

Life Insurance Solutions ▼

Get More Strategic with Guaranteed UL



by **Joe Ross, CLU, ChFC, CRC**

Mr. Ross serves as Vice President, Sales Productivity and Business Development for AIG's life insurance business, a part of American International Group, Inc. (AIG). He can be reached at Joe.Ross@aig.com.

As you focus on helping clients plan now for the needs of tomorrow, turn an eye toward guaranteed universal life (GUL) insurance. As LIMRA President and CEO Bob Kerzner has shared, quarterly growth in total premiums for GUL insurance improved recently for the first time in several years. Kerzner pointed to "improved rates for GUL" as one of the potential reasons for the product's positive sales performance.¹

Another reason for the growth of GUL may center on the attractive structure of some of the current product offerings. For example, it's possible to offer clients not only a GUL contract with a choice of guarantee durations, but one with highly competitive guarantees to ages 100-110 and a built-in return-of-premium (ROP) rider at no additional cost.

But GUL insurance may not just perform well from a sales perspective. Financial professionals who leverage GUL with an accelerated benefit rider that's designed to address the costly impacts of chronic illness may help clients steer through retirement and its potential pitfalls more easily.

Know What Has Changed

Clients who need permanent life insurance have a variety of choices, and GUL insurance is one of the most secure and economical options. Although GUL often is a "no-frills" policy, offering few features other than a death benefit, enhanced solutions are available. Some GUL offerings are designed not only to provide death benefit protection, but also to provide income in retirement and offset the financial fallout that chronic illness can trigger.

Consider This

Let's explore a hypothetical example, for illustrative purposes only. Keep in mind that this is not an actual case and is intended solely to depict how the features of a GUL solution might work. The example does not reflect the value of any specific policy, and restrictions and limitations apply.

George, age 50, is seeking \$1 million of coverage for his family. He wants to provide life insurance for his spouse well into retirement, but anticipates that need dropping as he approaches his latter retirement years. He is also concerned about the impact that a chronic illness might have on his retirement.

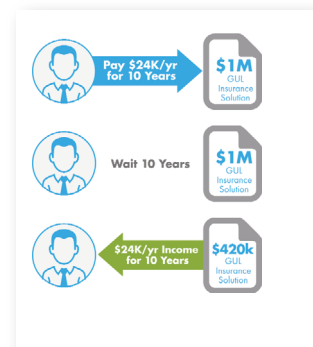
Indeed, he should be concerned. According to the American Academy of Family Physicians, nearly 81 million people are projected to have multiple chronic diseases by 2020.² Also, a recent article on Forbes.com by Howard Gleckman, who wrote the book *Caring for our Parents*, relayed that while the average out-of-pocket health care costs for a person age 65 or beyond total at least \$100,000, people with chronic illnesses that lead to needs for long-term care pay far more than that.³

Regarding long-term care costs, Kerzner pointed out during a recent industry briefing that "When we think about the aging of America, we really are looking at a problem of epic proportions. There's going to be a real need and demand for solutions."⁴

Review the 10-10-10 Plan

What if George could purchase permanent life insurance, guaranteed to age 100, with a death benefit acceleration option that allows him to:

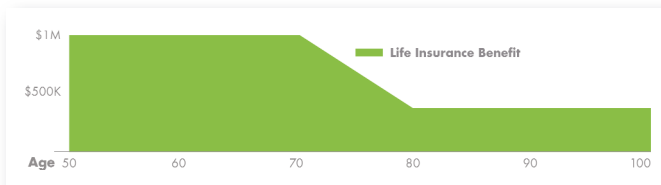
- pay premiums for 10 years,
- wait for 10 years,
- then get his premiums back over 10 years, and
- retain \$420,000 of his death benefit, guaranteed to age 100, with no additional premiums required?



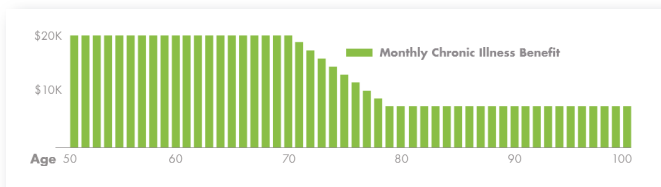
How it works – George pays premiums of \$24,000 per year for 10 years for his GUL solution. Then, he pays nothing for 10 years. Subsequently, he takes \$24,000 per year out of the policy for 10 years, tax-free, using a unique income solution built into the policy. (Always tell clients to consult their qualified tax expert regarding their own situation.)

This withdrawal of \$24,000 per year from the policy for 10 years reduces the amount of George's life insurance coverage to \$420,000, but provides him with needed income in retirement.

Life insurance benefit – With the approach and the solution described above, the benefit is \$1 million to age 70. It then steps down to \$420,000 by age 80 and continues to age 100, guaranteed.



Chronic illness benefit – While several payout options are available in conjunction with his GUL solution, George chooses to provide 2 percent of the life insurance coverage as a monthly chronic illness benefit, starting at \$20,000 per month during his earning years. The benefit then steps down to \$8,400 per month during George's retirement, guaranteed.



Create a Multipurpose Solution

With the 10-10-10 plan, a single policy is designed to help with life insurance, chronic illness protection and retirement income, effectively addressing three key client needs. An IRA, a Roth IRA or a 401(k) plan may also be appropriate in the long-term mission to achieve retirement readiness. That reality notwithstanding, GUL insurance, especially within the context of the 10-10-10 strategy, merits thoughtful consideration when helping clients plan for retirement income and to leave a legacy.

What type of GUL insurance solution might be best, then? Following are some GUL attributes to be on the lookout for:

- guaranteed death benefit protection that allows for flexible guarantee periods and premium funding,
- a built-in ROP feature,
- cash value accumulation that's guaranteed rather than projected, highly competitive premiums,
- the potential to reduce the death benefit without reducing the guarantee duration,
- living benefit riders for chronic illness and longevity that can be added separately or together, and
- consumer-friendly processing designed to preserve guarantees in the event of late premium payments.

Seek Tools and Training

When exploring GUL offerings, take the time to delve into comprehensive, online product resources such as on-demand webinars; downloadable presentations, brochures and flyers; succinct, but actionable, videos; FAQ lists; and more. When you're ready to check premiums, leverage carrier-provided tools that facilitate rapid rating. Such tools, along with the other resources provided by carriers, are designed to help you quickly glean the information you need in the mission to help clients plan today for the needs of tomorrow. ❖

Endnotes

1. Bob Kerzner, "Third Quarter 2016 Industry Briefing," LIMRA, Aug. 16, 2016
2. "Invest in the Future of High Quality Primary Care, AAFP Tells Congressional Appropriators," American Academy of Family Physicians (AAFP) press release, April 15, 2016, <http://www.aafp.org/media-center/releases-statements/all/2016/high-quality-primary-care.html>
3. Howard Gleckman, "Families Spend More To Care For Their Aging Parents Than To Raise Their Kids," *Forbes.com*, Jan. 18, 2017, <http://www.forbes.com/sites/howardgleckman/2017/01/18/families-spend-more-to-care-for-their-aging-parents-than-to-raise-their-kids>
4. Bob Kerzner, "Fourth Quarter 2016 Industry Briefing," LIMRA, Nov. 15, 2016, http://av.limra.com/Teleconferences/Kerzner-2016-4/RAK_2016_Q4.mp4

The Company, its financial professionals and other representatives do not and are not authorized to give legal, tax, financial, or accounting advice. Applicable laws and regulations are complex and subject to change. Any tax statements in this material are not intended to suggest the avoidance of U.S. federal, state or local tax penalties. For advice concerning your situation, consult your professional attorney, tax advisor or accountant.

Guarantees are backed by the claims-paying ability of AGL and US Life. They are not backed by the broker-dealer and/or insurance agency from which this policy is purchased or any affiliates of those entities and none makes any representation or guarantees regarding the claims-paying ability of AGL. California residents should be provided the "California Resident Supplemental Information" flyer on the Accelerated Access Solution (AGLC108547).



For more information, visit www.RetireStronger.com