Using Life Insurance for Retirement Planning

SALES IDEA

MIDLAND NATIONAL®
Life Insurance Company

Sales Idea

Life insurance provides your clients with death benefit protection, but it may also help with financial needs during the retirement years due to its cash value growth potential, which could be used for a generally tax-free income stream.[1]

Client Profile

- Need for life insurance
- Ages 30 to 55
- Middle to high income
- Self-employed, partnership, or corporate-employed
- Concerned about family's financial needs if death occurs during working years
- Looking to enhance financial protection in retirement years

Midland National's Indexed Universal Life

One good option is Midland National's XL-CV4. It provides the opportunity for tax-deferred growth[1] of the policy's cash value based on the upward movement of an index without the risk of investing directly in the market. Here are some of the features that help make XL-CV4 a good choice.

- **Immediate financial protection** – Your client gains peace of mind from the start with 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 contribution limits. However, there are limits on the amount of premium that may be paid into a policy to qualify as life insurance.[2]
- **Downside Protection, Upside Potential** – Interest credited is never less than zero percent and can reach as high as the interest rate cap. The Index Account can't lose money due to poor index performance.
- **Minimum Account Value** – A 3% average annual interest-rate guarantee evaluated every eight years and on death, lapse, surrender or policy maturity.
- **Choice of Loans** – Standard policy loans are available in year one. Both variable interest rate and guaranteed net zero cost policy loans are available in year six.

Bonus Feature — Accelerated Death Benefits

Midland National's accelerated death benefit endorsements can offer financial assistance at a time when clients may be left wondering how they'll pay the bills. Available at issue for no additional premium[3], these endorsements allow the policyowner to accelerate a portion of the death benefit should the insured become critically, chronically or terminally ill, subject to eligibility. There are no limitations or restrictions on how the accelerated death benefit payment could be used.

Case Design Tips

- Aim for a minimum non-MEC death benefit: The lower death benefit may allow the policy to accumulate greater cash value.
- For cases that help supplement retirement income, you want to keep the death benefit low for the longest period of time. Use the Guideline Premium Test (GPT) keeping in mind that the death benefit may be higher in the early years, but lower for a longer number of years as the death benefit can corridor quickly with the Cash Value Accumulation Test (CVAT).
- When using the GPT, it may be beneficial to use the increasing death benefit option during the funding years, then changing the death benefit option to level during the income years. This strategy may allow for higher distribution projections.
- Consider looking at several loan scenarios.
  - Zero-Cost Loans will provide the most certainty since the interest rate credited on loaned money is guaranteed to be the same as the interest rate charged on the loan.
  - Variable Interest Rate Loans may provide the potential for greater distributions, but they come with additional risk. The interest rate credited could be more or less than the interest rate charged. Also, the interest rate charged on these loans can change each policy year, so it is helpful to illustrate a variety of assumptions.
- Be mindful of the projected cash value versus the death benefit to help ensure the client's needs are being met.

Sample Case

Tim recently became the managing engineer at his plant. His wife Mary Anne is an elementary school teacher and they have two pre-teen children. Tim is 40, in great health and he's five years into a 20-year term policy with a $200,000 death benefit. However, Tim and his family have now moved into a larger house and he feels he should have at least $100,000 more life insurance.

Tim is also concerned about his future retirement. Like many people, he didn't contribute to his 401(k) plan when he was younger. There just wasn't much left after paying for his and Mary Anne's monthly student loan payments. Now he's playing catch up and has maxed out his employer's 401(k) match and is looking for ways to help supplement his retirement income. He's committed to contributing $500/month to meet insurance and retirement goals.

Proposed Solution

- Keep the term policy and add an XL-CV4 policy with a minimum non-MEC death benefit.
- Use death benefit option two (increasing) to maximize the cash value earning potential while building up the death benefit. When the term policy expires, the XL-CV4 policy should have enough death benefit to stand alone.
- At retirement age, change the death benefit to option one (level) and take loans from the cash value to help supplement retirement income.

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 or contact the marketing department for details.

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, our client should obtain competent tax advice both as to the tax treatment of the policy and the suitability of the product.

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. An administrative fee is required at time of election. Amount can vary by state. Critical illness benefit not available in CA, FL or CT. Midland National is not licensed to sell in New York.

Agents offering, marketing, or selling accelerated death benefits 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 (Form 20501) that includes this comparison.

XL-CV4 (policy form series L140) Accelerated Benefit Endorsements for Critical, Chronic and Terminal Illness (form series TR169), Accelerated Benefit Endorsement for Chronic Illness and Terminal Illness (form series TR155), Accelerated Benefit Endorsement for Terminal Illness (form series TR156), Accelerated Death Benefit for Chronic Illness (form TR193, CA only) , Accelerated Benefit Rider – Chronic Illness (form series TR137B – Florida Only) and Accelerated Benefit Rider – Terminal Illness (form series TR138A – Florida Only) are issued by Midland National Life Insurance Company, Administrative Office, One Sammons Plaza, Sioux Falls, SD 57193. Products, features, endorsements, riders or issue ages may not be available in all jurisdictions. Limitations or restrictions may apply. 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.

Neither Midland National 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.

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 Loans have more uncertainty than Standard Policy Loans in both the interest rate charged and the interest rate credited.

Death benefit builds with cash value to replace term policy in year 15.

Midland National Life Insurance Comp

One Sammons Plaza, Sioux Falls, SD 57193

Tim Client XL-CV4

Male 40 Preferred Plus Initial Specified Amount: $145,947

This illustration reflects the following:
Premium Allocations: S&P500® ann pt to pt 100%
Death Benefit Qualification: Guideline Premium Test
Variable Rate loan at 6.00%

Premium payments of $500/month through age 65.

Death benefit option changes at age 66.

Loans taken to supplement retirement income.

					INTEREST AND COST SCENARIOS					
					Guaranteed Maximum Charges 3.00% Guaranteed Interest for all premiums			**Non-Guaranteed Illustrated B** Current Charges Index Credits: 7.77% **		
End of Yr	Age	DB Opt	Annualized Premium Outlay	Type *	Account Value	Net Cash Surrender Value	Death Benefit	Account Value	Net Cash Surrender Value	Death Benefit
1	41	2	6,000.00	P	5,157	1,727	151,104	5,510	2,081	151,457
2	42	2	6,000.00	P	10,402	7,040	156,349	11,417	8,055	157,364
3	43	2	6,000.00	P	15,754	12,461	161,701	17,711	14,419	163,658
4	44	2	6,000.00	P	21,198	18,042	167,145	24,423	21,267	170,370
5	45	2	6,000.00	P	26,736	23,718	172,683	31,615	28,597	177,562
14	54	2	6,000.00	P	81,089	80,334	227,036	131,309	130,554	277,256
15	55	2	6,000.00	P	87,558	87,215	233,505	148,072	147,729	294,019
16	56	2	6,000.00	P	94,092	94,092	240,039	166,197	166,197	312,144
24	64	2	6,000.00	P	148,823	148,823	294,770	374,367	374,367	520,314
25	65	2	6,000.00	P	155,713	155,713	301,660	410,459	410,459	556,406
26	66	1	-47,848.67	L	107,480	107,480	252,270	393,563	393,563	507,016
27	67	1	-47,848.67	L	56,396	56,396	199,916	376,653	376,653	467,548
28	68	1	-47,848.67	L	2,310	2,310	144,422	359,820	359,820	452,891
29	69	1	-47,848.67	L	0	0	0	342,948	342,948	437,981
30	70	1	-47,848.67	L	0	0	0	326,118	326,118	422,843
			150,000.00	P; 239,243.35 L						
56	96	1	-47,848.67	L	0	0	0	550,201	550,201	550,201
57	97	1	-47,848.67	L	0	0	0	651,519	651,519	651,520
58	98	1	-47,848.67	L	0	0	0	768,679	768,679	768,679
59	99	1	-47,848.67	L	0	0	0	903,424	903,424	903,424
60	100	1	-47,848.67	L	0	0	0	1,057,667	1,057,667	1,057,667
			150,000.00	P; 1,674,703.45 L						

At age 100, we will no longer accept any premiums and there will be no further charges or deductions.

**Illustrated Index Credits (including bonuses)
7.77% years 1 - 10
8.52% thereafter

The information presented is hypothetical and not intended to project investment results. Illustrations are not complete unless all pages are included.