

Life

North American Company for Life and Health Insurance®



Longevity planning

Using permanent life insurance to help prepare for a long, healthy retirement

Marketing guide



Help your clients adjust their plans for an extended retirement.

Thanks to medical advancements and a nationwide emphasis on healthy living, life expectancy is on the rise in the United States. Today, a 65-year-old man can expect to live until he is 86, and a woman of the same age can expect to live to 88.* If the upward trend continues, today's young adults can look forward to an even longer and healthier life after their working years.

A long and healthy retirement can mean a desire to travel, a new home, new hobbies, gifting assets, and countless other wants or needs that require adequate retirement funds. A long retirement can also be expensive if the client experiences an unexpected illness.

As life expectancy increases, your clients face “longevity risk,” or the potential for their assets to run out during retirement. You can help them manage that risk using permanent life insurance.

LONGEVITY PLANNING

Longevity planning with life insurance provides death benefit protection during working years, and the client can access potential cash value during retirement. In this guide, we'll help you explore this concept so you can add it to your list of effective sales concepts.

WHAT'S INSIDE

Why life insurance?

Client profile

How it works

- Key advantages
- Items to consider
- Supporting features

Why North American?

WHY LIFE INSURANCE?

Permanent life insurance provides your clients with death benefit protection and can be designed to provide them with flexibility to address changing needs through an adjustable death benefit, flexible premiums, and accelerated death benefits. Cash value growth can provide generally tax-free income to help cover a wide variety of future needs.

If you have clients with these concerns, life insurance could be a solution that provides:

- **Death benefit protection during working years.** A solid financial plan often begins with life insurance. Death benefit protection can replace income or fund other plans should your client die prematurely.
- **Potential source of funds to help supplement retirement income.** Permanent life insurance with the potential for cash value growth gives your clients many options. A key option is the ability to access cash value through loans or withdrawals to add a source of financial stability.¹ This cash value can cover recurring costs like an insurance premium or infrequent costs like deductibles or emergencies. See our Accelerated Death Benefit Endorsement guide or endorsement form that applies to your state.
- **Accelerated Death Benefits.** Accelerating a portion of the death benefit for living needs may help in a client's retirement years.

*Society of Actuaries, 2015 VBT Mortality ALB, December 2023.

Client profile

Each client has different needs. Important considerations include age, family size, other current insurance coverage, and individual financial concerns or goals. North American can help you find a solution for a wide variety of needs.

Clients seeking a longevity planning solution are typically

- 25 to 60 years old,
- middle- to high-income earners,
- concerned about their family's financial needs if death occurs during working years, and
- interested in providing additional financial stability during retirement years.

This may also include clients who

- have maxed out qualifying benefit programs (or lack a qualified plan),
- are concerned about future illness costs or extended care,
- are concerned about their assets running out, or
- are concerned about financial stability if a future illness occurs.

How it works

How can these clients plan for longevity? The goal is to help protect financial assets for an extended retirement.

- **Assess potential assets.** Clients should consider which assets may be primary or secondary sources of funds in retirement. Potential sources of assets may include qualified retirement plans, annuities, and other tangible or intangible assets.
- **Explore possible cost concerns.** It's not just living expenses in retirement. What about future care, insurance costs, out-of-pocket costs, and potential emergency costs? Explore possible costs, and identify which asset sources may or may not cover these costs.
- **Imagine outliving funds.** What happens if a client and/or spouse live longer than they planned for when building their financial plan? Suppose the client spends a significant number of years in an extended care situation—how is this care funded?

After establishing the need for death benefit protection, help your client find the appropriate universal life (UL) or indexed universal life (IUL) product from North American. Here's how it works:

- The client's premium provides death benefit protection during working years. The amount of death benefit protection recommended should fit the budget and yet be able to replace lost income should your client die prematurely.
- In the event of death, the death benefit is paid generally income tax-free to the beneficiaries.
- During the client's lifetime (while the policy is in force), the potential cash value grows tax-deferred and can be accessed generally tax-free via loans or withdrawals.¹
- The client may choose to use cash value for specified distributions, unexpected needs, or to help supplement income in the event their primary or secondary sources of funds are exhausted.
- If the insured is diagnosed with a qualifying illness, the client may choose to accelerate a portion of the death benefit with North American's Accelerated Death Benefit Endorsement during working years or retirement years, as an additional source of funds.²



KEY ADVANTAGES

- **Immediate death benefit protection.** Your clients can gain confidence in their families' futures from the start with death benefit protection when their loved ones need it most.
- **Flexible premium.** With UL or IUL policies, your clients can adjust their premium payments based on their available resources. A strategy may be funded on a level premium payment throughout working years, a shortened premium payment plan, or variable premium levels, depending on funds.
- **Client control.** The owner of the policy has full control of their policy to make changes in coverage amounts or premium payments based on their needs.
- **Tax-deferred growth.** With life insurance, potential cash value growth is on a tax-deferred basis.³
- **Generally tax-free distributions.** Any accumulated cash values within a policy can be taken as tax-free loans as long as the policy is not a Modified Endowment Contract (MEC).⁴ Withdrawals are income tax-free up to the cost basis.¹ Accelerated Death Benefit payments may also be generally tax-free.
- **No required minimum distributions (RMDs).** Your clients may choose to leave accumulated cash value alone if it is not needed.

ITEMS TO CONSIDER

- **Specified amount of coverage.** Be sure the specified amount is appropriate to meet your client's pre-retirement life insurance needs.
- **Avoid MEC status.** Life policies that surpass certain premium limits can be classified as a MEC. A MEC may be subject to tax when a client accesses the cash value. Avoid this status when using life insurance for longevity planning, as the secondary appeal of the policy (the first being death benefit protection) is access to cash value for some future need.
- **Non-guaranteed performance.** Cash values for loans and withdrawals in later years may be more or less than originally illustrated. Keep in mind that your client must pay sufficient premiums to maintain the policy and provide for cash value growth, and avoid lapse.
- **Cost of insurance.** Life insurance policies require monthly deductions, which include cost of insurance and other possible charges. These deductions may reduce the cash value of the policy.
- **Increasing death benefit option.** This option may allow higher premiums to avoid the policy becoming a MEC, which may in turn allow for more cash value accumulation. If choosing this option is consistent with your client's needs, consider changing to a level death benefit option in the year following the last premium payment to help limit mortality charges.
- **Surrender charges.** Withdrawals may be subject to surrender charges.

SUPPORTING FEATURES

Consider these features, found on many North American products, that may be beneficial for your clients.

- **Interest rate bonus** – An interest rate bonus, which helps provide the potential for more cash value growth, is available on many North American products.⁵
- **Flexible Loan Options** – A variable-rate policy loan, which can be as low as 5% depending on the Moody's corporate bond rate as published by Moody's Investors Services, Inc., can allow for compelling non-guaranteed cash value performance on a policy even with significant loaned values. The cap helps your clients know the maximum amount they can be charged.⁶
- **Overloan protection benefit** – This benefit keeps a policy from lapsing due to excessive loans, so the policy can continue to provide death benefit coverage and help avoid adverse tax consequences.⁷
- **Protected death benefit**⁸ – This benefit allows the client to select a minimum death benefit amount that is guaranteed, while they continue to access accumulated cash values through policy loans or withdrawals.¹
- **Accelerated death benefit** – A valuable benefit for longevity planning, this feature allows the client to accelerate a portion of the death benefit for a qualifying illness when certain eligibility requirements are met.²

Why North American?

Turn to North American for help with your longevity planning cases. In addition to our knowledgeable agent solutions team, we offer:

- **Competitive products.** Our product portfolio is competitive not only in illustrated performance, but also in design elements that make the product more relevant to the client and marketable for the agent.
- **Financial stability.** Sound financial ratings and private ownership keep us focused on long-term value.⁹
 - “A+” (Superior), A.M. Best
 - “A+” (Strong), S&P Global Ratings
 - “A+” (Stable), Fitch Ratings

Resources

Agent Solutions

Phone: 800-800-3656

Email: salesupport@nacolah.com

Hours: 7:30 a.m. – 5 p.m. CT, Monday through Thursday;
7:30 a.m. – 12:30 p.m. CT, Friday



While the primary use of life insurance is death benefit protection, your clients may also have other needs that can be met through life insurance. The sales concepts and accompanying marketing materials below may help you broaden your sales potential. As independent contractors, it is up to you to choose which of these concepts may work for your particular sales strategy and clients, and which do not. Please note that North American Company does not require you to use any of these sales concepts; they are resources that can be used at your discretion for your own individualized sales presentations.

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.

1. In some situations loans and withdrawals may be subject to federal taxes. North American Company 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.

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. An administrative fee is required at time of election for the Chronic or terminal Illness benefit. There is no administrative fee when the Critical Illness benefit is elected. Accelerated Death Benefits are subject to eligibility requirements and availability may vary by state and product.

3. The tax-deferred feature of the indexed universal life or 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 this policy, your client should obtain competent tax advice both as to the tax treatment of the policy and the suitability of the product.

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

5. Some North American products offer a conditionally guaranteed interest bonus to further help your clients build long-term cash value accumulation. Interest bonus may be earned when we declare a current rate exceeds the guaranteed interest rate. Interest Bonus percentages are not guaranteed and are subject to change; however, once a policy is issued, the percentage will not change.

6. The net cost of a variable interest rate loan could be negative if the credits earned are greater 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 loans. In brief, Variable Interest Rate Policy Loans and Variable Interest Participating Policy Loans have more uncertainty than Standard Policy Loans in both the interest rate charged and the interest rate credited.

7. The policy will remain in effect when extensive loans are taken provided the policy is not terminated due to surrender and the policy owner does not take policy loans or withdrawals during the Overloan Protection period. This benefit may reduce the Specified Amount and will terminate the Protected Death Benefit. The Overloan Protection Benefit cannot be elected if the Protected Death Benefit is in effect. If the Overloan Protection Benefit is in effect, Accelerated Benefits cannot be elected.

8. If Policy has a Premium Guarantee Rider attached to it, such rider will be terminated upon the election of the Protected Death Benefit. The Protected Death Benefit cannot be elected if the Over loan Protection Benefit is in effect.

9. "A+" (Superior), the second highest rating out of 15 categories, was affirmed by A.M. Best for North American Company for Life and Health Insurance as part of Sammons Financial Group on August 29, 2023. A.M. Best is a large third party independent reporting and rating company that rates an insurance company on the basis of the company's financial strength, operating performance and ability to meet its ongoing obligations to policyholders. S&P Global Ratings awarded its "A+" (Strong) rating for insurer financial strength on February 26, 2009 and affirmed on May 24, 2023, to North American Company for Life and Health Insurance, as part of Sammons Financial Group. The "A+" (Strong) rating is the fifth highest out of 22 available ratings. Fitch Ratings, a global leader in financial information services and credit ratings, on November 30, 2023, assigned an Insurer Financial Strength rating of A+ Stable for North American. This rating is the fifth highest of 19 possible rating categories. The rating reflects the organization's strong business profile, low financial leverage, very strong statutory capitalization and strong operating profitability supported by strong investment performance. For more information, read the [Fitch Ratings report](#).

Indexed universal life products are not an investment in the "market" or in the applicable index and are subject to all of the policy fees and charges normally associated with most universal life insurance.

Neither North American Company 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.

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.

Administrative Office
One Sammons Plaza
Sioux Falls, South Dakota
NorthAmericanCompany.com