Life Insurance as an Asset Class

SALES KIT

In this kit:

Sales ideas | Client profiles | Producer guide | Client flyers | Discussion worksheet

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EQUITABLE

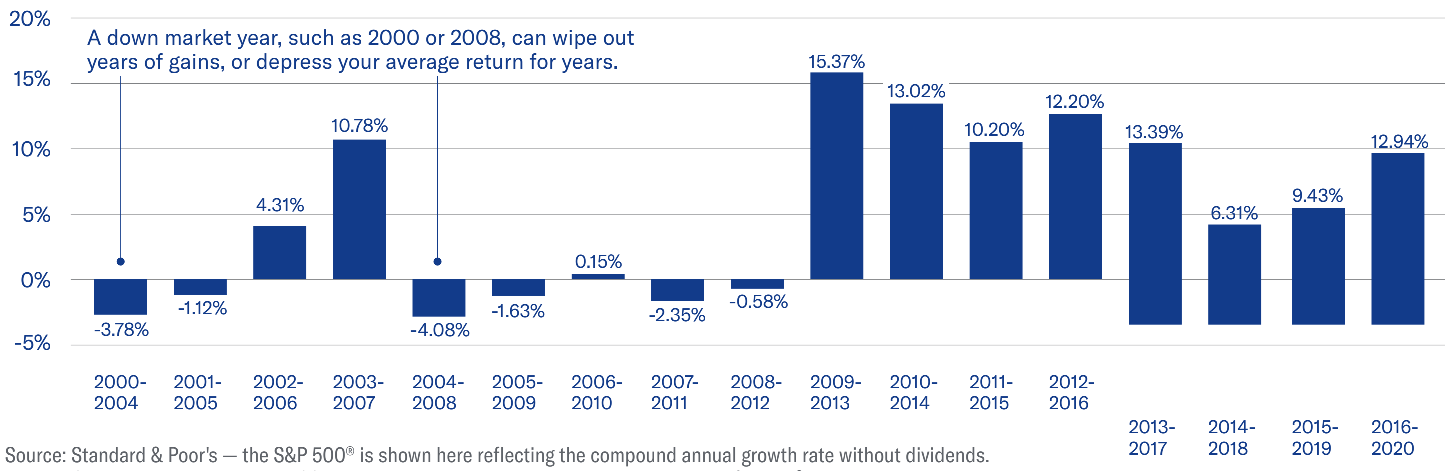
Life insurance as an asset to stabilize wealth transfer

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 beneficiaries 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 I could achieve a 7% rate of return on my investments over the next 25 years, but I'm worried 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]



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 future results. Clients cannot invest directly in the S&P 500®.

Ensure your client's wealth transfer will happen. Taking a small amount of client assets, or the annual growth, can purchase a life insurance policy with a death benefit that assures a basic amount of wealth will transfer to a client's beneficiaries, regardless of when a client dies.

Financial professionals can:

- Help your client assure a wealth transfer through the death benefit.
- Help your clients manage their assets with more flexibility, knowing a fixed amount will pass to their beneficiaries.

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 some peace of mind that his family will receive at least a $2,180,000 legacy from him as long as he pays the required premiums.

Year	Premium	Cumulative premium	Death benefit	Before-tax equivalent on IRR on net death benefit[3]	Probability of death
1	$50,000	$50,000	$2,180,000	7,100%	0.40%
5	$50,000	$250,000	$2,180,000	139.3%	3.79%
10	$50,000	$500,000	$2,180,000	43.05%	12.26%
15	$50,000	$750,000	$2,180,000	20.81%	28.46%
22[4]	$50,000	$950,000	$2,180,000	9.31%	62.81%
25	$50,000	$1,250,000	$2,180,000	6.74%	77.34%
30	$50,000	$1,500,000	$2,180,000	3.85%	93.31%

The policy premium and life insurance death benefit amounts used in this case are based off a $2,180,000 death benefit on a VUL Legacy℠ flexible premium variable universal life insurance policy. The $50,000 premium assumes a gross interest rate of 6%, which is not guaranteed, and current charges. If a 0% interest rate was used with guaranteed charges, the policy would fail in year 12, at which point $550,000 worth of premium would have been paid into the policy. There is risk involved with VUL Legacy℠ including the possible loss on principal invested. For hypothetical results using a specific life insurance product, please refer to a life insurance illustration from Equitable Financial or Equitable America.

A VUL Legacy℠ policy is a variable universal life insurance contract with the primary purpose of providing a death benefit. It is also a long-term financial investment that can also allow potential accumulation of assets through customized, professionally managed investment portfolios. These portfolios are closely managed in order to satisfy stated investment objectives. There are fees and charges associated with variable life insurance contracts, including mortality and risk charges, administrative fees, investment management fees, front-end load, surrender charges and charges for optional riders. Additionally, there is investment risk, including the possible loss of principal invested.

To learn more, call your financial professional or visit equitable.com.

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

3 IRR stands for internal rate of return.

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

VUL Legacy℠ is issued in New York and Puerto Rico by Equitable Financial Life Insurance Company, NY, NY; and in all other jurisdictions by Equitable Financial Life Insurance Company of America, an Arizona stock corporation with its main administrative office in Jersey City, NJ. Distributed by Equitable Advisors, LLC (member FINRA, SIPC) (Equitable Financial Advisors in MI & TN) and Equitable Distributors, LLC (NY, NY). When sold by New York state-based (i.e., domiciled) financial professionals, VUL Legacy℠ is issued by Equitable Financial Life Insurance Company, 1290 Avenue of the Americas, NY, NY 10104.

This piece is not a complete description of the VUL Optimizer℠ variable life policy. The prospectus contain more complete information about the product, including investment objectives, risks, charges, expenses, limitations and restrictions. Please read the product prospectus and consider the information carefully before purchasing a policy or sending money. You should contact your representative for a copy of the current prospectus.

A life insurance policy is backed solely by the claims-paying ability of the issuing life insurance company. It is not backed by the broker/dealer or insurance agency through which the life insurance policy is purchased or by any affiliates of those entities, and none makes any representations or guarantees regarding the claims-paying ability of the issuing life insurance company.

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EQUITABLE

Life insurance to diversify from concentrated asset protection

A hallmark of wise planning is to diversify risk across a range of assets and asset types. Because any one asset or asset class might underperform in a given year, diversification into other assets can offset that underperformance. This risk can be magnified where clients have a heavy concentration in one stock or asset. Now, while capital gain rates are at near-historic lows and the stock market has somewhat recovered from the 2008 collapse, may be a time to consider repositioning. Where a client has a life insurance need, a life insurance death benefit might also help add stability to a client's overall wealth transfer plan.

The Henrys have 25% of their net worth in Acme, Inc.

Mary and John Henry are 55 years old and on track with their retirement savings. They are high earners, but not rich yet. John knows he needs to provide for Mary and their family should something happen to him. They have a net worth of $2,000,000 exclusive of their home and college funds. Six years ago, they bought stock in a medical tech company, Acme, which has skyrocketed to $500,000. They lost a considerable amount of their net worth (and the stock's value) in the 2008 market collapse. Now it has substantially recovered, capital gain rates are low and they are exploring options.

A life insurance strategy

Their financial professional shows them an approach where life insurance might be able to provide multiple solutions. Selling a portion of their stock in Acme will help reduce their exposure to a single large position; and by selling now, they can take advantage of the historically lower capital gain rates. Moving a portion of that gain into life insurance can help the Henrys:

- **Provide a needed death benefit for their family.**
- **Provide a tax-deferred source of cash value accumulation and a limited source of supplemental funds for their retirement.[1]**

- **Provide a specified sum to their family for wealth transfer, regardless of the volatility of their other assets. A sale today can capture gains at low capital gain rates.**

- **If they elect Equitable's Long-Term Care Services℠ Rider, John may have a source of funds should he become impaired, but that will erode the death benefit, which will hurt this strategy. In some cases, a separate long-term care strategy may be better.**

The ideal client

- Has a life insurance need
- Is 45-65, but might be older
- Has a net worth even as low as $1,000,000 exclusive of residence
- May be a corporate executive with salary and benefits tied to a company that also 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

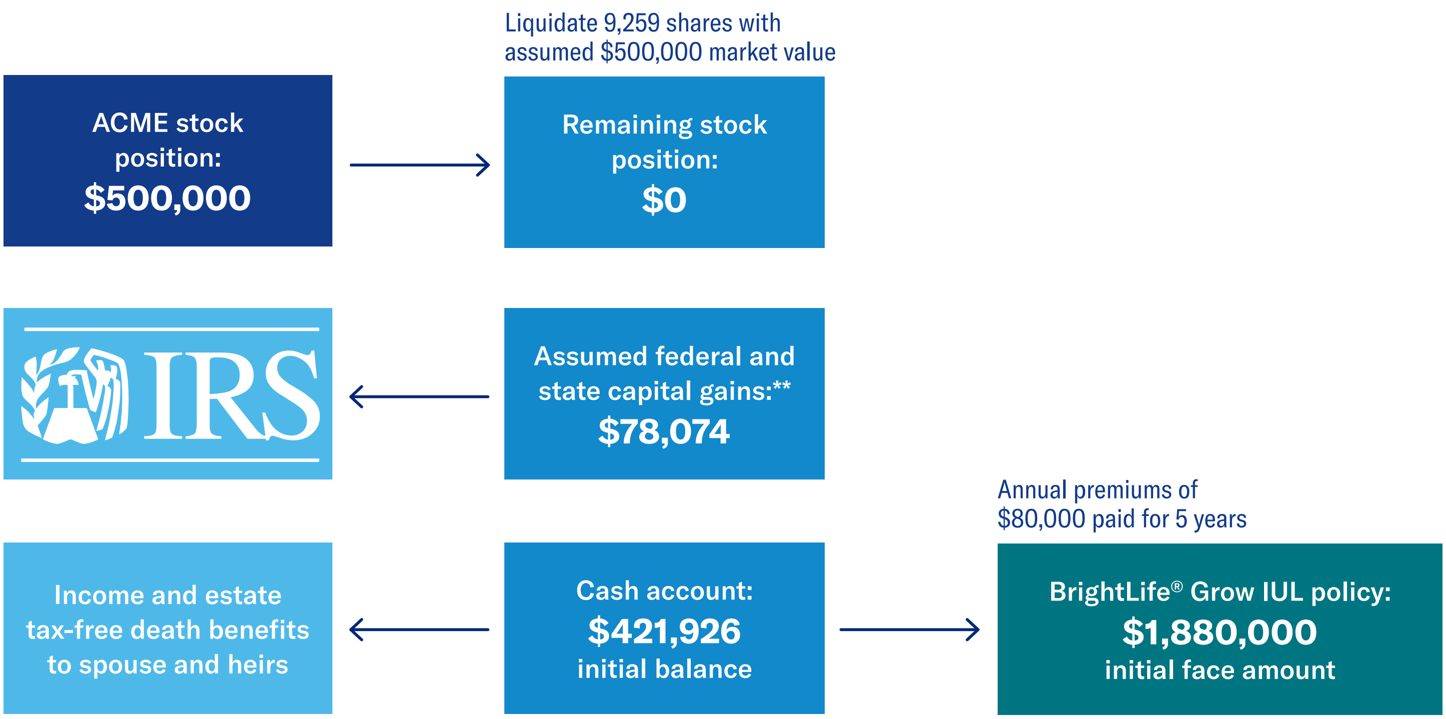
Important note: This approach works with any permanent life insurance. If you use BrightLife® Grow indexed universal life (IUL), you can participate in some of the market upside, but have downside protection so as to lock in periodic market increases.

Other considerations for the Henrys

- They will have limited access to the funds. With the stock, they can access cash more readily.
- They have the potential for lost asset appreciation if they live beyond a crossover point. This is the point where the value of their portfolio could exceed the amount of the life insurance death benefit.
- They face accelerating taxes in the form of a capital gains tax when they sell all or a portion of their concentrated portfolio.
- In order for this concept to work properly, they must hold the life insurance until death. Also, additional premiums may be required, depending on the performance of the policy, including premium payments until death.

How this works for the Henrys

In this approach, John or Mary may sell some or all of their stock in Acme, locking in their gain and during a year with low capital gain rates. Here they sold everything, but it doesn't need to be an all-or-nothing strategy. The couple carves out an amount for capital gain taxes and uses the balance for life insurance premiums.* The flow of the transaction and the numbers look as follows.



* Life insurance policy based on a 55-year-old male with an underwriting category of standard plus, non-tobacco. The initial death benefit is $1,880,000 (Option A) in a BrightLife® Grow IUL policy, $80,000 premiums for 5 years, assuming a 6.31% crediting rate on the policy and 1.5% crediting on escrowed cash from the sale of the stock before it is applied to premiums. Assuming guaranteed values, the policy will lapse at age 75.

** Includes 3.8% Medicare surcharge tax.

What have the Henrys accomplished

John and Mary sold their stock when it was trading at $54.[2] The chart below shows how much Acme would need to have appreciated each year to match the benefit the family might see from life insurance. Now the family has locked in both gain in the stock and purchased a death benefit with the funds. Using BrightLife® Grow IUL might produce potentially higher death benefits or cash values. The numbers below are even more dramatic if the life insurance is held in an irrevocable life insurance trust.

Age	Death benefit plus net cash from sale	Share price equivalent	Required rate of return on stock to match	Share price equivalent — insurance in ILIT	Required rate of return on stock to match
56	$1,652,729	$181.80	230.55%	$277.13	403.88%
55	$1,300,001	$143.00	10.03%	$238.33	15.79%
75	$1,300,001	$143.00	4.89%	$238.33	7.61%
84 (LE)	$1,300,001	$143.00	3.24%	$238.33	5.01%
95	$1,300,001	$143.00	2.15%	$238.33	3.31%

At John's life expectancy (age 86), Acme would need to have increased to $143.00 to match the benefit John's beneficiaries would receive had he not captured his gain and redeployed his funds into life insurance. The results are even more dramatic if the life insurance were held in an irrevocable trust. There, at age 86, the stock would need to have increased to $238.33, or 5.01% average annual growth, to match the death benefit available to John's beneficiaries.

For more information, please call the Life Insurance Sales Desk or visit equitableLIFT.com.

1 Loans taken will be free of current income tax as long as the policy remains inforce until the insured's death, does not lapse or mature, and is not a Modified Endowment Contract. This assumes any loan balance will eventually be repaid with income tax-free death benefits. Loans and partial withdrawals reduce the policy's death benefit, which will hurt the strategy and increase the chances a policy may lapse.

2 This assumes Acme, Inc. is sold when it is trading at $55. Long-term capital gain is calculated using a basis of $20. The insureds' annual income is assumed to be $260,000, and their capital gains are taxed at a rate of 15%.

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Neither Equitable nor its representatives offer tax or legal advice. This presentation, in oral or written form, should not be constructed as such. This is not intended to replace business insurance needs analysis. If you elect to implement a program funded with life insurance, please be aware that there are many forms of life insurance and you should work with your professional advisors, including a licensed life insurance representative, to determine the most appropriate form of life insurance for your business needs.

All guarantees are based on the claims-paying ability of the issuing company, either Equitable Financial or Equitable America.

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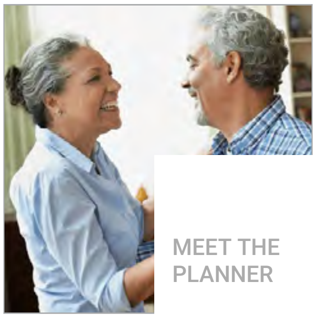
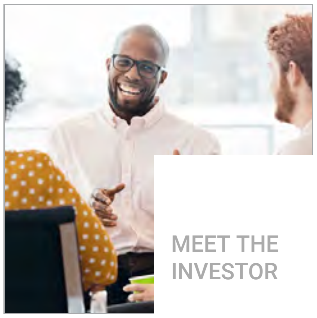
EQUITABLE

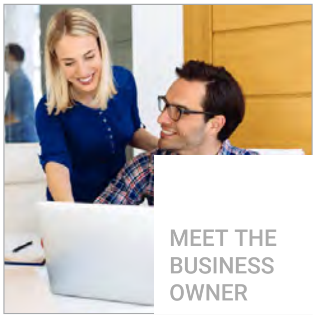
Bring LIFE to the conversation

When working with clients on a growth strategy, you have to tailor your message to meet their goals. Whether they want to grow their retirement portfolio or build a charitable giving strategy or create a legacy wealth transfer strategy, each conversation is different. Help your clients start the conversation to find the right solution.

Who's your client?



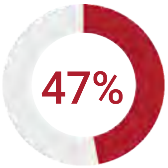




What life insurance brings to the table:

- Cash value growth opportunities
- Tax advantages like tax-free loans and withdrawals[1]
- Ability to build a larger charitable gift
- A competitive advantage for business owners

Why this conversation matters



of Americans surveyed admit they struggle to have financial conversations with loved ones.[2]

Ask your Lincoln representative how our broad portfolio, experience and expertise can help you provide solutions for all types of clients.

[1] Loans and withdrawals reduce policy value and death benefit, may cause the policy to lapse and may have tax implications.

[2] 2019 online survey of 1,380 U.S. consumers 18+ by Toluna research in partnership with FCB New York and Lincoln Financial Group. To request the research, call 844-752-2344.

CLOSE X

THE PROTECTOR

Meet Peter

Peter is married with three children. He's still working and plans on retiring in about 20 years. He worries about the fluctuating market and not having enough saved to cover his household expenses should anything unexpected happen to him.

- *"Could my family pay household expenses if something happened to me?"*
- *"Will taxes further erode the amount I pass to my family?"*
- *"Could our family's future plans still happen — college, etc.?"*
- *"Can I leave a portion of my estate to a charity?"*

What life insurance can do

Clients may want to consider strategies that combine protection with growth potential.

- Life insurance can provide a guaranteed tax-free death benefit for their beneficiaries.
- Life insurance may offer access to the potential cash value for unforeseen needs like long-term care expenses.[1]

UNCERTAINTIES

- Leaving enough to cover household expenses
- Providing enough so their loved ones would have the life they planned

THE OPPORTUNITY

- The ability to have guaranteed lifetime protection
- The ability to protect death benefit and cash value during market fluctuations
- The flexibility to change policy goals with life's changing needs

Start the conversation

Help these more risk-averse clients talk through their concerns and show them how they can protect their family while exposing them to growth opportunities. To get the conversation started, ask:

- Is your family financially prepared to cover household expenses without your income or healthcare benefits?
- Have you thought about how tax exposure affects your savings?
- Do you want the option to grow your financial portfolio without sacrificing the protection your family needs?

[1]Loans and withdrawals reduce policy value and death benefit, may cause the policy to lapse and may have tax implications.

CLOSE X

THE PLANNER

Meet Dave and Joan

Dave's still working but he's getting close to retirement. He and Joan believe they have enough resources for their own retirement and want to maximize the amount they can pass to their children and favorite charity.

- *"I'd like to build my estate and pass it to my two children with minimal taxes."*
- *"What's the best way for me to leave a portion of my estate to a charity?"*

What life insurance can do

Clients may want to consider strategies that allow them to protect and build their estate.

- Life insurance can offer opportunities to grow a larger legacy, or give a smart gifting strategy.
- Life insurance can be a smart tax-advantaged asset in their retirement plan.

UNCERTAINTIES

- Assuring their wealth passes to the next generation or favorite charity as they intended
- Being prepared for taxes in retirement or the taxes their heirs may have to pay with their estate
- Having a proper plan to ensure the financial future for their children in the U.S. since they spend most of the time here

THE OPPORTUNITY

- Legacy planning
- Estate planning
- Premium finance
- Retirement planning

Start the conversation

While these clients are good at planning for the future, they may not know how life insurance can help diversify and grow their assets. To see if they could benefit from adding life insurance to their retirement strategy, ask:

- Are you still concerned about retirement despite maxing out your traditional retirement plans?
- Do you want to build a plan to pass wealth to the next generation or key charity?
- Are taxes a concern for future planning needs?
- As a non-U.S. citizen, are you aware of tax advantages that U.S. life insurance may provide when planning your estate?

CLOSE X

THE INVESTOR

Meet Henry

Henry has maxed out his traditional retirement savings accounts but wants to continue to build his retirement savings.

- *"How will I know when I can afford to retire?"*
- *"Is my retirement portfolio as tax-efficient as it can be?"*
- *"I realize that in an election year, the markets can be turbulent. How can I continue to strengthen my portfolio?"*

What life insurance can do

These clients are focused on growth and need strategies to diversify and build their wealth while providing the protection their loved ones need.

- Life insurance can offer significant growth opportunities.
- Life insurance may provide access to the potential cash value for a future financial resource.[1]
- Life insurance has tax advantages that will allow clients to keep more of what they earn.

UNCERTAINTIES

- Having the right investments and minimizing market risk
- Building wealth for future living benefit needs
- Troubled about taxes eroding their savings
- Afraid that saving assets in their home country will not be enough
- Having too much investment in one stock

THE OPPORTUNITY

- Diversification of assets
- Retirement planning strategies
- Foreign national strategies
- Tax management strategies

Start the conversation

These clients may have a higher risk tolerance and may want to consider strategies to maximize their growth, and diversify their portfolio. To find out if your client is looking for additional options, ask:

- Are you looking for a tax-advantaged way to grow your assets?
- Are you interested in supplementing your income, without disrupting your investments or risking penalties?
- Are you looking to diversify your global portfolio assets?
- Do you plan to move the U.S. or have children living here?

[1]Loans and withdrawals reduce policy value and death benefit, may cause the policy to lapse and may have tax implications.

CLOSE X

THE BUSINESS OWNER

Meet Andrea and Kyle

Andrea owns a business and Kyle is a key employee. Andrea wants to reward Kyle beyond his compensation package and encourage him to stay with her company long term.

- *"Can I reward Kyle in other ways to keep him loyal to the company?"*
- *"Are there ways to financially prepare for my own retirement as well as help my key employees?"*
- *"I'm looking for unique ways to add a competitive advantage."*

What life insurance can do

Business owner clients are looking for strategies to compete for top talent, reward key employees, and plan for a financially secure future.

- Life insurance can help a business grow by funding strategies that reward top employees, which in turn creates loyalty and a stronger business.
- Life insurance can create a source of income to replace lost capital due to a key employee's death.
- Life insurance can be a tax-advantaged financial asset for both the business and employee.

UNCERTAINTIES

- Losing key employees to the competition
- Being financially prepared to retire from their business

THE OPPORTUNITY

- Executive bonus plan
- Supplemental executive retirement plan (SERP)
- Split-dollar plans
- Premium financing when assets are illiquid

Start the conversation

These clients are looking for ways to benefit their business and their employees. To find out what solutions will work best, ask:

- How many employees contribute significantly to the success of your business?
- Are you looking for key talent and not able to hire qualified applicants?
- What are your plans for retirement?

Life Insurance

Satisfy the Need for Accumulation and Protection

Income Advantage℠ IUL can provide your clients with valuable life insurance protection. It also offers the opportunity to accumulate cash value[1] for future needs, such as supplementing the client's retirement income. Teaming an Income Advantage policy up with a Term Life Answers® policy may be an ideal solution for clients who want to plan ahead for retirement, but also have a larger temporary life insurance need.

Case Study:

Chris is currently contributing to his employer-sponsored retirement savings accounts up to the 4% his company matches. He is also contributing to his Roth IRA up to the maximum contribution amount. He wants to live a comfortable retirement and would like to retire early, so he is saving as much as he can now and is looking for opportunities to maximize his retirement income potential.

Chris's Life Insurance Needs:

Chris is a 40-year-old father of three who is currently in good health. In addition to his need for supplemental retirement savings, he also has a need for life insurance coverage to protect his children and spouse in case something should happen to him.

Key facts and considerations:

- After his agent conducted a needs-analysis, he determined that Chris has a need for $1 million in life insurance coverage, with the majority of his coverage being needed over the next 20 years while his income is still being used to support his family
- He has an additional $500 a month of disposable income. Chris wants to use this money to provide his family with life insurance protection and to increase his future retirement income potential. He also wants to minimize the amount of his future income that will be taxable[2,3]
- Chris wants as much of his premium as possible to go toward building his policy's accumulation value so that he can access the policy's cash value[1] down the road to supplement his retirement income

To accomplish his goals, he looks at a combination of temporary and permanent life insurance solutions.

He chooses to:

- Purchase an $800,000 20-year Term Life Answers policy for $56.29 per month
- Contribute the remaining $450 toward a $200,000 Income Advantage IUL policy with an increasing death benefit

(continued on back)

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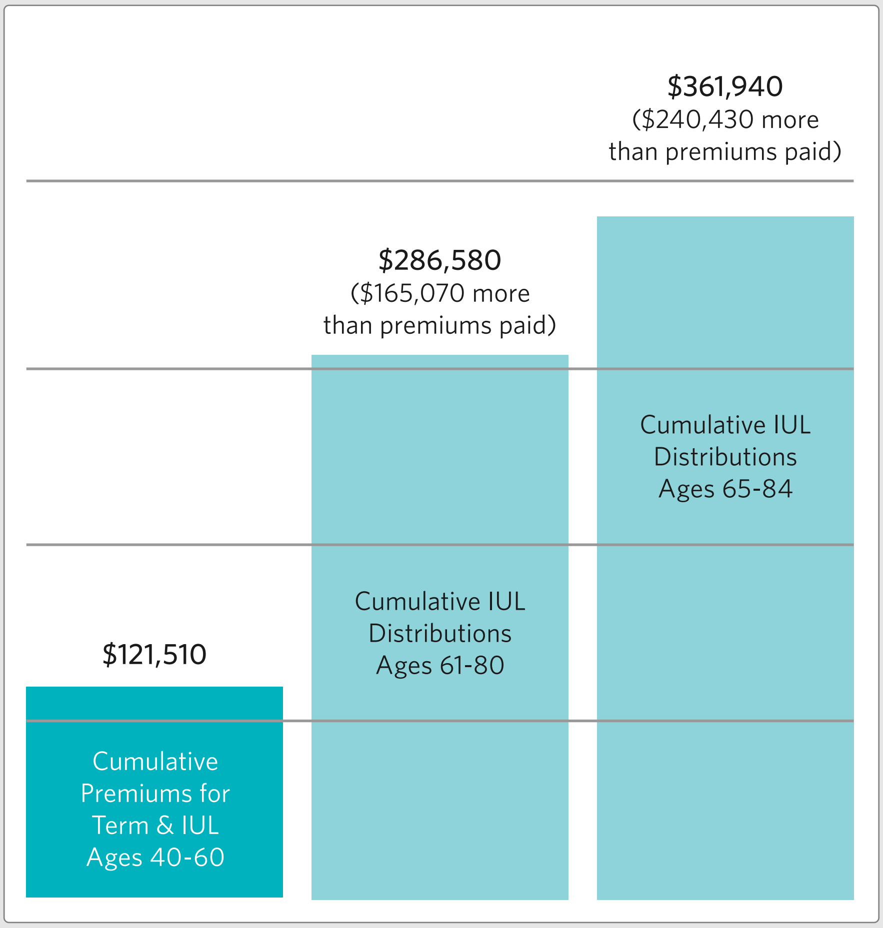
When Chris Retires

After 20 years, Chris' kids are grown up and on their own, so he lets his term policy expire. Based on a 6% projected crediting rate, after 20 years, Chris' IUL policy is projected to have a death benefit of $374,290 and a cash value of $174,290.

Chris decides to retire at age 60. Based on his projected cash value, Chris is able to start taking level distributions from his IUL policy in the amount of $14,329 per year for the next 20 years. This income stream will be income tax free (as long as the policy stays in force).[2,3] If he waits to start taking his income until age 65 (still stopping premiums at age 60), his projected distribution amount increases from $14,329 to $18,097 for 20 years.

An Added Benefit

By purchasing an Income Advantage IUL policy, the client also receives an additional benefit. All policies come with Accelerated Death Benefit Riders for Terminal and Chronic Illness – included at no additional cost and with no additional underwriting. For Chronic Illness, the client can receive a benefit of up to $1,000,000 or 80% of the specified face amount (whichever is less).



[1] Any policy withdrawals, loans and loan interest will reduce policy values and benefits.

[2] For federal income tax purposes, tax-free income assumes (1) withdrawals do not exceed tax basis (generally, premiums paid less prior withdrawals); and (2) the policy does not become a modified endowment contract. See IRC §72, 7702(f)(7)(B), 7702A. This information should not be construed as tax or legal advice. Consult with your tax or legal professional for details and guidelines specific to your situation.

[3] The amount that may be available through loans and withdrawals, as defined in the contract.

Creating wealth to leave a lasting legacy

Life insurance as an asset

EQUITABLE

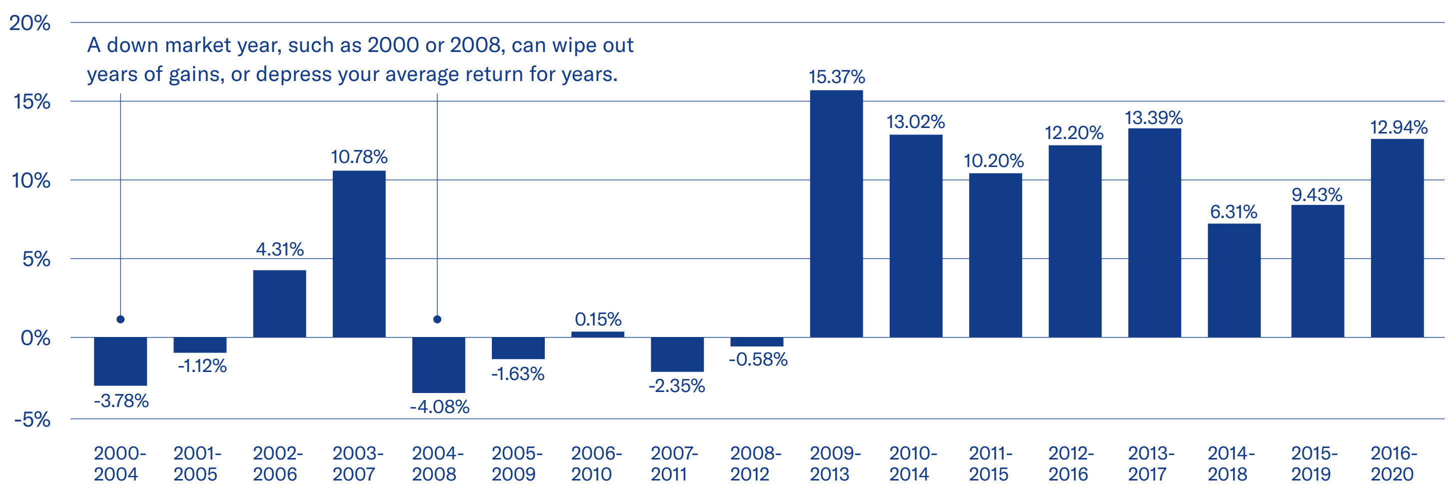
Life insurance as an asset

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 future 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.

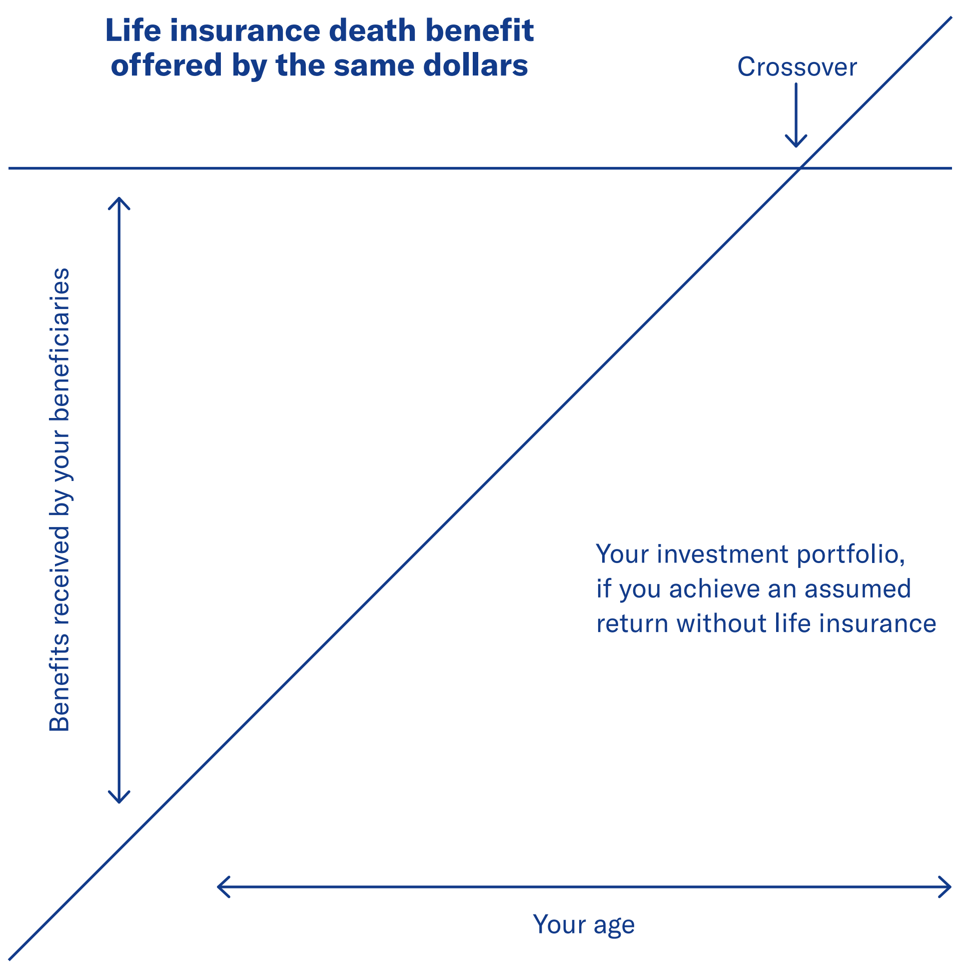
How the strategy works

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 above the premiums paid into the contract 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 of $3,000,000 in real estate and equities[3]**

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 27.5%,[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.

Value of portfolio at age 88

$11,997,877

Pretax 7% rate of return

$8,130,710

Pretax 5% rate of return

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 of $2,000,000.[5] Helen's portfolio is reduced slightly due to the premium expense, but the life insurance benefit gives her a potentially more effective transfer strategy.

VUL Legacy℠ is a variable universal life insurance contract with the primary purpose of providing a death benefit. It is also a long-term financial investment that can also allow potential accumulation of assets through customized, professionally managed investment portfolios. These portfolios are closely managed in order to satisfy stated investment objectives. There are fees and charges associated with variable life insurance contracts, including mortality and risk charges, administrative fees, investment management fees, front-end load, surrender charges and charges for optional riders. Additionally, VUL Legacy℠ contains investment risk, including the possible loss of principal invested.

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.

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).

Portfolio at average 7% growth				
Year-end	Portfolio without life 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	$5,668,096	$1,825,557
10	$4,921,701	$4,523,824	$6,523,824	$1,602,123
15	$6,303,942	$5,619,880	$7,169,880	$1,315,937
20	$8,074,381	$7,023,759	$9,023,759	$949,378
25	$10,342,040	$8,821,912	$10,821,912	$479,872
28[6]	$11,997,877	$10,134,918	$12,134,918	$137,040
40	$21,731,875	$17,853,547	$19,853,547	-$1,878,329

Portfolio at average 5% growth				
Year-end	Portfolio without life 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	$5,417,504	$1,832,877
10	$4,283,184	$3,916,370	$5,916,370	$1,633,186
15	$5,117,872	$4,512,453	$6,512,453	$1,394,581
20	$6,115,221	$5,224,697	$7,224,697	$1,109,477
25	$7,306,928	$6,075,741	$8,075,741	$768,813
28[6]	$8,130,710	$6,664,035	$8,664,035	$533,325
40	$12,465,308	$9,759,535	$11,759,535	-$705,772

5 The policy premium and life insurance death benefit amounts used for this case are based off a $2,000,000 death benefit on a VUL Legacy[SM] flexible premium variable universal life policy. The $30,000 premium assumes a gross interest rate of 6%, which is not guaranteed, and current charges. If a 0% rate was used with guaranteed charges, the policy would fail in year 18, at which point $510,000 worth or premium would have been paid into the policy. The illustration is hypothetical and may not be used to project investment results. 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.

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, provided she continues to pay the required premiums.

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 $137,000.
- If Helen receives a lower pretax return of 5% on her assets, the gain to beneficiaries would be $533,000. **In fact, if Helen had invested the $30,000 annual premium at a 5% return, she would have to wait until she was age 93 before the funds would grow to a level greater than the $2,000,000 life insurance death benefit.**[7]

7 Helen would need to consider her access to the cash value in a life insurance contract is limited or possibly not available in comparison to an investment where she will have access to her funds. She must also continue to pay the required premiums in the life insurance policy to keep it inforce until her death.

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.

To learn more, call your financial professional or visit equitable.com.

This brochure is not a complete description of the VUL Legacy℠ variable life insurance policy. The prospectus contains more complete information about the product, including investment objectives, risks, charges, expenses, limitations and restrictions. Please read the product prospectus and consider the information carefully before purchasing a policy or sending money. You should contact your representative for a copy of the current prospectus.

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EQUITABLE

Avoid common life insurance mistakes

Your financial professional can guide you through the process

Whether it's your first time buying life insurance or your policy has become outdated as your life has changed, your financial professional or life agent can help you avoid common mistakes when purchasing and updating coverage.

The **checklist** below, describing typical insurance pitfalls to avoid, should not be interpreted as specific advice. These are guidelines, and a full review of your needs and personal situation by your financial professional or insurance professional is recommended before making any changes to your life insurance policies or beneficiaries.

1. Your estate should not typically be the named beneficiary of the policy. This will avoid:
   - Inheritance and death taxes, which many states have
   - Delays and the expense of probate
   - Full access to proceeds by creditors
2. Two or more backup (secondary) beneficiaries should be named.
3. At least every three years, a written confirmation of the status of policies and beneficiaries should be requested from the insurer's Home Office.
4. The insurance product should match the problem. Be sure you have the right policy for your needs.
5. Above all, verify there's enough life insurance to provide food, clothing and shelter, and to pay off debts so that those you love can continue in their present lifestyle.
6. Don't name minors as outright beneficiaries. Instead:
   - Consider a trust for your spouse and children, and name the trust as recipient. When your children reach adulthood, you can change the beneficiaries to them directly.
   - Or, use a settlement option to pay the proceeds over a long period of time.
7. Consider an ownership transfer of life insurance to others to save federal estate taxes.
8. Check to see if your business or practice can provide your family with insurance on a more cost-effective basis.
9. Remember that term insurance, by definition, will expire and contractually becomes more expensive as you grow older.
10. Don't buy life insurance as though it were a commodity. The knowledge of your financial professional, the integrity of the insurer, and their commitment to service can make a major difference as to the cost-effectiveness of the life insurance.

Rely on the strength of Lincoln

Lincoln Financial Group is dedicated to helping you plan for retirement, prepare for the unexpected, and protect your assets from key financial challenges: taxes, long-term health costs, longevity, inflation, and market risk. Today, millions of Americans and their producers rely on Lincoln Wealth Protection Expertise — the knowledge, experience, strategies, and products — to help them overcome the challenges and meet their goals.

Contact your financial professional or visit LincolnFinancial.com for further information.

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May go down in value

Excerpted from the article "The Ten Most Common Life Insurance Mistakes and How to Avoid Them" first published by Stephen R. Leimberg in the August 2004 issue of *Estate Planning* (vol. 31, no. 8) and reprinted with permission.

Stephan R. Leimberg is an attorney and CEO of Leimberg Information Services, Inc. (http://www.leimbergservices.com), a provider of commentary on recent cases, rulings and legislation to legal, accounting and financial services professionals.

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All guarantees and benefits of the insurance policy are subject to the claims-paying ability of the issuing insurance company. They are not backed by the broker-dealer and/or insurance agency selling the policy, or any affiliates of those entities other than the issuing company affiliates, and none makes any representations or guarantees regarding the claims-paying ability of the issuer.

Products, riders and features are subject to state availability. Limitations and exclusions may apply.

Understanding Your Life Insurance Options

Life Insurance

Prudential
Bring Your Challenges®

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.

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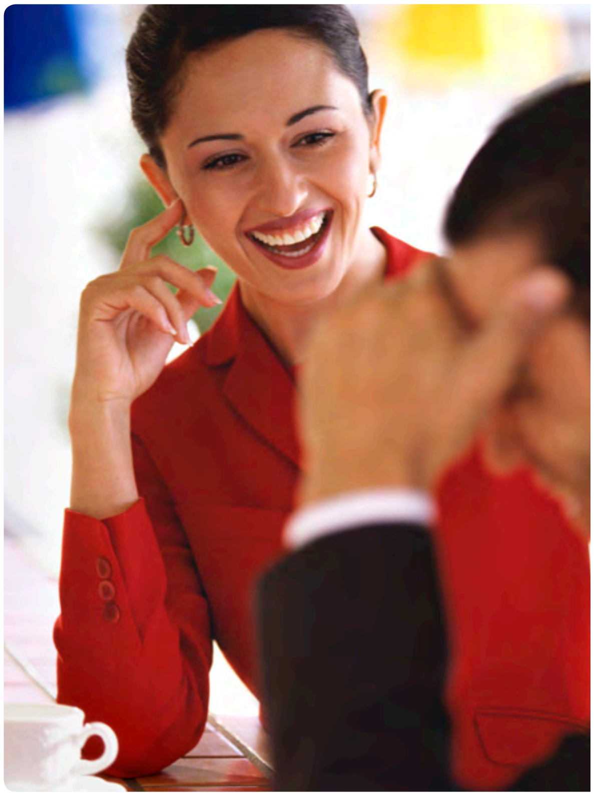

Permanent Life Insurance

FINANCIAL PROTECTION FOR THE PEOPLE YOU LOVE.
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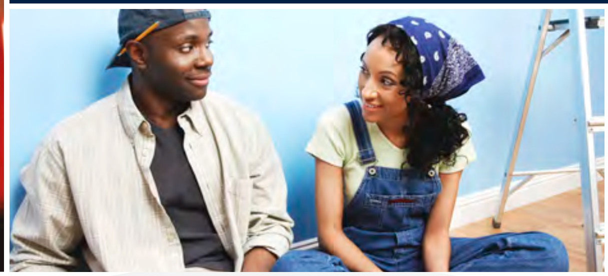

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1014770-00002-00 Ed. 01/2020

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.

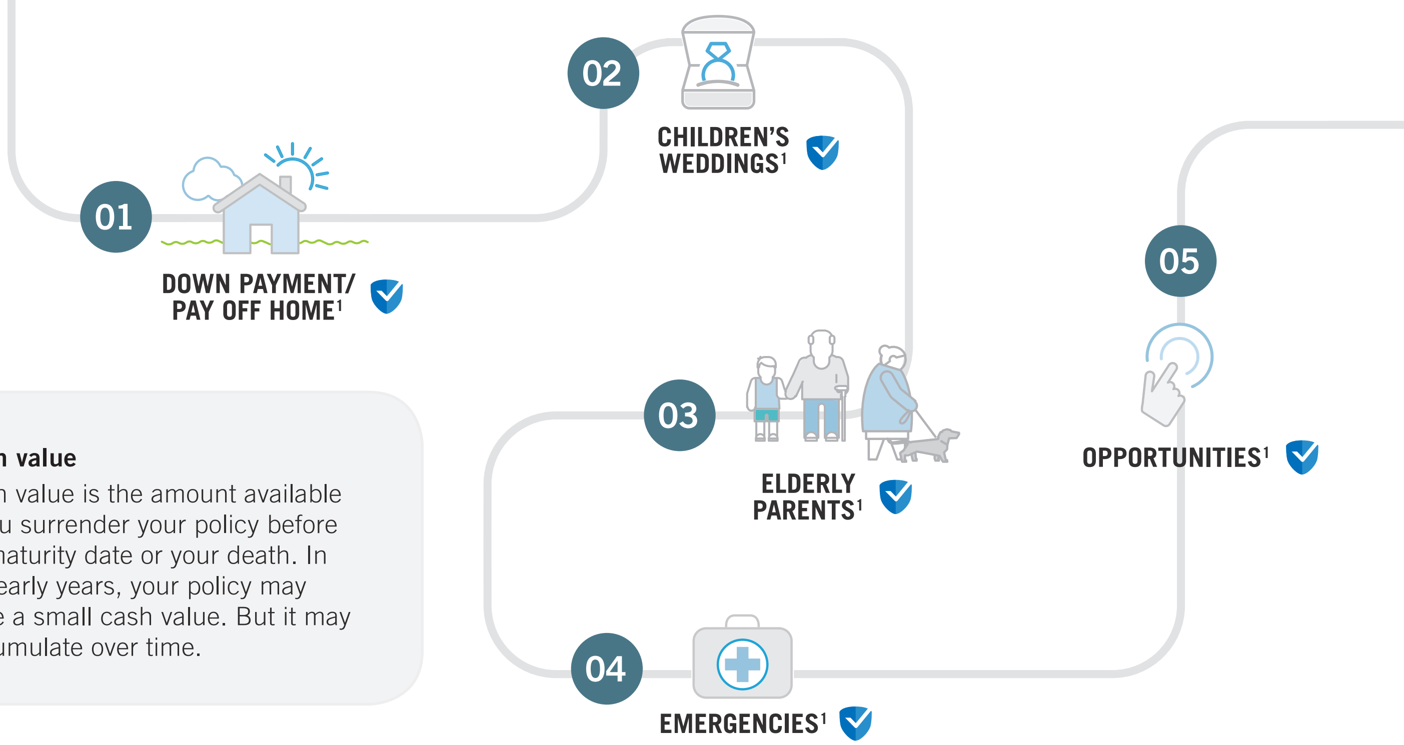
Your family is important to you. That's why you work so hard to see to it that they have what they need—a place to live, food on the table, and, sometimes, the little extras that make them smile.

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]

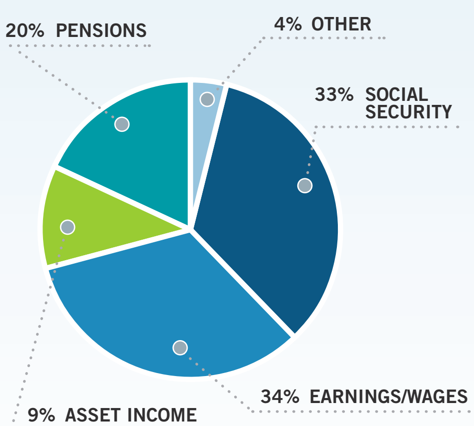
07 SUPPLEMENTAL RETIREMENT INCOME[1]

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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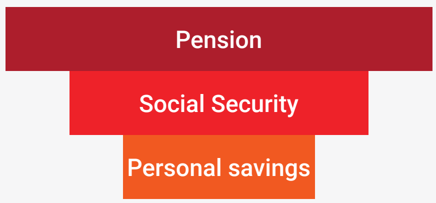
Where is your safety net?

3 questions to help uncover any gaps in your retirement plan

The retirement income safety net that past generations were able to rely on has been turned upside down. Those retirees relied on protected income from their pensions and Social Security to create a stable and regular income stream in retirement.

Today, Social Security is still in place, but pensions have mostly disappeared — leaving retirees responsible for generating most of their income from their personal savings.

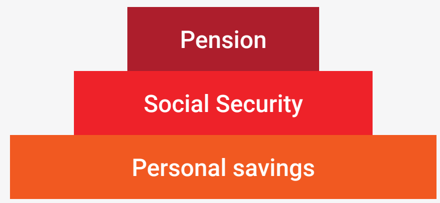
The way it was



In 1990

- 43% of workers were covered by pension plans[1, 2]
- Interest rates averaged above 8%[3]

The way it is today



Today

- 17% of workers are covered by pension plans[1, 2]
- Interest rates average below 2.5%[4]

The need for protected income

Protected income from pensions and Social Security meant that less income was required from personal savings. And higher interest rates allowed savings accounts to generate more income.

Things are different for today's retirees who are searching for more income and more return. Never before have retirees been responsible for managing so much risk on their own.

Fortunately, there are three basic questions that can help uncover potential gaps in the way you're managing retirement challenges.

1. How much protected income do you have today from sources like pensions, Social Security and annuities?

2. Will you have enough protected sources of income to cover your essential living expenses throughout retirement?

3. How are you addressing risks from the market, and the likelihood of living longer?

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Lincoln Life & Annuity Company of New York
For use with the general public.

Talk with your financial professional to help secure the safety net you need to face retirement with confidence.

Not a deposit
Not FDIC-insured
Not insured by any federal government agency
Not guaranteed by any bank or savings association
May go down in value

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Order code: LFD-THNNW-FLI001

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[1] https://www.workforce.com/2016/06/21/the-history-of-retirement-benefits/.

[2] https://www.bls.gov/opub/ted/2018/51-percent-of-private-industry-workers-had-access-to-only-defined-contribution-retirement-plans-march-2018.htm.

[3] 10-Year Treasury rate average for 1990.

[4] 10-Year Treasury rate average for last 12 months as of 9/16/2019.

Important information:

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THE TAX ADVANTAGES OF LIFE INSURANCE

PREPARING FOR RETIREMENT

As you accumulate assets for retirement, consider how to protect those assets as well as the people you'd like to leave them to. A life insurance policy with cash value can be an important component of a financial strategy for your retirement years by:

- Providing financial protection for those who rely on you.
- Allowing you to reap tax advantages.

Its death benefit, cash value accumulation, and access to that cash value are either tax-free or tax-deferred.

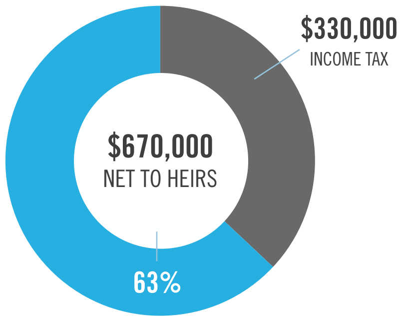
TAKE CONTROL OF TAXES

Since many retirement assets generate a tax bill, taxes can undermine your plans and leave you with less than you expect. And with more and more potential changes in the tax code, no one can predict what you will face when you retire. Fortunately, in addition to a typically federal income tax-free death benefit for your loved ones, life insurance can also help by providing supplemental income that is usually income tax-free.[1]

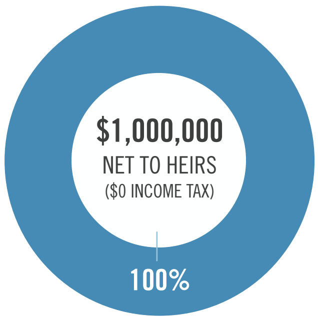
Life insurance with cash value growth potential can be a valuable tool for taking more control of your taxes in retirement in three ways:

1 A GENERALLY FEDERAL INCOME TAX-FREE DEATH BENEFIT.

While most financial vehicles create taxable income, life insurance does not. So, instead of receiving the "after-tax" amount, your loved ones can receive the full death benefit amount that you've intended for them.



QUALIFIED TAX-DEFERRED ASSET
DEATH BENEFIT: $1,000,000



LIFE INSURANCE
DEATH BENEFIT:* $1,000,000

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

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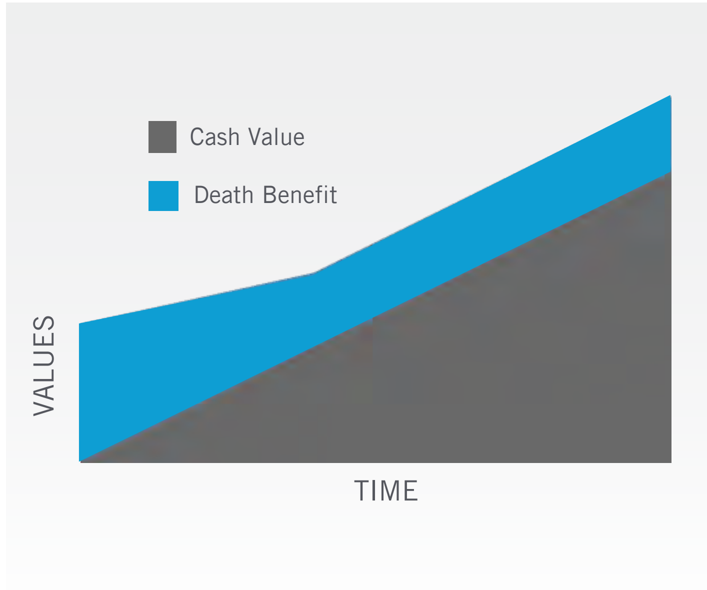
2 INCOME TAX-FREE GROWTH

Any cash value that accumulates in a life insurance policy grows tax-free. In some policies, you can choose a death benefit option that enables the death benefit to increase if the cash value does. This can help you leave even more to your heirs. (If the cash value grows beyond a certain point, the death benefit will be increased. This is to ensure that your policy continues to qualify as life insurance under tax law, and this will also ensure that the tax advantages still apply.)



3 TAX-FREE "LIVING BENEFITS"

Living benefits are benefits paid out to you (while you are alive, of course). These are also generally tax-free and can include:

- **Accessing the death benefit** early—accelerating it—because of a chronic illness. This can be helpful, especially since 5 out of 10 people over the age of 65 will experience a chronic illness or disability.[2] Someone turning 65 today can expect to incur $138,000 in long-term care services and support costs in their lifetime.[3] If family members provide most of your care, you might still like to reimburse them for their lost wages and travel or other costs associated with helping you.
- **Accessing cash value accumulation.** You can access any cash value that builds in your policy for any reason you choose.[4] And you can do so regardless of your age; there is no age 59½ threshold or other limitations. You can access the money in two ways:
    - **Withdrawals** from the policy can generally be taken tax-free up to the amount of premiums you've paid.
    - **Loans** can be taken from the policy tax-free as long as the policy is still in force.

DID YOU KNOW?

YOU CAN USE CASH VALUE IN A POLICY TO HELP SUPPLEMENT RETIREMENT INCOME.

It's true! If your policy accumulates enough cash value, you could take a one-time or regular loans or withdrawals from it after you retire.

Since you likely have other assets to pass to your heirs, you might not need the highest death benefit possible. If so, consider choosing a lower face amount, to ensure your family is protected, and paying higher premiums than what's required. This will help to maximize the policy's tax-deferred cash value growth potential.

Please note that federal tax law limits the amount of premium contributions that can be made to a policy for it to keep its tax advantages, so you'll need to stay within certain limits.[5]

Learn more about how you can benefit from the tax advantages of life insurance.
Talk with your financial professional today.

[1]According to IRC §101(a).

[2]Alliance for Aging Research, The Growing Older Population, Accessed 3/2018.

[3]Kathleen Ujvari, AARP Public Policy Institute, "Disrupting the Marketplace: The State of Private Long-Term Care Insurance," 2018 Update, August 2018.

[4]Note that loans are charged interest. Taking loans or withdrawals will reduce the policy's cash value and the death benefit paid to your beneficiaries. Withdrawals could also shorten any guarantee against lapse that's in place. If there is an unpaid loan, the no-lapse guarantee will not protect your policy from lapsing, and you might need to pay more into the policy than you originally expected. Loans outstanding if the policy lapses or is surrendered will become immediately taxable to the extent of gain in the policy. Withdrawals that are more than what you put into the policy may be taxable.

[5]When premium contributions exceed this limit, the policy is classified as a modified endowment contract (MEC). 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 before age 59½, a federal income tax penalty may apply to the extent there is gain in the policy. Please consult a tax advisor.

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ADVANCED PLANNING

Cash Value

Life Insurance in Retirement Planning

Life insurance provides death benefit protection in the event of a premature death, for any number of needs, including to pay off a mortgage, replace a salary, pay estate and transfer taxes, or fund a college education.

But did you also know that life insurance can have living benefits?
The policy's cash value can grow tax-deferred, and any accumulated cash value can be accessed tax-free via loans and withdrawals, as long as they are properly structured.

Moreover, these features can also make the policy cash value a good choice to supplement primary sources of retirement income.

LIFE INSURANCE IN RETIREMENT PROVIDES THE FOLLOWING BENEFITS:

1. In the event of premature death during your working years, the income tax-free death benefit can protect your family, replace income, and complete financial obligations.[1]
2. The policy's cash value can be used to help supplement the income from your other retirement assets.

Take a look at the chart below.

COMPARISON OF RETIREMENT INCOME SOURCES

	Supplemental Income from Cash Value	Primary Sources of Retirement Income				
	Life Insurance	Taxable Investments	Qualified Plan/ Traditional IRA	ROTH IRA	Non-Deductible IRA	Muni Bonds
Deductible Contributions	No*	No	Yes	No	No	No
Tax-Favored Withdrawals	Yes	No	No	Yes[12]	Yes[7]	Yes[11]
Mandatory Withdrawals	No	No	Yes	No	Yes	No
Tax-Deferred Accumulation	Yes	No[6]	Yes	Yes	Yes	Yes[9]
Income Tax-Free Death Benefit[13]	Yes[1]	No	No	No	No	No
Tax Penalties for Early Withdrawals[10]	No[2]	No[5]	Yes	Yes	No[8]	No
Contribution Limits[2]	No	No	Yes	Yes	Yes	No
Cost of Insurance Charges	Yes	No[3]	No	No	No	No
Market Risk	Yes[4]	Yes	Yes	Yes	Yes	Yes

* Paying more than the required minimum premium can help build cash value.
[1] Life insurance death benefit proceeds are generally excludible from a beneficiary's gross income for income tax purposes per IRC §101(a). There are a few exceptions, such as when a life insurance policy has been transferred for valuable considerations.
[2] Provided sufficient death benefit is purchased to ensure the policy is not a Modified Endowment Contract (MEC).
[3] If the investment is a deferred annuity, cost of insurance charges may apply.
[4] There is no downside market risk when using certain Prudential products.
[5] If the taxable investment is a non-qualified annuity, withdrawals taken prior to age 59½ may be subject to an additional 10% federal income tax penalty.
[6] If investment is a non-qualified deferred annuity, tax-deferred accumulation applies. Also, the capital gain can be deferred in a taxable investment until shares are sold.
[7] Withdrawals will be pro-rata (partially taxable and partially nontaxable) if you have other traditional IRAs or gain in the contract.
[8] The tax penalty only applies to taxable amounts from an early withdrawal. Withdrawals will be pro-rata (partially taxable and partially nontaxable) if you have other traditional IRAs or gain in the contract.
[9] Tax-deferred accumulation refers to appreciation in the context of municipal bonds.
[10] Withdrawals and distributions of taxable amounts are subject to ordinary income tax and, if made prior to age 59½, may be subject to an additional 10% federal income tax penalty.
[11] May impact taxation of Social Security benefits and may have AMT consequences.
[12] Qualified withdrawals are federal income tax-free. To be a qualified withdrawal, the withdrawal must occur after the owner (1) has had a Roth IRA for at least 5 tax years, and (2) is age 59½, is disabled, or has died.
[13] Some account balances that transfer to a surviving spouse may transfer tax-free.

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BENEFITS OF LIFE INSURANCE IN RETIREMENT PLANNING

1. The life insurance death benefit will generally be received income tax-free by heirs.
2. The life insurance cash values can grow tax-deferred.
3. As long as the policy is not a Modified Endowment Contract (MEC), the client can generally take tax-free withdrawals up to basis out of the policy, and tax-free loans thereafter from the available cash value.
4. Accumulated cash value may be accessed by you or remain in the policy.

The chart on the previous page outlines some of the important features of a variety of financial vehicles. An understanding of these features may help you to determine which of these products may meet your needs and whether cash value life insurance can complement an existing financial portfolio. Some additional information you may wish to consider:

THINGS TO CONSIDER

The primary purpose of life insurance is for death benefit protection, and this strategy assumes this to be a priority objective for the policyowner.

1. Life insurance premiums are not tax-deductible.
2. Life insurance policies classified as Modified Endowment Contracts (MECs) may be subject to tax when a loan or withdrawal is made, and a federal tax penalty of 10% may also apply to a MEC if the loan or withdrawal is taken prior to age 59½.
3. The policy cash value available for loans and withdrawals may be worth more or less than the original investment amount, depending on the performance of the policy crediting rate. Life insurance policies may also have surrender charges in the early policy years. Other factors that will affect cash values are the timely payments of premium and the performance of underlying investment accounts, where applicable.
4. Withdrawals and loans can reduce the policy death benefit and cash surrender value and may cause the policy to lapse. Lapse of a life insurance policy can cause the loss of the death benefit. Lapse of a life insurance policy with an outstanding loan may cause adverse income tax consequences.
5. For life insurance, the cash value available for loans and withdrawals may be worth more or less than the original premiums paid. Withdrawals from a life insurance policy may be subject to income tax after withdrawals exceed cost basis.
6. Taxable investments may be subject to income tax and/or capital gains tax.
7. Distributions from non-deductible IRAs must be pro-rated if the client has deductible IRA monies or earnings in the non-deductible IRA.
8. Contributions to qualified plans and traditional IRAs may be tax-deductible, subject to certain limits.
9. While qualified distributions from a ROTH IRA are generally federal income tax-free, if the ROTH IRA is a rollover IRA, a waiting period may apply before distributions will be tax-free.
10. The tax treatment of income from municipal bonds will vary with the type of bond and the issuing municipality.

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North American Company
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Since 1886

Life

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: ______________________________

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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

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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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Since 1886

Life

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