



IPO

INCOME PROTECTION OPTION

Product Overview





INCOME PROTECTION OPTION

WHAT WOULD YOUR FAMILY DO WITHOUT YOUR INCOME?

The only thing more important than your decision to purchase life insurance is how the death benefit of the life insurance policy is paid to your beneficiaries. Life insurance can provide you with peace of mind but, how your family manages the death benefit distribution is essential for their long-term future.

Will they have enough to cover monthly living expenses? Will they be able to stay in their home or continue their education? Will they spend sleepless nights worrying about how to replace your paycheck?

WHAT WOULD YOUR FAMILY DO WITH A SUDDEN INFLUX OF MONEY?

Many Americans that come into sizable sums of money, end up spending most, if not all of their funds within a few short years.

Would your family be tempted to spend it all immediately or would they use it to plan for their long-term needs?

You may be concerned about the potential to squander or misuse a lump sum death benefit. Or perhaps a beneficiary is a minor and is not yet financially competent. What if there was a way to help ensure that a steady stream of income would be available to help fulfill the plans that you have for their future?

The Income Protection Option (IPO) allows you to structure your life insurance death benefit to safeguard your family's future. It can help eliminate financial stress by providing your family with pre-planned income that can make their lives more manageable after you are gone.

INCOME PROTECTION OPTION

IPO OFFERS PEACE OF MIND

When purchasing life insurance many people are unaware that there are options other than a single lump sum death benefit. Furthermore, a lump sum payout may not be the optimal long term choice for your beneficiaries.

The Income Protection Option (IPO) offers a new way of looking at life insurance death benefits. This no-cost option is available with certain life insurance policies and helps ensure that your loved ones will receive a guaranteed* monthly income stream after your death. In addition to setting up monthly payments for a certain period of time, you also have the option to select initial or final lump sums so that you can be certain your beneficiaries will have the money they need to cover immediate, recurring and future expenses.

How does it work?

IPO lets you structure your death benefit by controlling the payment amounts, who receives them, and for how long. You can choose an initial lump sum, a monthly income stream for up to 25 years, a final lump sum, or a combination of the three. The insurance company then handles the administration of the payments and guarantees your beneficiaries a structured death benefit in accordance with the plan you create for them. Once the IPO has been setup your beneficiaries will be unable to alter the timing of payments.

*Any guarantees associated with the Income Protection Option endorsement are based on the claims paying ability of the insurance company.

IPO offers important planning benefits:

- Provides guaranteed income for a period of your choice.
- Allows you to choose when, how and to whom you want to leave a legacy.
- Protects your beneficiaries from the potential of mishandled funds.
- Helps ensure that the money you leave will last as long as you planned by providing monthly income instead of a one-time payment.



HYPOTHETICAL CASE STUDY

Fred and Michelle are a young family just getting on their feet financially. Fred is the sole income earner and wants to make sure that if something were to happen to him, Michelle and their two girls will be financially sound. If something were to happen to Fred, his family would immediately need \$250,000 to pay for final expenses, pay off their home, and other outstanding debts. Additionally, the family would also need to replace a portion of his income for the next 15 years. \$3,000 per month would help provide the family with a stable income. Fred would also like to provide \$250,000 at the end of the income replacement period to help Michelle plan for retirement and pay for their daughters' college expenses.

Can Fred really afford over \$1,000,000 in coverage?

The Income Protection Option can help Fred purchase less in coverage while still providing his family with the income they need.

Should Fred pre-decease his wife, here is how the IPO works.



A total face amount of \$847,183 in coverage can provide over \$1 million in total benefits to Fred's family.

The example is based on a hypothetical scenario to show how the Income Protection Option settlement option may work. It is calculated using the guaranteed interest rate of 3%. The payments are based on a death benefit equal to the Total Face Amount, which is the total Face Amount of the Base Policy plus the Face Amount of any base insured rider (or primary insured rider). The total Face Amount may be adjusted due to policy changes. If this occurs the payments will be adjusted. This example is not a prediction or projection of future results or policy performance. All coverage is subject to the terms and conditions of the policy. You may wish to obtain a personalized illustration which reflects how an Income Protection Option settlement might work for you.

INCOME PROTECTION OPTION

HOW MUCH WILL YOUR LOVED ONES NEED?

MONTHLY INCOME

Will they need ongoing support? Monthly Income

Think about your monthly income. Most of us think about our budgets in terms of monthly expenses and income. Calculate your family's typical monthly living expenses. Start with replacing your monthly paycheck. Is this enough to cover food, child care, education expenses, medical expenses, mortgage payments, and other debt payments? Next you should determine the number of years you will need to cover these living expenses. The income may only need to last until your children finish their education or until your spouse retires or finds work.

\$ _____
\$ _____
\$ _____
\$ _____

Total Monthly Income Needed

\$ _____

(Minimum \$100/month)

How many years will they need this income? _____

(Choose from 5–25 years)

INITIAL LUMP SUM

How much will they need immediately? Optional Initial Lump Sum

The IPO allows you to select an initial lump sum to cover immediate expenditures and provide for larger-cost items such as your final expenses, mortgage payoff, unpaid medical expenses, children's college education or helping out your adult children or grandchildren.

\$ _____
\$ _____
\$ _____
\$ _____
\$ _____

Total Initial Lump Sum Needed

\$ _____

(Minimum \$10,000, if elected)

FINAL LUMP SUM

What major expenses will they face in the future? Optional Final Lump Sum

IPO also gives you the ability to select a final lump sum to help pay future expenses. You may want to consider major expenses such as college tuition, a child's wedding, your spouse's retirement, paying-off your mortgage, home improvements, or other debt payments your family may incur.

\$ _____
\$ _____
\$ _____
\$ _____
\$ _____

Total Final Lump Sum Needed

\$ _____

(Minimum \$10,000, if elected)

A portion of each monthly payment under the Income Protection Option settlement, if any, will be reported as taxable income to the Beneficiary, based on our understanding of current federal income tax law. The amount of the actual monthly payments and the taxable percentage of each will be determined using the interest rates applicable as of the date of death for an annuity certain for the period of time specified by the policy owner, but no less than 3%.

The portion of the Total Face Amount designated to fund the final lump sum will accrue interest at the current interest rate applicable for benefits deposited with interest, but no less than 3% per year. The current interest rate used for such accrual may change from time to time but interest will never accrue at less than the 3% guaranteed interest rate. When the final lump sum is paid, we will report the amount of interest earned since the insured's date of death as taxable income to the Beneficiary.

The insurance company and its agents and representatives do not give tax or legal advice. This material and the concepts presented here are for informational purposes only and should not be construed as tax or legal advice.

To comply with IRS Regulations, we are informing you of the following: Any discussion or advice regarding tax issues contained in this document was not intended or written to be used, and cannot be used, to avoid taxpayer penalties. Such discussion or advice was written to support the promotion or marketing of the transaction(s) or matter(s) contained in this document. Anyone reading this document or contemplating a transaction discussed in this material should seek advice based on the client's particular circumstances from an independent tax advisor.

The Income Protection Option endorsement should be evaluated as a supplement to your base policy. This endorsement should not be the sole basis to purchase any life insurance policy.