

Life

North American Company for Life and Health Insurance®



Retirement planning using life insurance

A death benefit & retirement planning strategy

Marketing Guide





Protect what's important for your clients now, and help them enjoy freedom later

As your clients look ahead, there may be several unknowns along the road of life. There are two key unknowns that the right strategy may help your clients address: premature death and outliving assets.

Without financial protection, a premature death typically results in financial hardship for a family along with emotional distress. Outliving assets during retirement may also bring about the same unfortunate outcome. However, there is an approach to help your clients in these situations.

To help your clients protect what's important now while giving them a way to enjoy freedom later, consider permanent life insurance to help with their retirement planning needs.

Retirement planning

The life insurance strategy to help supplement retirement income is fairly straightforward—permanent life insurance provides your clients with death benefit protection during their working years, while the potential accumulated cash values can be accessed to help supplement income during retirement.

In this guide, we'll help you explore this strategy so you can put it to work and help grow your sales. Topics include:

A close look at retirement planning

- Understanding the concept

Why life insurance?

- Key advantages
- Items to consider
- Supporting features

Retirement planning alternatives

How it works

Client profile

Why North American?

A close look at retirement planning

Permanent life insurance provides your clients with death benefit protection and can be designed to address changing needs, such as adjustable death benefit and flexible premiums. Permanent life insurance may also help with financial needs during retirement years due to its cash value growth potential. The cash value growth offers an opportunity to provide potentially tax-free income as a supplement to other retirement income.¹

Retirement planning has become a key concern for many people. Here are a few reasons why:

- **Employers changing or cutting back on retirement plans.** Your clients' employers may no longer offer the same beneficial retirement plans as they did in the past, or they may have gotten rid of the plans completely.
- **Concern about reaching maximum contribution limits.** You may have clients wishing to allocate more money to a qualified plan, but they have met the contribution limit and want to make up for a possible gap in retirement income needs.
- **Lack of flexibility and protection with plan options.** Many financial planning vehicles have contribution limits and are subject to market volatility.

If your clients have a need for death benefit protection and have any of these concerns, life insurance could be a viable solution.

Understanding the concept

Life insurance protection during the working years

The cornerstone of a solid financial plan typically begins with life insurance. With a life insurance strategy to help supplement retirement income, your clients gain comprehensive death benefit protection to replace income should they die prematurely. Beyond the working years, it's important to remember that life insurance protection can remain in place to pass to beneficiaries or create a legacy.

Potential tax-free income stream at retirement¹

Permanent life insurance designed with the potential for cash value growth gives your clients options. The key option is the ability to withdraw the policy's potential cash values through policy loans or withdrawals^{2,3} to help supplement retirement income.

Additional benefits of life insurance

With accelerated death benefits, your clients can accelerate a portion of the policy's death benefit, subject to eligibility requirements.⁴ This is an important living benefit that applies both through the working years and through retirement with no additional premium at the time of issue.⁵

Why life insurance?

Key advantages

- **Immediate death benefit protection.** Your clients can gain confidence in their financial futures from the start with death benefit protection when their loved ones need it most.
- **Death benefit protection for retirement years.** In addition to death benefit protection during a client's working years, life insurance can continue into retirement and may provide a death benefit to the surviving spouse or other beneficiary.
- **Flexible premium.** With a universal life or an indexed universal life (IUL) insurance policy, your clients can adjust their premium payments based on their available resources. Additionally, life insurance is not a qualified plan, so it is not subject to tax-qualified plan contribution limits. (However, see "items to consider" below regarding Modified Endowment Contracts.)⁶
- **Client control.** Clients have full control of their life insurance policies to make changes based on their needs. This same flexibility may not be available with other planning vehicles.
- **Tax-deferred growth.** With life insurance, any potential cash values grow on a tax-deferred basis.⁷
- **Generally tax-free distributions.¹** Any accumulated cash values within a policy can be taken as generally income tax-free loans and withdrawals, as long as the policy is not a Modified Endowment Contract (MEC).⁶ Withdrawals are income tax-free up to the cost basis.
- **No penalties for early access.** Clients can access the policy's potential cash values without a tax penalty for early withdrawals³ like certain qualified plans, as long as the policy is not a MEC.⁶
- **No required minimum distributions (RMDs).** Your clients may leave any accumulated cash values alone and are not required to take distributions.

Items to consider

- **Avoid Modified Endowment Contract status (MEC).⁶** Life insurance policies that surpass certain premium limits can be classified as a MEC. A policy that is considered a MEC may be subject to tax when a client accesses the cash values with loans or withdrawals. Avoid this structure when putting together a strategy for retirement planning.
- **Non-guaranteed performance.** Cash values for loans and withdrawals in later years may be more or less than originally illustrated.^{2,3} Keep in mind that your client must pay sufficient premium to maintain the policy in force to provide for cash value growth, and avoid lapse if the policy becomes over-loaned.
- **Cost of insurance.** Permanent life insurance policies require monthly deductions, which include the cost of insurance, expense charges, and potentially other charges. These deductions may reduce the cash value of the policy.
- **Specified amount of coverage.** Be sure the specified amount is appropriate to meet your clients' pre-retirement life insurance needs.
- **Expected changes in premium.** While money may be tight now, a client may want to increase premiums later to supplement retirement income. If that is a reasonable possibility, avoid a specified amount that is too low, which may cause premium limitations in the future. However, having a higher specified amount may limit potential cash value growth for retirement planning.
- **An increasing death benefit option (DBO).** Increasing DBO may allow higher premiums to avoid becoming a MEC.⁶ If choosing this option and if consistent with your client's needs, consider changing to a level DBO in the year following the last premium payment to help limit mortality charges.
- **Surrender Charges.** Withdrawals may be subject to surrender charges and the amount available for policy loans.

Supporting features

Several life insurance policies feature added benefits that help with retirement planning. Consider these features found on many North American products that may help address changing needs as your clients look ahead.

- **Automatic Distribution Option (ADO)** – The ADO makes it easy for your clients to access potential cash value to help supplement retirement income. The ADO establishes automatic monthly, quarterly, semi-annual, or annual systematic distribution (loans or partial withdrawals) from the policy as long as there is sufficient net cash surrender value. With the ADO, withdrawals are not subject to the withdrawal fee.
- **Overloan Protection Benefit** – The Overloan Protection Benefit keeps a policy from lapsing due to excessive loans, so the policy can continue to provide death benefit coverage. If elected, the guarantee provided by this benefit may help avoid adverse tax consequences that may result from a policy lapsing from excessive loans or withdrawals.^{2,3,8}
- **Protected Death Benefit⁹** – This benefit is an option for clients who want to help supplement their retirement income and wish to guarantee a specific death benefit after the policy has been in effect for a number of years. The guarantee allows the client to select a minimum death benefit amount that is guaranteed, while he or she continues to access accumulated cash values through loans or withdrawals.^{2,3}
- **Accelerated Death Benefits for Critical, Chronic, or Terminal illness⁴** – Options are available that allow a policy owner to access a portion of the death benefit if the insured is diagnosed with a qualifying condition as described in the endorsement forms. These benefits are subject to certain eligibility requirements.

For availability and for more information about these benefits, please contact your MGA.

Retirement planning alternatives

Your clients have several retirement planning options, and there are many items to consider when deciding upon the appropriate strategy. Two key considerations include a client's current financial plan and projected income needs during retirement. Overall, it's important to consider the client's entire financial picture when weighing options.

Along with the various options, you'll want to look at items such as annual contribution limits, income restrictions, early withdrawal penalties,³ required distributions, and any tax differences¹ between the various options. Life insurance is a competitive choice within these categories and may offer your clients a way to help supplement their retirement income needs.

How it works

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

- The client's premiums provide death benefit protection during his or her working years.
- The death benefit would be paid generally income tax-free¹ to the beneficiaries.
- The potential cash values within the policy grow tax-deferred.⁷
- When the client decides to retire, he or she may access any potential cash values within the policy to help supplement income.

Client profile

Each client will have different needs. Important considerations include age, family size, and financial standing. North American can help you bring it all together. Here you'll find common traits of clients seeking a retirement planning solution.

- Ages 30 to 60
- Middle to high income
- Concerned about family's financial needs if death occurs during working years
- Self-employed, member of a partnership, or corporate-employed
- Looking to enhance financial protection in retirement years

And may include those who:

- Have maxed out their qualified benefit programs (or lack a qualified plan)
- Are unhappy with planning vehicles that may lose money due to market performance
- Are looking for ways to find taxed-advantaged solutions¹



Why North American?

Turn to North American for your retirement planning cases. In addition to our knowledgeable Agent Solutions team, you'll gain several benefits, including:

- **Competitive Products** – A robust product portfolio that meets your clients' needs. Consider North American's indexed universal life (IUL) insurance products. Here's why:
 - **Flexibility** – Several index selections offer a credited interest rate linked to stock market indices to help your clients build cash value within their policies without the risk of investing directly in the market.
 - **Access to policy cash values** – Your clients gain a choice of options, including standard loans, net zero-cost loans,¹⁰ and variable interest rate loans¹¹ along with withdrawals.
 - **Accelerated Death Benefits** – Available to help with living needs should conditions be met.
- **Fair and Consistent Underwriting** – North American provides fast turnaround times on your submitted business.
- **Competitive Compensation** – North American offers generous compensation. Plus, we take a collaborative approach in helping to grow your business and are here to answer your questions and provide guidance along the way.
- **Financial Stability** – Sound financial ratings and private ownership keep us focused on long-term value.¹²
 - A+ (Superior) A.M. Best¹²
 - A+ (Strong) S&P Global Ratings¹²
 - A+ (Stable) Fitch Ratings¹²

Help your client protect their loved ones and their financial goals for the future.

Talk to your MGA for more information on life insurance as a tool in retirement planning.

CALIFORNIA NOTE: Agents offering, marketing, or selling accelerated death benefits for chronic illness 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.

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

1. 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.

2. In some situations, loans and withdrawals may be subject to federal taxes. Clients should be instructed to consult with and rely on their own tax advisor or attorney for advice on their specific situation.

3. Income and growth on accumulated cash values is generally taxable only upon withdrawal. Adverse tax consequences may result if withdrawals exceed premiums paid into the policy. Withdrawals or surrenders made during a Surrender Charge period will be subject to surrender charges and may reduce the ultimate death benefit and cash value. Surrender charges vary by product, issue age, sex, underwriting class, and policy year.

4. Subject to eligibility requirements. Availability varies by state and products.

5. An administrative fee is required at time of election of the chronic or terminal illness benefit. The death benefit will be reduced by the amount of the death benefit accelerated. Since benefits are paid prior to death, a discount will be applied to the death benefit accelerated. As a result, the actual amount received will be less than the amount of the death benefit accelerated.

6. 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).

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

8. If the Overloan Protection Benefit is elected, Accelerated Benefits cannot be elected. The Overloan Protection Benefit cannot be elected if the Protected Death Benefit is in effect.

9. 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 Overloan Protection Benefit is in effect.

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

11. The net cost of a variable interest rate 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 loans. In brief, variable interest rate loans have more uncertainty than standard policy loans in both the interest rate charged and the interest rate credited.

12. 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 obligations to policyholders. A+ is the second highest rating out of 15 categories and was affirmed for North American Company for Life and Health Insurance as part of Sammons Financial Group on August 29, 2023. For the latest rating, access www.ambest.com. 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 a member of Sammons® Financial Group. The “A+” (Strong) rating is the fifth highest out of 22 available ratings as a member of Sammons® Financial Group. 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 Company for Life and Health Insurance. 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](#). For more information, read the [Fitch Ratings report](#).

Life insurance products are issued by North American Company for Life and Health Insurance, West Des Moines, IA. Products, features, riders, endorsements, or issue ages may not be available in all jurisdictions. Limitations and restrictions may apply.

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