Financial security *for the long run*®

JUST THE FACTS

LIFE 101

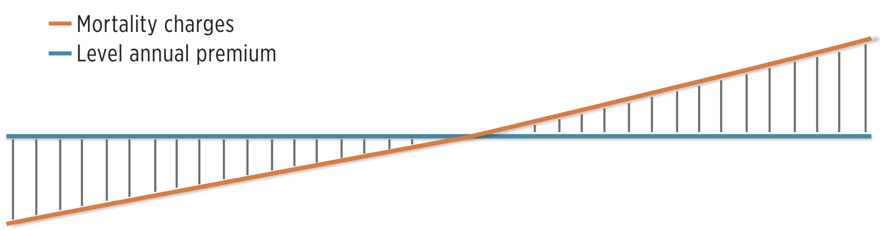
Every life insurance product has one of three basic product designs: term insurance, universal life or whole life. Each pays a benefit to beneficiaries upon the insured's death, but they have important differences. Understanding how these products work can help you create more effective life insurance solutions for your clients.

Term life insurance

Term insurance is the simplest and least expensive type of life insurance:

- Because term policies are in force for a specific duration, or term, they are less likely to pay a death benefit.
- Insurance companies typically offer five to 30-year term policies and charge higher premiums for longer terms.

The diagram below shows how premiums paid in earlier years help offset higher mortality costs assigned to a term policy's later years. The orange line below represents the mortality charges for a set term. The blue line represents a level annual premium for that term.



The actual calculations are more complex, but this explanation helps show how this product works in simple terms.

Term life benefits

- Typically less expensive in the short term
- Fills a temporary need
- Provides protection when cost is a concern
- Sometimes convertible to permanent coverage

Term life considerations

- Not flexible
- May be cost prohibitive after the initial term expires
- Health concerns after the level term period

Agreements offer additional benefits

Insurance policies may have optional policy riders or agreements offering additional benefits. These riders might insure the insured's children, waive premiums while the insured is disabled, allow conversion to permanent coverage and more.

Term life is ideal for clients desiring life insurance coverage for a set period and/or with limited budget.

Whole life insurance

Whole life insurance differs from term life in that it **guarantees a life insurance death benefit for the insured's whole life** – as long as premiums are paid. With this lifetime guarantee, the insurance company takes on more risk, so whole life premiums are considerably higher than term insurance.

In addition to the guaranteed death benefit, **whole life accumulates cash value at a guaranteed minimum interest rate.** The policy's cash value eventually equals the death benefit by the insured's age 120. Because it offsets the death benefit, whole life's cash value helps keeps mortality charges more reasonable.

While clients may view whole life policies as "expensive," some companies potentially pay back an **annual dividend**[1] to the policy, balancing out whole life's additional cost. Policyholders can use these dividends in several ways, including:

- Taking them in cash.
- Using them to purchase additional paid-up coverage.
- Reducing policy premium.
- Repaying a policy loan.

Whole life is sometimes called an endowment contract when it is designed to pay a lump-sum on its maturity.

Whole life benefits

- Level premiums
- Can provide lifetime protection
- Cash value available to client
- Enhance coverage with optional agreements
- Participating policy dividends can provide benefits to policyholder

Whole life considerations

- May be unaffordable for some clients
- Participating policy dividends are not guaranteed
- Often viewed as complex and requires regular coverage review

Whole life insurance is ideal for clients who want guaranteed, lifetime coverage with set premiums and the opportunity to build cash value.

Universal life insurance

Universal life insurance combines features from term and whole life insurance:

- Premiums are not as low as term insurance but are typically lower than whole life.
- Coverage may last as long as whole life insurance or only as long as the policyholder funds the policy.
- With sufficient premium payments, universal life policies accumulate cash value.

Cash value accumulation

Like whole life, universal life features a cash value component that can accumulate, and may possibly even endow at later ages. This common component of all permanent life insurance policies separates them from term insurance.

Policyholders can access their cash value in two tax-advantaged ways:

1. By taking loans from the insurance company, using the cash value of the policy as collateral.
2. By surrendering portions of paid-up whole life coverage or surrendering cash value from universal life policies.

Although universal life maintains features from term life and whole life, it is unique in several ways:

- Policyholders can request to increase or decrease their coverage, premium payment and frequency at any time.
- Universal life premiums can be lower than whole life, because the company charges its current expenses and mortality costs, and will credit the policy with the company's current rates. However, changes in interest rates and the company's mortality and expenses could increase charges to policyholders.
- Policyholders can potentially grow their cash value within variable subaccounts, indexed accounts or fixed accounts offering guaranteed interest.

Universal life benefits

- Flexibility to change with policyholder's needs
- Can provide a lifetime of protection
- Cash value available to client
- Enhance coverage with optional agreements

Universal life considerations

- May be unaffordable for some clients
- Surrender charges
- Often viewed as complex and requires regular coverage review

Universal life is ideal for clients desiring flexible life insurance with a variety of options for cash value growth potential.

Three methods of protection

From simple to complex, protection to accumulation, clients have numerous options to help protect their families and businesses, while potentially growing their assets.

	Term life insurance	Whole life insurance	Universal life insurance
Premiums	Lowest premium	Highest premium	Flexible premium
Flexibility	Not flexible	Not flexible	Flexible
Duration	Short-term coverage	Lifetime coverage	Short-term to lifetime coverage
Accumulation	No cash value	Guaranteed cash value growth	Can grow cash value
Distributions	None	Distributions through surrender of paid-up coverage or loan against policy cash value	Distributions through partial surrenders of cash value or loan against cash value

No matter what stage of life your clients are in, Securian has life insurance policies to meet their needs. Contact our Life Sales Support Team to learn more:

- **1-877-696-6654** (Securian and Broker-Dealer)
- **1-888-413-7860, option 1** (Independent Brokerage)

[1] This is true of participating whole life policies. Nonparticipating whole life policies do not pay dividends.

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

Life insurance products contain fees, such as mortality and expense charges (which may increase over time), and may contain restrictions, such as surrender periods. Variable life insurance products contain fees, such as management fees, fund expenses, distribution fees and mortality and expense charges (which may increase over time). The variable investment options are subject to market risk, including loss of principal.

Policy loans and withdrawals may create an adverse tax result in the event of a lapse or policy surrender, and will reduce both the surrender value and death benefit. Depending upon actual policy experience, clients may need to increase premium payments to keep the policy in force. Please keep in mind that the primary reason to purchase a life insurance product is the death benefit.

This information should not be considered as tax or legal advice. Clients should consult their tax or legal advisor regarding their own tax or legal situation.

Agreements may be subject to additional costs and restrictions. Agreements may not be available in all states, may exist under a different name in various states and may not be available in combination with other agreements.

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