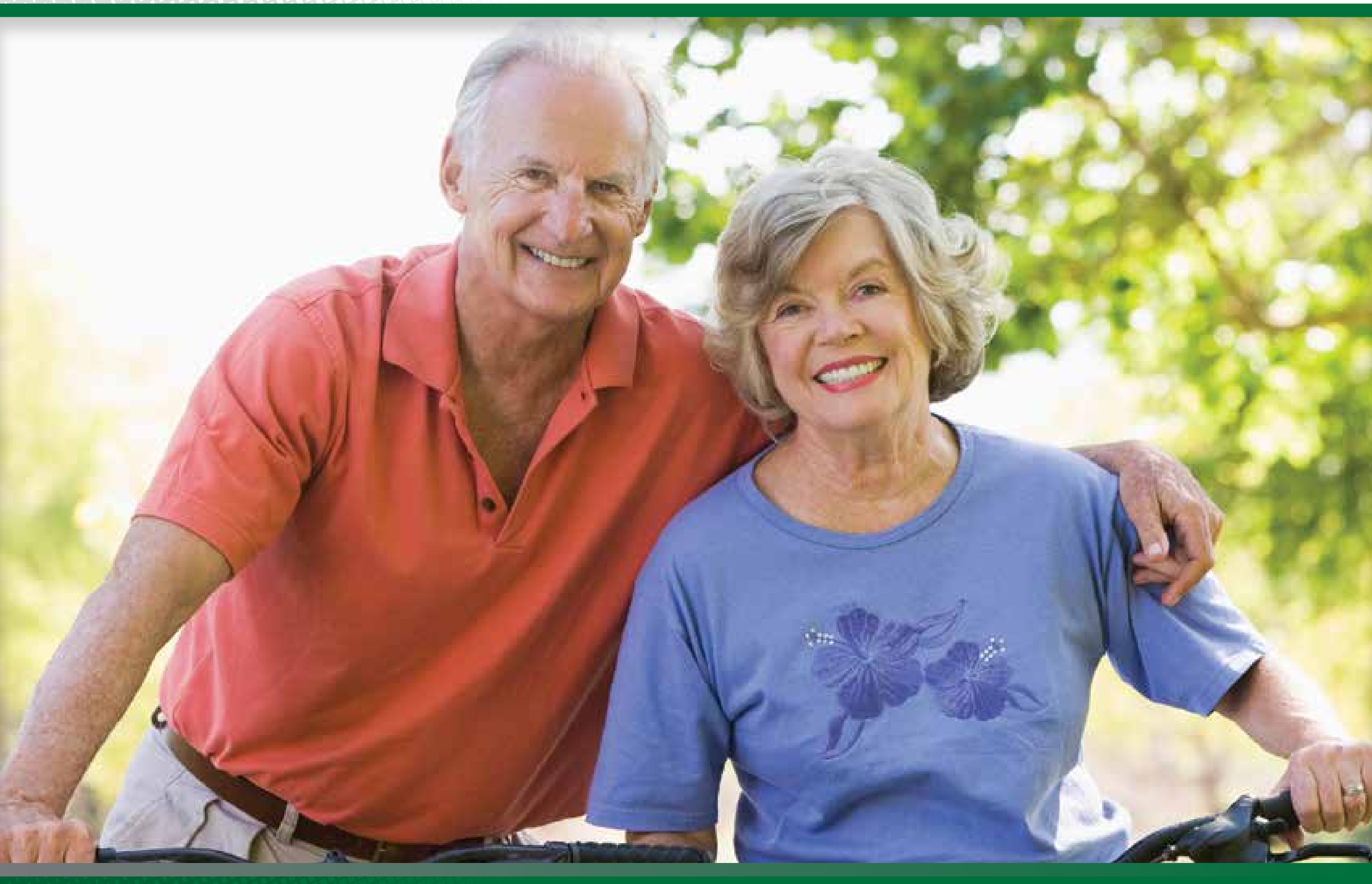
4 For most policies, withdrawals are free from federal income tax to the extent of the investment in the contract, and policy loans are also tax-free so long as the policy does not terminate before the death of the insured. However, if the policy is a Modified Endowment Contract (MEC), a withdrawal or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

North American Company
for Life and Health Insurance
Since 1886

Help Preserve Your Wealth for Future Generations

Using Life Insurance for Death Benefit Protection & Legacy Building

Client Brochure



Gain financial protection and help maximize the money you pass along to heirs.

There may come a time when you may need to think about the future generations of your family. You have worked hard, accomplished your goals, and accumulated funds to support a comfortable retirement. Along with your careful planning, maybe you would like to set aside funds to pass along to your children or grandchildren. Whether the amount is a little or a lot, wouldn't it be nice to help ensure those funds are passed along in a tax-efficient manner?[1] This would help maximize the money you can provide to your heirs. Life insurance provides death benefit protection and can help increase the value of the funds you pass along to beneficiaries.

Legacy building, also referred to as wealth transfer, is simply a plan using life insurance to pass along money to your beneficiaries in a way that's most favorable for them and for you.

KEY QUESTIONS	ITEMS DISCUSSED
Why life insurance?	Learn how a life insurance policy can be used to meet death benefit protection needs and help maximize the wealth you pass along to heirs.
Who can benefit?	Explore if using life insurance for legacy building is right for you.
How does it work?	Discover how legacy building can protect what's important to you and leave behind a lasting legacy.

Why life insurance?

Life insurance provides a death benefit, which can help provide financial security to beneficiaries generally income tax-free.[1] For legacy building, life insurance offers the same two key benefits:

1. It helps to provide financial protection and passes along a generally income tax-free death benefit.[1]
2. It can help maximize the funds you pass along—whether it's for your children or grandchildren, a church, or perhaps a charity.[1]

If you have set aside funds, you owe it to yourself to explore how life insurance can help efficiently pass those funds along to your beneficiaries.

Who can benefit?

There are a few items to consider before deciding on a legacy building strategy using life insurance. Importantly, legacy building should only be considered if you have funds available to support yourself throughout retirement. Those who have money already set aside for heirs typically consider a legacy building strategy. These assets are often held in low interest-earning accounts, which may not be a tax-efficient method for transferring wealth.[1]

Here are a few questions to help you determine if the strategy is right for you:

- Are you within the retirement ages of 55-75?
- Are you financially sound, with your own retirement plan?
- Do you have children, grandchildren, or an organization you'd like to benefit?
- Are you holding funds designated to leave to heirs or children—certificates of deposit (CDs), savings accounts, or money market accounts, especially accounts designated as "payable/transfer on death" or POD/TOD?
- Have you named your heirs joint owners of your assets?
- Do you have an annuity you'd like to pass along to heirs?
- Are you taking required minimum distributions (RMDs) but don't have a current need for the funds?
- Are you looking for tax-advantaged solutions to transfer funds?[1]

Advantages

- **Immediate death benefit protection.** From the start, you gain death benefit protection that will be paid out to your beneficiary upon death.
- **Income tax-free transfer to heirs.** When you die the death benefit passes generally income tax-free to heirs.[1]
- **Leverage.** With life insurance, your premium payments can provide a larger death benefit immediately after issue. For example, if you purchase a $250,000 life insurance policy, that full amount would be paid as a death benefit once your policy is put in force. If your first premium payment is $1,500, for example, those dollars are "leveraged" immediately into the full $250,000 death benefit. These premium dollars purchase the full death benefit amount that would be available upon death.
- **Tax-deferred growth.** The premium payments into a permanent life insurance policy may earn interest and grow on a tax-deferred basis.[2]
- **Liquidity.** Should your needs change or in an emergency, you may access the funds in a life insurance policy through loans or withdrawals.[3]

How does it work?

When properly structured, a legacy building plan can help you gain death benefit protection and maximize the funds you leave to heirs.

1. Establish whether the strategy is appropriate for you and that you need death benefit protection.
2. Locate the funds you would like to pass along to your beneficiaries. These funds represent assets you don't plan to use for retirement. The funds may be in a CD, annuity, IRA, or savings or checking accounts.[4]
3. The designated funds are then used to purchase a life insurance policy. This may immediately increase the amount available in the form of a death benefit. Consult your representative about methods of transferring funds into the life insurance policy.
4. Upon death, the funds from the life insurance policy are passed along to beneficiaries in the form of a death benefit—passing along a legacy.

Considerations

It is important to explore your options and to work with your representative to gain a clear picture of your needs. The goal is to help you decide on an appropriate direction. There are costs with life insurance. Permanent life insurance policies require monthly deductions, which include the cost of insurance, expense charges, and potentially other charges. These deductions may reduce the cash value of the policy.

Help preserve your wealth for future generations and consider a legacy building strategy. Contact your North American representative today.

1 Neither North American Company for Life and Health Insurance nor any of its agents, employees or representatives is authorized to give tax or legal advice. Please consult with and rely on a qualified tax or legal advisor before entering into or paying additional premiums with respect to such arrangements or commencing any charitable giving plan.

2 The tax-deferred features are not necessary for a tax-qualified plan. In such instances, you should consider whether other features, such as the death benefit and optional riders make the policy appropriate for your needs. Before purchasing a policy, you should obtain competent tax advice both as to the tax treatment of the policy and the suitability of the product.

3 Policy loans from life insurance policies generally are not subject to income tax, provided the contract is not a Modified Endowment Contract (MEC), as defined by Section 7702A of the Internal Revenue Code. A policy loan or withdrawal from a life insurance policy that is a MEC is taxable upon receipt to the extent cash value of the contract exceeds premium paid. Distributions from MECs are subject to federal income tax to the extent of the gain in the policy and taxable distributions are subject to a 10% additional tax prior to age 59½, with certain exceptions. Policy loans and withdrawals will reduce cash value and death benefit. Policy loans are subject to interest charges. Consult with and rely on your tax advisor or attorney on your specific situation. Income and growth on accumulated cash values is generally taxable only upon withdrawal. Adverse tax consequences may result if withdrawals exceed premiums paid into the policy. Withdrawals or surrenders made during a Surrender Charge period will be subject to surrender charges and may reduce the ultimate death benefit and cash value. Surrender charges vary by product, issue age, sex, underwriting class, and policy year.

4 Removing funds from a qualified plan, including an Individual Retirement Account, may result in a taxable income distribution. Removing funds from an annuity may result in surrender charges and/or income taxes.

Life insurance policies have terms under which the policy may be continued in force or discontinued. Permanent life insurance requires monthly deductions to pay the policy's charges and expenses, some of which will increase as the insured gets older. These deductions may reduce the cash value of the policy. Current cost of insurance rates and current interest rates are not guaranteed. Therefore, the planned periodic premium may not be sufficient to carry the contract to maturity. For costs and complete details, refer to the policy or call or write North American Company, Administration Office, PO Box 5088, Sioux Falls, SD 57117-5088. Telephone: (877) 872-0757.

5 Steps to Completing the Sale

For Your Clients Seeking Life Insurance for Protection Now, Income Potential Later

For Life Insurance Producer Use Only.
Not for Use with the Public.

17-VER-49

PACIFIC LIFE

ARE YOUR CLIENTS **MISSING AN ASSET?**

Many clients see life insurance as an expense—financial protection for their families at the cost of premiums paid.

What these clients may be missing is that life insurance can be part of a diversified retirement strategy, providing valuable financial protection against premature death now, and the opportunity to build a source of tax-free[1] supplemental retirement income potential later.

Cash Value Life Insurance as an Asset

Benefits for Your Client's Family

Protect What Matters Most with Tax-Free[2] Death Benefit

Protect Business, Family, or Lifetime Earnings Potential

Benefits for Your Client's Retirement Strategy

Tax-Deferred Accumulation

Cash Value Growth Potential

Supplement Income Tax-Free[1]

Policy Loans and Withdrawals from Available Cash Value

The $12 Trillion Opportunity in Life Insurance

The cumulative life insurance coverage gap for U.S. households amounts to $12 trillion.[3] Odds are, many of your clients are underinsured. Help them bridge the coverage gap and plan for a more comfortable retirement using an often overlooked asset—cash value life insurance.

Learn How to Identify Opportunities, Present the Case, and Apply in 5 Easy Steps.

1 For federal income tax purposes, tax-free income assumes, among other things: (1) withdrawals do not exceed tax basis (generally, premiums paid less prior withdrawals); (2) policy remains in force until death (any outstanding policy debt at time of lapse or surrender that exceeds the tax basis will be subject to tax); (3) withdrawals taken during the first 15 policy years do not cause, occur at the time of, or during the two years prior to, any reduction in benefits; and (4) the policy does not become a modified endowment contract.

2 For federal income tax purposes, life insurance death benefits generally pay income tax-free to beneficiaries pursuant to IRC Section 101(a)(1). In certain situations, however, life insurance death benefits may be partially or wholly taxable. Situations include, but are not limited to: the transfer of a life insurance policy for valuable consideration unless the transfer qualifies for an exception under IRC Section 101(a)(2) (i.e. the "transfer-for-value rule"); arrangements that lack an insurable interest based on state law; and an employer-owned policy unless the policy qualifies for an exception under IRC Section 101(j).

3 LIMRA Facts About Life 2016, Sept. 2016, http://www.limra.com/uploadedFiles/limra.com/LIMRA_Root/Posts/PR/_Media/PDFs/Facts-of-Life-2016.pdf.

1
IDENTIFY **OPPORTUNITIES**

Many of your clients may share two common retirement planning concerns:

1
What will happen to my loved ones if I die early?

2
What if I outlive my retirement savings?

A single cash value life insurance policy may help your clients address both concerns.

Client Profile

- A need for life insurance protection
- Age 25–60 in good health[4]
- High income earner (typically $200,000+ annually)
- Contributing the maximum to qualified retirement plans and have a desire to save more
- Desire for tax-free[5] supplemental income potential
- 15 years or more until first planned policy distribution

4 Life insurance is subject to underwriting and approval of the application and will incur monthly policy charges.
5 For federal income tax purposes, tax-free income assumes, among other things: (1) withdrawals do not exceed tax basis (generally, premiums paid less prior withdrawals); (2) policy remains in force until death (any outstanding policy debt at time of lapse or surrender that exceeds the tax basis will be subject to tax); (3) withdrawals taken during the first 15 policy years do not cause, occur at the time of, or during the two years prior to, any reduction in benefits; and (4) the policy does not become a modified endowment contract.
6 For federal income tax purposes, life insurance death benefits generally pay income tax-free to beneficiaries pursuant to IRC Sec. 101(a)(1). In certain situations, however, life insurance death benefits may be partially or wholly taxable. Situations include, but are not limited to: the transfer of a life insurance policy for valuable consideration unless the transfer qualifies for an exception under IRC Sec. 101(a)(2)(i.e. the transfer-for-value rule); arrangements that lack an insurable interest based on state law; and an employer-owned policy unless the policy qualifies for an exception under IRC Sec. 101(j).
7 There is not a specific limit on dollars allocated to purchase life insurance; however, there are maximum premium limits determined by a specified policy face amount. A policy will qualify as life insurance if it meets the requirements of IRC Sec. 7702, which includes limits on the amount of premium that may be paid into a specific face amount and still qualify as life insurance.

2 START THE **CONVERSATION**

01 BROACH THE TOPIC

Get the retirement conversation started:

- When do you plan on retiring?
- What would your ideal retirement look like?
- Are you worried about saving enough for retirement?
- Are you concerned that taxes may rise?

02 GET THE FACTS

Understand your client's current financial situation:

- How much life insurance coverage do you currently own?
- How much are you saving for retirement in your 401(k), IRA, or taxable investment accounts?
- What percentage of your assets is in taxable investments?
- Tax-deferred investments?
- Tax-free investments?

03 DISCUSS THEIR PLAN

Help your clients crystallize their retirement vision:

- If you died early, what would happen to your family?
- If not subject to contribution limits, how much more would you like to save towards retirement?

04 SUGGEST A SUPPLEMENTAL STRATEGY

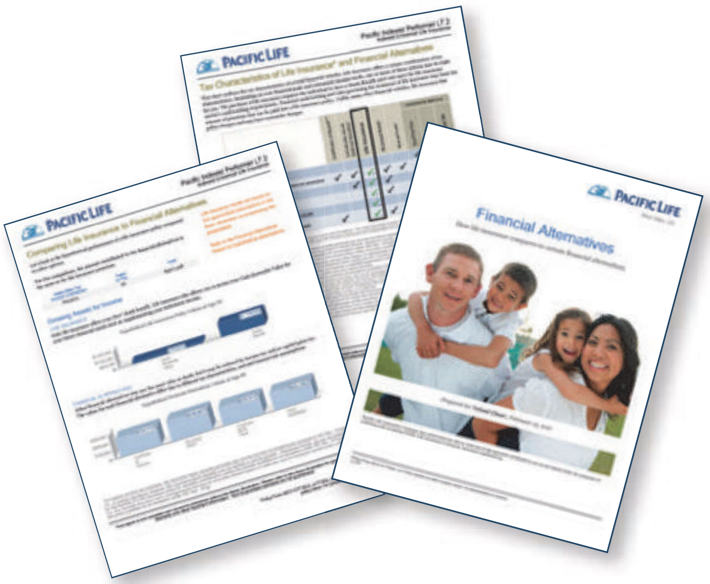
Help your clients understand that cash value life insurance is an asset that can help them achieve their financial goals:

- Would you be interested in an asset that offered financial protection for your family as well as the following:
  - Tax-free proceeds at the death of the insured?[6]
  - Tax-deferred growth?
  - Tax-free supplemental income?[5]
  - No contribution limits?[7]

3
ILLUSTRATE THE **POTENTIAL**

Financial Alternatives Concept

Demonstrate the potential of life insurance vs. other popular financial instruments, like mutual funds, annuities, and certificates of deposit (CDs).



LIRP - IRR Concept

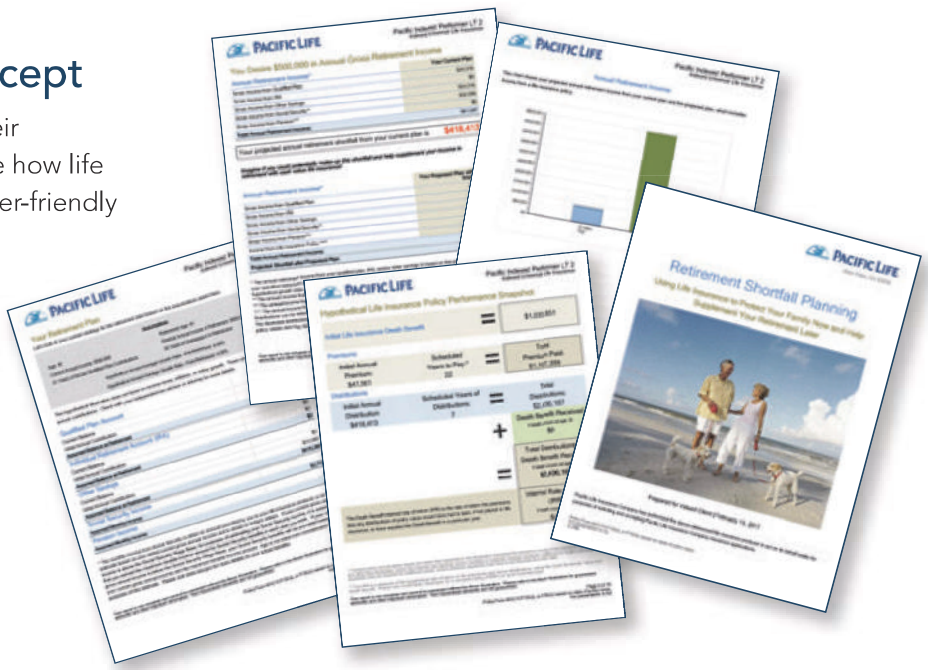
Demonstrate the power of life insurance to protect now, and provide supplemental income potential later. Compare tax equivalent internal rates of return (IRR) with this report.

Create personalized sales presentations for your clients with our easy-to-use illustration software. Choose "Financial Alternatives," "LIRP - IRR," "Retirement Shortfall," or any of our other popular illustration concepts.

Discover the Pacific Life Advantage: Navigator Illustration Concepts

Retirement Shortfall Concept

Help clients see the potential gaps in their retirement income plan and demonstrate how life insurance can be used to fill them in a user-friendly balance-sheet approach.



Let Us Help You Build Your Business

Expertise is just a click away. Contact us for help, demonstrations, and more.

Illustrations:
LifeIllustrations@PacificLife.com

Competition:
CompetitionUnit@PacificLife.com

Advanced Designs:
AdvancedDesigns@PacificLife.com

4
APPLY FOR **COVERAGE**

Pacific Life offers 3 simple ways to submit your life insurance business.

EXECUTIVE CLASS SIMPLIFIED UNDERWRITING[8]
Tele-APP Ticket

- Fastest, easiest way to apply with no medical exams and simple Tele-APP Ticket
- Up to $3 million death benefit for eligible applicants
- Good for healthy clients (ages 25-60) with no major medical impairments
- Brief, confidential client phone interview
- Typically 2-3 week process[9]

FULL UNDERWRITING
Tele-APP Ticket

- Better pricing potential than simplified underwriting due to full medical underwriting
- Simple Tele-APP Ticket
- Paramedical or medical exams required
- Brief, confidential client phone interview
- Typically 6-8 week process[9]

FULL UNDERWRITING
Formal Application

- Good for high-profile clients, trust-owned policies, and clients who are difficult to reach by phone
- Full application forms to complete
- Conveniently packaged with complete instructions
- Paramedical or medical exams required
- Typically 6-8 week process[9]

8 Eligibility for Executive Class Underwriting is based on health, age, gender, income, occupational risk, and other factors. Additional requirements may be requested, depending on answers to medical and nonmedical questions in the application. Policy must be life insurance with accumulation design (minimum non-modified endowment contract death benefit (level or increasing) with premiums illustrated at least 90% of Guideline Level Premium or 7-Pay Premium. One only simplified underwriting program offered per insured.
9 Actual duration may vary depending on when the client phone interview and medical exam (if required) are completed.

Discover the Pacific Life Advantage: Executive Class Underwriting

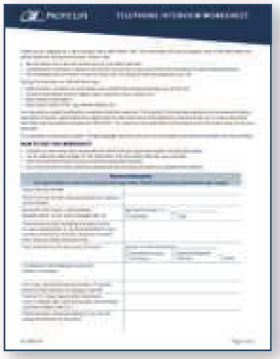
YOUR HIGH INCOME CLIENTS CAN GET UP TO $3 MILLION IN COVERAGE WITH NO MEDICAL EXAMS

Executive Class Simplified Underwriting Program[9]

Higher Limit	Hassle Free	Exclusive
Up to $3 million in life insurance coverage with accumulation designs.	Simple ticket and client phone interview. No needles, bodily fluids, or medical exams required.	Available only to highly compensated professionals ($200,000+ annual salary) with no occupational risks.

Prepare your client for the phone interview.

Timely applications rely on successful completion of the phone interview. To help your clients gather all the information they'll need, use the Telephone Interview Worksheet (15-44613) available at Lifeline.PacificLife.com.



5
DELIVER **THE POLICY**

- Obtain client signature at policy delivery.[10]
- If policy was issued without premiums, collect policy premium at time of delivery.
- Ask for referrals from your client.
- Repeat the 5 Steps to Completing a Case with another qualified client.

10 For fully underwritten policies, Pacific Life must receive client signatures at the time of application on the application itself, the policy illustration (if applicable), and any authorizations required of fully underwritten Tele-APP forms.

Set Up New Policies in 15 Minutes

When a new Pacific Life policy is issued, take 15 minutes to schedule a lifetime of easier policy management with Planned Performance Tracking.

Prepare for client meetings in minutes with easy access to the as-issued policy contract, as-issued illustration, and policyowner quarterly statements.

Set policy reminders to make important policy changes, like requesting distributions, performing death benefit option switches, and exercising overloan protection.

Analyze current policy performance against the as-issued illustration or another benchmark.

View allocation information, schedule transfers, and set future policy allocations (with policyowner permission).

Discover the Pacific Life Advantage: Planned Performance Tracking

PACIFIC LIFE

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Pacific Life & Annuity Company
Newport Beach, CA
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Providing All the Tools for Your Success SM

Pinney Insurance

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Pinney has expanded into a national distributor with thousands of contracted agents and offices in California, Illinois, Maryland, North Carolina, Oklahoma, Pennsylvania, Texas, Washington, and Mississippi. Pinney represents over 100 life, annuity, disability, and long-term care companies with the intent of providing our clients & partners with the best possible product solutions at the lowest possible costs.

Contact Us

Email Brokerage Sales Support or contact one of our Brokerage Directors today at 800-823-4852.

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