



The 1035 Exchange and Term-UL

The New Brand of Term-Like Products

Don't overlook this funding option just because it "sounds like" term insurance.

By now you are familiar with the increasingly popular concept of Term-UL products. These are low-cost, term-like premiums with the flexibility features of a universal life product. But have you considered the advantage these products provide in allowing 1035 exchanges, single pays and dump-ins?

A thorough policy review for your client may reveal that their current universal life policy has not performed as anticipated and may terminate soon without additional premiums. Before these cash values are depleted, consider a 1035 exchange into a Term-UL policy. The cash value may be sufficient to buy an equal or greater amount of life insurance with a longer death benefit guarantee. Even a relatively modest 1035 exchange may purchase coverage with an initial death benefit guaranteed period of 10, 20, 30 years or more.

Example: David, age 65, owns \$500,000 of universal life insurance that was issued several years ago. Interest rates were higher then and he anticipated that this coverage would last to about age 80 with an annual premium of \$4,100. Credited interest rates to this policy are now lower than the original projections and this policy will now only last to his age 78 with the current planned premium.

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You present David with the option to transfer his existing cash value of \$28,500 to a new Term UL 20 year product. As a Preferred risk, this provides him with extended coverage to age 85 and a new lower annual premium of \$3,903 that remains level for 20 years. Additionally, he has the option to extend his coverage beyond age 85 by increasing his premium to an amount that will guarantee the insurance lasts for as many additional years as he needs, without having to medically qualify.

Consider: Initial level-premium Term-UL periods are offered for 10, 15, 20, 25 and 30 years with premiums comparable to term insurance. Term-like coverage can be extended beyond the product's guarantee period – for example from 10 year to 15 year (up to the lifetime of the insured) by paying the new higher level of premium. Unlike term, if clients want to extend their coverage beyond the initial period, they'll know up front exactly how much it will cost later to do so. That's because all death-benefit guarantee costs are fixed and guaranteed when the policy is issued, even those that extend coverage beyond the initial period. Higher premiums will be required to guarantee coverage beyond the initial period selected.

Depending on the funding pattern, there may be cash value build up. If the client pays the scheduled "term-like" level premiums, there will most likely be no cash value build-up.

- No policy fees – making the entire premium (up to target) commissionable.
- Higher issue ages – A 65 year old applicant, for example, can now secure a new policy with a 30 year initial level premium period, providing them coverage to age 95.

*Term-UL: Competitively priced protection.
Flexible funding options. Guaranteed transition to lifetime coverage.*

**FOR MORE INFORMATION ON THE
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