

Finding opportunities in your retirement planning

Indexed Universal Life Insurance Sales

Quick look

As you work with your clients to plan for the future, you may be discussing a retirement planning strategy, which uses permanent life insurance to provide clients with death benefit protection while offering the potential to supplement their income during retirement. If this is a conversation you're having with your clients, there could be additional opportunities in your Indexed Universal Life (IUL) insurance sales. Here is a hypothetical case to help you capitalize on those opportunities.



Hypothetical scenario

Your client is 45 years old. He and his wife have two children. He has \$1,000/month to set aside toward his long term goals and retirement at age 65 is a focus. He is healthy (preferred class) with no other life insurance and limited retirement savings.

One solution

You run a **Builder Plus IUL® 3** illustration using a return of premium¹ death benefit option for minimum death benefit.

The result: \$157,612 death benefit with \$53,496 annual income stream using fixed rate participating policy loans starting at age 65.

Source: North American Illustration Software, July 2021. Illustrated using the default index at 6.24%. Fixed interest participating policy loan interest rate of 5%.

Overlooked needs

Death Benefit. With a wife and two children and in his prime earning years, your client would need more than \$157,612 to replace lost income if something were to happen to him. Further analysis identified an outstanding mortgage, college funding concerns, and income replacement needs show a death benefit need of \$800,000.

Real Life Premium Flexibility. People don't generally contribute the exact same amount toward their retirement goals for 20 straight years. Typically, that number grows as the person gets closer to retirement. Solving for minimum death benefit amount doesn't leave room for premium growth without potentially causing a Modified Endowment Contract (MEC).³

Opportunity

Raise the death benefit to meet the client's needs. This can be done in a couple ways:

1. Use the level death benefit option with Builder Plus IUL® 3 with a \$1,000/month premium. Raising the specified amount to \$800,000 covers death benefit needs, leaves room for additional premium growth, and shows **\$33,816 in annualized distributions at retirement age.**

- May not maximize illustrated retirement income
- + May better meet death benefit needs
- + Keeps the client within his budget of \$1,000/month
- + May allow for more funding which may actually increase distributions later on
- + Face amount increase may allow room for premium growth within guideline/7-pay premium tests

2. In contrast to option one, your client could supplement the IUL sale (using Return of Premium) with a term policy. A \$650,000 ADDvantage® Term policy for \$75.65/month combines with a \$150,000 Builder Plus 3 policy for \$924.35/month to meet his total death benefit goal of \$800,000. After 20 years of premium payments, the illustration shows **\$49,284 in annualized distributions at retirement age.**

- + Provides opportunity for term conversion to increase IUL policy
- + Allows client to increase premium and potentially a larger income stream in retirement
An additional benefit with this option, there is a commission opportunity with each conversion and increased premium.
- + Keeps the client within his budget of \$1,000/month

Source: North American Illustration Software, July 2021. Illustrated using the default index at 6.24%. Fixed interest participating policy loan interest rate of 5%.



REMEMBER

Your clients can convert their term into their existing IUL product!

North American's ADDvantage® Term policies are convertible⁴ (full or partial conversion) during the level term period to either an increase in an existing policy or a new policy with any currently available North American permanent life insurance product!

Need help with your retirement planning cases?

Contact your MGA for a North American illustration or marketing materials.

1. Return of premium death benefit option is subject to eligibility requirements.

2. 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, fixed interest rate loans have more uncertainty than standard policy loans in the interest rate credited.

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. Conversion is allowed during the level premium period of the policy, or through age 74 (through age 69 for ADDvantage 30), whichever is earlier. The conversion period is never less than five years. Conversion is allowed to any currently marketed single life permanent life insurance policy. Subject to the terms of the policy and premium payments.

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.

Builder Plus IUL 3 (policy form series LS191) and ADDvantage Term (policy form series LS174), or state version including all applicable endorsements and riders, are issued by North American Company for Life and Health Insurance, Administrative Office, Sioux Falls, SD 57193. Products, features, riders, endorsement or issue ages may not be available in all jurisdictions. Restrictions or limitations 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.

Administrative Office • One Sammons Plaza • Sioux Falls, SD | NorthAmericanCompany.com