

ACCELERATED BENEFIT RIDERS

INDIVIDUAL PLANNING

Many of today's life insurance products offer living benefits and enhanced features that you don't have to die to use. Your clients may be able to use their life insurance coverage to help offset the cost of chronic illness or long-term care by accelerating a portion of the death benefit to help cover these expenses. Better yet, these features can even help cover temporary chronic illness expenses that would not be considered life-long conditions.



CASE STUDY

- James is a 55-year old male looking to provide financial protection for his family.
- He purchases a \$500,000 guaranteed universal life policy and elects an additional level of protection with a chronic illness rider.

James has choices to help him design his policy to best fit his needs:

1. Monthly benefit payout options of 2%, 4% and an IRS per diem benefit that is annually adjusted for inflation.¹
2. The benefit can be elected anywhere from 50% to 100% of the death benefit.

James chooses the 2% monthly payout option on 100% of the death benefit.

Five years later, at age 60, James suffers an unexpected stroke. While it is severe, it appears that his chances of recovery are good. His wife remembers the flexibility of their life insurance policy and thinks it might pay for expenses related to his current condition.

THE STRATEGY

Covering Expenses with payouts from chronic illness accelerated benefit riders.

Since James has been certified as unable to perform at least two of the Activities of Daily Living (ADLs) without substantial assistance from another person, he will qualify for:

- Payment of \$10,000 per month in chronic illness benefits, which are designed to be received income-tax free.²
- Continuing life insurance benefits reduced by the chronic illness benefits paid.
- At death, any remaining life insurance benefit will be paid to James' beneficiaries income-tax free.³

The family is relieved that this financial weight will be lifted off their shoulders.

¹ 4% maximum benefit in California.

² Based on current federal income tax laws, policy owners should consult a qualified tax advisor

³ Death Benefits are generally excluded from a beneficiary's federal taxable income under most circumstances and current federal income tax law.

An Accelerated Death Benefit Rider (ABR) is not a replacement for Long Term Care Insurance.

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COMING OFF OF CLAIM

Thankfully, due to improved health, James is able to come off claim 2 years later at the age of 62. His guarantee remain intact, there is no catch-up premium and there is a prorated reduction and recalculation of premium on the remaining death benefit.

Year	Age	Annual Premium	Cash Value	Death Benefit
1	56	\$7,245	-----	\$500,000
2	57	\$7,245	-----	\$500,000
3	58	\$7,245	-----	\$500,000
4	59	\$7,245	-----	\$500,000
5	60	\$7,245	-----	\$500,000
6	61	-----	-----	\$380,000
7	62	-----	-----	\$260,000
8	63	\$4,143	-----	\$260,000
9	64	\$4,143	-----	\$260,000
10	65	\$4,143	\$1,948	\$260,000
11	66	\$4,143	\$2,038	\$260,000
12	67	\$4,143	\$2,102	\$260,000
13	68	\$4,143	\$2,165	\$260,000
14	69	\$4,143	\$2,202	\$260,000
15	70	\$4,143	\$2,266	\$260,000

SUMMARY

- Elected 100% Death Benefit and a 2% Monthly Payout. Premium - \$7,245
- Goes on Claim for 2 years at age 60-62
- Benefit Received - \$240,000 ($\$10,000 \times 24$)
- New Ongoing Guaranteed Premium - \$4,143 (*Premium reduced by over 42%*)
- New Ongoing Guaranteed Death Benefit - \$260,000

Premiums and values shown are hypothetical and for illustrative purposes only. A basic illustration needs to be provided of the clients situation and needs to demonstrate how this scenario may work for your client. The basic illustration will include the guaranteed and nonguaranteed elements of the policy, including surrender values, accumulation values, loans, withdrawals, death benefits and other important information.

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