



Agent Checklist

Using Life Insurance for Your Client's Smart Money

Use the information below as a guide to help you with your smart money cases.

- ☐ Identify current death benefit needs.

Notes:

- ☐ Identify the client's smart money goals.

Notes:

- ☐ Discuss the smart money strategy in detail with the client.

Notes:

- ☐ Have your client complete the client worksheet (NAM-2313).

Notes:

- ☐ Review fund sources. These funds may be in savings, annuities, Certificates of Deposit (CDs), or other vehicles. Funds may also come from a cash windfall or inheritance. It's important to remember that removing funds from a CD or annuity may result in penalty, surrender charges, or income taxes.¹

Notes:

- ☐ Consider the value of life insurance versus the access to potential cash value. Each client will have different needs to address. For example, maximizing the death benefit will result in less potential cash value accessibility. On the other hand, if the client is looking to maximize the potential cash value, a lower death benefit would result. (Often times, the minimum death benefit is going to result in the best cash value performance. When using North American's illustration software on a CVAT illustration, the minimum face solve results in a death benefit that matches the current year minimum face amount for the premium selected. However, you could also specify a face amount lower than the software will solve for, which may enhance the guarantee column. It does this by allowing the death benefit to reduce below the initial death benefit amount should poor cash value growth occur.) Be sure to discuss your client's death benefit needs.

Notes:

- ☐ Discuss Modified Endowment Contract (MEC) status with your client.² Typically, the smart money concept is funded with a lump-sum transfer that will cause the policy to become a MEC. Be sure to discuss the implications with your client. While this may not cause the tax treatment to be any different than an annuity, there are still considerations.
- Considerations may include avoiding loans when taking out funds. There are also potential issues if the client is younger than age 59 ½.³
 - With the smart money sale, the client is typically more concerned about the ability to access funds compared to the potential tax on gains. However, if MEC status is to be avoided, it can effectively be accomplished with a short-pay scenario such as a 5-pay.

Notes:

Client Contact Information

Name		
Address		
Phone	Home:	
	Mobile:	
Fax		
Email		

Advisor Contact Information

Accountant Name	
Accountant Phone	
Attorney Name	
Attorney Phone	

Client Objectives

Maximize Death Benefit	Yes <input type="checkbox"/> No <input type="checkbox"/>
Specific Death Benefit	Yes <input type="checkbox"/> No <input type="checkbox"/>
Maximize Cash Value	Yes <input type="checkbox"/> No <input type="checkbox"/>

Intended Beneficiary

Heirs	Yes <input type="checkbox"/> No <input type="checkbox"/>
Charity	Yes <input type="checkbox"/> No <input type="checkbox"/>

Tax Information¹

Income Tax Rate	
Cost Basis	
Client Pays Out of Pocket	Yes <input type="checkbox"/> No <input type="checkbox"/>

Other

Withdrawal Type	
Lump Sum	Yes <input type="checkbox"/> No <input type="checkbox"/>
Spread Over Years	
Specified Amount	
Fund Source	
Surrender Charge or Penalty	
Client Pays Charge or Penalty Out of Pocket	Yes <input type="checkbox"/> No <input type="checkbox"/>

Notes:

For help putting your smart money cases together, contact Sales Development at (800) 800-3656, extension 10411 or email salesupport@nacolah.com.

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.

IRS CIRCULAR 230 NOTICE

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2. 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).

3. In some situations, loans and withdrawals may be subject to federal taxes. North American Company for Life and Health Insurance 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.

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