

INDEXED UNIVERSAL Life

Life Protection for You and Your Family

You're building for the future, and your future plans deserve to be protected. You have decided that life insurance offers the protection you want, but with so many options it can be difficult to determine which policy is right for you. If you're interested in permanent life insurance coverage, with the *potential to build significant cash value*, Indexed Universal Life may be the right policy for you.

Indexed Universal Life insurance (IUL) offers death benefit protection along with the opportunity to earn interest linked to the performance of one or more stock market indices. An index is a well known published numerical value used to indicate the performance of a group of stocks and/or bonds. One of the most widely know index's is the Standard & Poor's 500[®] Index.

Death Benefit Protection and More

Life insurance delivers a death benefit when the loss of life disrupts your **financial plan**. Indexed universal life provides you with death benefit protection, so you know that your family or you business will have the financial benefits they need, when they need it most.

With an adjustable premium, you can build your cash value based on the different financial stages in your life. You can alter your premium payments to fit your budget, as long as the minimum premium requirements are met.

Potential for Strong Cash Value Accumulation

Indexed Universal Life insurance carries the same flexibility of death benefit options and premium payments as traditional universal life insurance, but credits interest differently than fixed interest universal life policies or variable universal life policies. In addition to a traditional declared interest rate, indexed universal life insurance offers an interest option linked to the movement of a selected stock market index over a specific period of time. The policyholder never buys or participates directly in the index; it is simply a measuring tool to define the crediting interest rate to the cash accumulation value.

The manner in which interest is credited to your Indexed Universal Life insurance policy gives you the potential for strong cash value accumulation. Plus, it offers downside protection in a poorly performing market because you don't participate directly in the stock market and the credited interest rate is never less than zero percent – Guaranteed !

The possibility of loss is often too much risk for life insurance clients. However, a low interest credit rate is not attractive either. Here's where Indexed Universal Life fits in – a permanent life insurance product with less risk of loss than a Variable Universal Life product, but potentially higher crediting rates than fixed Universal Life.

How does it work?

An Indexed Universal Life policy gives you the opportunity to earn *tax-deferred interest* based in part on the performance of your Index selections and/or Fixed Account selection.

- An Indexed Universal Life product offers an index option or a choice of index options in which the policyholder can choose to allocate premiums.
- If the policyholder doesn't want to have all values subject to index performance, there is also a choice for a fixed interest account.
- Indexed Universal Life credits interest using changes in the index to which the policy's cash accumulation account is linked.
- A **crediting method** is applied that either measures performance of the index on
 - a point-to-point basis (difference between index value at date "A" to date "B")
 - or an averaging basis (average of index from point "A" through point "B" compared to starting point of "A").

These points are often one-year periods with resets that occur after each period, so a gain in one year can't be lost by a poor performance the next year.

- Additionally, there is a **participation rate** which determines how much of the index performance will be applied to the policy cash accumulation value. This participation rate is often as high as 100%.
- Another factor which determines how much of the index performance will be applied to the policy cash accumulation value may be an **index cap rate**. The index cap rate is an upper limit of index performance that can be applied to the policy cash accumulation value. For example, a policy with a 12% index cap rate would have a 12% crediting rate if the underlying market index grows above that amount over a given period.
- An **index floor rate** is the minimum interest rate that is used in the calculation of the index credit. The index floor rate is declared for each Index segment and is guaranteed to never be less than 0%.
- Each anniversary year's credited interest is locked in on the index crediting date (usually being the annual anniversary of your indexed universal life policy) and a new starting point is determined, which is called the "**annual reset**".
- Money can be transferred out of an Index segment only at the end of the index period. Many policies allow for transfer of money from the Fixed Account segment to an Index selection at any time.

Credited Interest Rate

$$\begin{array}{|c|} \hline \text{Index Change} \\ \text{(if any)} \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{Index Participation Rate} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Credited Interest Rate} \\ \text{(subject to Index Cap Rate,} \\ \text{Index Floor Rate)} \\ \hline \end{array}$$

Guarantees are based on the claims-paying ability of the issuing insurance company.

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