Life

NORTH AMERICAN
A Sammons Financial Company

College funding

Sales idea

North American Company for Life and Health Insurance®

College funding with indexed universal life (IUL) insurance

Is there a way to help your clients financially protect their family while helping to fund college for their children when the time comes? While the primary purpose of life insurance is to provide a death benefit to beneficiaries, it can also be designed to create a self-completing plan to help fund a college education.

The concept

1. Life insurance death benefit protection provides goal completion in case the unthinkable happens.
2. Potentially tax-free income through loans to help supplement your client's personal savings for college, either through paying tuition bills or paying down student loan debt.
3. After paying for college, the client can repurpose the policy to help supplement retirement income while continuing to help protect the family with the death benefit.

College funding clients

- Need for death benefit protection
- Concerned about the family's financial needs if death occurs during the working years
- Families with young children
- Concerned about the cost of college

Benefits of North American's IUL products

Immediate financial protection

Death benefit protection for their loved ones.

No maximum contribution limit

Life insurance is not a qualified plan, so it is not subject to tax-qualified plan[1] contribution limits. However, there are limits on the amount of premium that may be paid into a policy to qualify as life insurance.

Accelerated death benefit endorsement

Can offer financial assistance in the event of a qualifying illness at a time when clients may be left wondering how they'll pay the bills.[2]

Downside protection, upside potential

Interest credited is never less than zero percent and can reach as high as the interest rate cap, and participation rate (portion of the index change used in the calculation of the index credit), if the selected index has a cap in place. The index account can't lose money due to poor index performance.

Generally tax-free distributions

Cash values within the policy can be taken as generally income tax-free loans and withdrawals, as long as the policy is not a Modified Endowment Contract (MEC).[3,4,5]

Case design tips

- The coverage should be on the primary breadwinner. Aim for the lowest death benefit possible that still provides ample funding for college should death occur before the first child enters college. A minimum non-MEC face amount usually works.
- If the client has a lump sum and wants to avoid Modified Endowment Contract (MEC) status[3], consider using a single premium immediate annuity (SPIA) to break up the lump sum and fund the policy with a 5-pay or a 7-pay.
- Illustrate variable interest participating policy loans, zero-cost loans, and fixed interest participating policy loans. We can't forecast what the interest rate environment will be in the future. Planning for each scenario can help increase your credibility during a client presentation while also setting reasonable expectations.[6,7,8]
- Determine whether to pay for annual college bills or to repay student loans. The older the child, the more beneficial it can be to repay student loans as this provides more time for the cash value to grow. Be mindful of the timing at which each child will enter/exit college.
- Determine whether to continue funding the policy after the college period is over. This decision depends upon the client's retirement goals.

Hypothetical case study

The clients, a husband and wife, realize that should something happen to the primary breadwinner, it will be especially tough for the other to keep up with expenses and help pay for college for their daughter. With the help of their agent, they plan to pay $300 per month in premiums for a Builder Plus® IUL 3 policy with a minimum non-MEC death benefit of $206,793*. This benefit amount is to fulfill the college funding goal and to help ensure the beneficiaries can stay in their current home.

The couple likes the idea of continuing to fund the policy after helping their daughter pay for college. They'll continue to fund the policy at $300 per month to continue to grow the cash value to help supplement retirement income. The illustration on the next page shows how a Builder Plus® IUL 3 policy could fit this hypothetical scenario.

* While we are featuring this indexed universal life product, keep in mind that North American offers other life insurance products that may fit your client's needs

NORTH AMERICAN
A Sammons Financial Company

Male 28
Male, Issue Age 28
Preferred Non-Tobacco
$206,793

Builder Plus IUL3
A Universal Life Insurance Policy Supplemental Illustration

AGENT ONLY REPORT

Not to be used for consumer solicitation purposes

Target (annualized)	$2,580.78	Maximum Level Annual	$3,600.01		
Minimum (annualized)	$1,156.08	Maximum Single	$68,348.29	7-Pay Annual	$11,591.91

This illustration reflects the following:
Premium Allocations: S&P500® Annual Pt-to-Pt 50%; High Par Fidelity Multifactor Yield Index℠ 5% ER Annual Pt-to-Pt 50%;

Death Benefit Qualification: Guideline Premium Test (GPT)
Riders, as listed on the last page

Initial Death Benefit: $206,793.00
Initial DB Option: 1-Level
Initial Monthly EFT Premium: $300.00

The client makes monthly payments of $300.

$80,000 lump-sum loan to help pay student loans.

Payments to age 68, followed by income through age 100

INTEREST AND COST SCENARIOS

					Guaranteed Maximum Charges Minimum Account Value: 2.0%			Non-Guaranteed Alternate Current Charges Index Credits: 3.00%**			Non-Guaranteed Assumed Current Charges Index Credits: 5.79%**		
End of Year	Beg/End of Yr Age	Annualized Modal Premium	Dist. Amount	Type	Account Value	Net Cash Surrender Value	Death Benefit	Account Value	Net Cash Surrender Value	Death Benefit	Account Value	Net Cash Surrender Value	Death Benefit
1 * +	[illegible]	3,600.00	0	P	2,528	0	206,793	2,728	0	206,793	2,728	0	206,793
2	29/30	3,600.00	0	P	5,076	853	206,793	5,484	1,260	206,793	5,594	1,370	206,793
3	30/31	3,600.00	0	P	7,646	3,645	206,793	8,311	4,310	206,793	8,605	4,604	206,793
4	31/32	3,600.00	0	P	10,214	6,657	206,793	11,168	7,611	206,793	11,734	8,177	206,793
5	32/33	3,600.00	0	P	12,803	9,691	206,793	14,078	10,965	206,793	15,010	11,898	206,793
6	33/34	3,600.00	0	P	15,391	12,723	206,793	17,019	14,351	206,793	18,416	15,748	206,793
7	34/35	3,600.00	0	P	17,978	15,755	206,793	20,016	17,793	206,793	21,982	19,759	206,793
8	35/36	3,600.00	0	P	20,564	18,786	206,793	23,069	21,290	206,793	25,715	23,936	206,793
9	36/37	3,600.00	0	P	23,151	21,818	206,793	26,179	24,845	206,793	29,622	28,288	206,793
10	37/38	3,600.00	0	P	25,740	24,851	206,793	29,347	28,458	206,793	33,712	32,823	206,793
21	48/49	3,600.00	0	P	54,475	54,475	206,793	76,581	76,581	206,793	104,582	104,582	206,793
[illegible]	49/50	3,600.00	0	P	57,164	57,164	206,793	81,963	81,963	206,793	113,740	113,740	217,244
[illegible]	50/51	3,600.00	0	P	59,863	59,863	206,793	87,476	87,476	206,793	123,387	123,387	228,266
[illegible]	51/52	3,600.00	80,000	PFL	0	0	0	94,957	10,398	122,233	135,373	50,813	156,404
[illegible]	52/53	3,600.00	0	P	0	0	0	102,710	13,330	117,413	148,053	58,674	163,791
[illegible]	53/54	3,600.00	0	P	0	0	0	110,767	16,293	112,319	161,518	67,043	170,415
[illegible]	54/55	3,600.00	0	P	0	0	0	119,141	19,282	106,934	175,811	75,952	176,164
[illegible]	55/56	3,600.00	0	P	0	0	0	127,867	22,316	101,242	191,006	85,454	180,958
[illegible]	56/57	3,600.00	0	P	0	0	0	136,958	25,390	95,225	207,133	95,566	190,847
[illegible]	57/58	3,600	0	P	0	0	0	146,433	28,506	90,008	224,248	106,321	200,506
		108,000.00	80,000										
31	58/59	3,600.00	0	P	0	0	0	156,332	31,683	91,089	242,451	117,802	209,933
32	59/60	3,600.00	0	P	0	0	0	166,646	34,892	91,551	261,794	130,040	219,049
33	60/61	3,600.00	0	P	0	0	0	177,380	38,117	91,330	282,329	143,066	227,764
34	61/62	3,600.00	0	P	0	0	0	188,541	41,340	94,132	304,111	156,909	242,061
35	62/63	3,600.00	0	P	0	0	0	200,155	44,563	96,603	327,221	171,629	256,707
36	63/64	3,600.00	0	P	0	0	0	212,248	47,787	98,726	351,751	187,290	271,710
37	64/65	3,600.00	0	P	0	0	0	224,831	50,996	100,458	377,766	203,931	287,039
38	65/66	3,600.00	0	P	0	0	0	237,949	54,205	101,795	405,393	221,649	302,728
39	66/67	3,600.00	0	P	0	0	0	251,601	57,385	105,190	434,685	240,468	323,059
40	67/68	3,600.00	0	P	0	0	0	265,819	60,533	108,380	465,751	260,465	344,300
		144,000.00	80,000										
69	96/97	0.00	31,052	FL	0	0	0	0	0	0	3,520,675	198,131	198,131
70	97/98	0.00	31,052	FL	0	0	0	0	0	0	3,790,904	246,156	246,155
		144,000.00	1,011,560										
71	98/99	0.00	31,052	FL	0	0	0	0	0	0	4,081,129	301,510	301,510
72	99/100	0.00	31,052	FL	0	0	0	0	0	0	4,392,747	364,870	364,870
73	100/101	0.00	31,052	FL	0	0	0	0	0	0	4,727,252	436,966	436,966
74	101/102	0.00	0		0	0	0	0	0	0	5,085,538	550,708	550,708
75	102/103	0.00	0		0	0	0	0	0	0	5,469,253	675,940	675,940
76	103/104	0.00	0		0	0	0	0	0	0	5,880,129	813,601	813,600

Hypothetical examples and illustrations are not intended to predict future performance. The use of alternate assumptions could produce significantly different results. Illustrations are not complete unless all pages are included.

ExactIllustrations Software, March 19, 2024.

* Non-Guaranteed alternate Values shown for this year are based on the Minimum Account Value.
** Non-guaranteed weighted average interest rates for Index Selections: 5.79% all years.
Non-Guaranteed Alternate weighted average interest rates for Index Selections: 3:00%
+ Non-Guaranteed Assumed values shown for this year are based on the Minimum Account Value.

1. The tax-deferred feature of the indexed universal life policy 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 your 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.

2. Subject to eligibility requirements. There is no additional monthly deduction or premium charge for the Accelerated Death Benefit Endorsement. However, the actual payment received in connection with any acceleration will be discounted and is lower than the death benefit amount accelerated. In addition, there is an administrative fee required each time an election is made. Amount can vary by state.

3. 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).

4. In some situations loans and withdrawals may be subject to federal taxes. North American does not give tax or legal advice. 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. Neither North American Life nor its agents give 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.

6. The net cost of a variable interest participating policy loan could be negative if the credits earned are less than the interest charged. The net cost of the loan could also be larger than under standard policy loans if the amount credited is less than the interest charged. In the extreme example, the amount credited could be zero and the net cost of the loan would equal the maximum interest rate charged on variable interest participating policy loans. In brief, Variable Interest Participating Policy Loans have more uncertainty than Standard Policy Loans in both the interest rate charged and the interest rate credited.

7. Net Zero Cost Loans are loans charged and credited at the same interest rate percentage for a net zero cost. The policy year and amount available vary by product. Please refer to the specific product marketing guide for details.

8. The net cost of a Fixed Interest Participating Policy Loan could be negative if the credits earned are less than the interest charged. The net cost of the loan could also be larger than under standard policy loans if the amount credited is less than the interest charged. In the extreme example, the amount credited could be zero and the net cost of the loan would equal the maximum interest rate charged less any guaranteed bonus. In brief, variable interest rate loans have more uncertainty than standard policy loans in the interest rate credited.

As independent financial professionals, it is up to you to choose whether this sales concept contained in these materials might be appropriate for use with your particular sales strategy and clients. Please note that North American Life does not require you to use this sales concept; it is a resource that can be used at your option for your own individualized sales presentations if appropriate for the particular client and circumstances.

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 encourage your clients to make personal savings the cornerstone of your clients' college funding program. However, even a well-conceived savings plan can be vulnerable. Should your clients die prematurely, their 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 clients' college savings plan. Generally, distributions up to the contract's cost basis are tax free. Moreover, loans in excess of the cost basis are also tax free as long as the policy remains in force.

Indexed Universal Life products are not investments in the "market" or in the applicable index. They are subject to all policy fees and charges normally associated with most universal life insurance.

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 that includes this comparison. Comparison is for solicitation purpose only, not for conversions.

Builder Plus IUL 3 is issued on policy form series LS191, or state variation, including all applicable endorsements and riders, by North American Company for Life and Health Insurance®, West Des Moines, IA. Products, features, riders, endorsements, or issues ages may not be available in all jurisdictions. Limitations or restrictions may apply.

Sammons Financial® is the marketing name for Sammons® Financial Group, Inc.'s member companies, including North American Company for Life and Health Insurance®. Annuities and life insurance are issued by, and product guarantees are solely the responsibility of, North American Company for Life and Health Insurance.

NORTH AMERICAN®
A Sammons Financial Company