

# CLIENT STRATEGIES

## PruLife® Custom Premier II—Supplementing Retirement Income Using Life Insurance

### RETIREMENT PROTECTION



**PruLife Custom Premier II** provides permanent protection with the potential to grow cash value that can be used to help supplement retirement income. Adding the **BenefitAccess Rider<sup>1</sup>** offers flexibility if the insured becomes chronically or terminally ill.

Generally, high-income earners face certain retirement challenges, such as:

- Restrictions on employer pension contributions
- Restrictions on IRA and Roth contributions
- Taxation of Social Security benefits
- Rising cost of health care
- Inflation uncertainty
- Longevity

With PruLife Custom Premier II, you're well poised to offer your affluent clients solutions to address these challenges.

#### CASE STUDY:

Beth, Gastroenterologist, Practice owner, age 40, married, with 1 child

#### THE CURRENT SITUATION

Beth would like to protect her family in the event of her death and save more for retirement, preferably on an income tax-advantaged basis. She has group life insurance through her practice's plan, but alone, the coverage leaves her underinsured. She also wants to protect her practice should something happen to her.

Since Beth is in a high tax bracket, the idea of potentially income tax-free retirement income intrigues her. Even after maximizing contributions to traditional retirement solutions available to her, Beth has a healthy amount of excess income. She's interested in using that excess income toward a one-product strategy that can help ensure her family is protected if she were to die unexpectedly and also help her meet retirement goals. She's aware that some life insurance companies are offering riders that provide benefits for chronic or terminal illness and she would also like to ensure that she has a strategy in place should she ever become chronically or terminally ill.

Life insurance with a chronic or terminal illness rider is a way to help Beth meet these goals. It provides death benefit protection with the potential for tax-advantaged withdrawals and loans from the policy's account value; this can provide a source of income during retirement or in other times of need.<sup>2</sup>

#### ILLUSTRATION

- ▶ INSURED: 40, FEMALE, PREFERRED BEST
- ▶ DEATH BENEFIT: SOLVE FOR THE MINIMUM AMOUNT (WHILE STILL MEETING HER FAMILY'S NEEDS), WITH A VARIABLE (TYPE B) INITIAL DEATH BENEFIT OPTION. CHANGE TO A FIXED (TYPE A) DEATH BENEFIT AT AGE 65. THE DEFINITION OF LIFE INSURANCE IS GUIDELINE PREMIUM (GPT).
- ▶ PREMIUM: MODE IS MONTHLY. SPECIFY \$1,000 PER MONTH FOR 25 YEARS. USE AN APPROPRIATE TARGET CASH VALUE<sup>3</sup> AT AGE 121 (E.G., \$100K)
- ▶ RIDERS: ADD **BENEFITACCESS RIDER**
- ▶ ILLUSTRATED RATE & DISTRIBUTIONS: SET DISTRIBUTION SCHEDULE TO MAXIMUM LEVEL AND WITHDRAW TO BASIS THEN BORROW FROM AGE 65 THROUGH AGE 84.

See next page for the strategy using PruLife Custom Premier II.



## THE PRULIFE CUSTOM PREMIER II ADVANTAGE

Beth is attracted to PruLife Custom Premier II with the BenefitAccess Rider because, based on the parameters on the previous page, it offers her great **flexibility**. She has \$408,789 as her initial death benefit.

Beth's Age	Death Benefit Protection	Cash Value	Supplemental Retirement Income Payable Through Age 84	Annual BenefitAccess Rider Benefit
65	\$1,069,883	\$711,825	\$67,188	\$256,278
75	\$1,474,990	\$1,404,752	\$207,720	\$344,417

*\*Figures above assume no loans, withdrawals, or BenefitAccess Rider benefits have been taken. Also, the Annual BenefitAccess Rider Benefit figures shown are calculated using the 2016 IRS per diem limit, compounded annually at a rate of 3%. This hypothetical example is for illustrative purposes only. Actual results will vary.*

- Beth, her business, and her family **have financial flexibility** if she dies prematurely, needs supplemental retirement income, or becomes chronically or terminally ill.
- Since Beth chose Death Benefit Option B, the death benefit payable to her beneficiaries has the **potential to grow over time**.
- PruLife Custom Premier II offers her **over 60 underlying investment options** from well-known fund companies in a wide range of options and styles for Beth to customize her allocations.
- If Beth decides to access the **tax-deferred cash value**, she may be able to do so income tax-free through loans and withdrawals.<sup>2</sup>
  - If Beth decides to access income starting at age 65 to help **supplement her retirement income**, this illustration shows the amount available to her (potentially income tax-free) on an annual basis through age 84.
  - If Beth's **needs change** and she waits until age 75 to access (potentially income tax-free) income, the amount available to her could be even greater.

### THE BENEFITACCESS RIDER (BAR) ADVANTAGES

If Beth becomes chronically or terminally ill and meets the requirements of the rider, she can take advantage of BAR:

- She will not have a waiting period before accessing the benefit.\*\*
- She will not need to show any type of receipts or have to wait to be reimbursed.
- She can use the benefit as she chooses. Some examples include:
  - Having professional in-home care.
  - Compensating a family member for taking care of her.
  - Making accommodations like renovating her home with a ramp and railings.

And any death benefit that remains will go to her beneficiaries.

*It's important to note that, if Beth takes loans and withdrawals from the policy, the living benefit available for BAR may be reduced, as well as the overall value provided to Beth's beneficiaries upon her death. During periods when BAR chronic illness claim payments are being made to Beth, she will not be able to initiate policy loans or withdrawals. Of course, with PruLife Custom Premier II, Beth will have the confidence that stems from knowing that her life insurance policy gives her the flexibility she needs based on her personal circumstances.*

*\*\*If Beth lives in CT, she must be confined in a home or institution for at least 6 months previously. This confinement must have been illness related. It also must be expected to continue for life.*



### Action Plan for Success

The most successful approach with this marketing concept is to focus on 10 clients at a time, following each of the steps below. Once you finish all of the steps with those clients, select 10 more and continue building your business.

1. Review your client book and prospecting lists for potential candidates.
2. Once you have identified a potential prospect, set up an appointment to discuss their financial needs.
3. Prepare for the meeting by ordering appropriate marketing materials and illustrations.
4. At the appointment, walk the client through the material that helps pinpoint their needs.
5. Schedule a follow-up meeting to present strategies to address the challenges identified.
6. Be sure to follow up after these meetings for applications, questions, or additional discussion.

**Your Prudential Life Wholesaler can walk you through the consumer material and discuss how to present it to your clients.**

<sup>1</sup>The BenefitAccess Rider is an optional rider that accelerates the life insurance death benefit when the insured is terminally ill or is chronically ill and not expected to recover from the condition. It is not Long-Term Care (LTC) insurance. Benefits received under the rider will reduce and may deplete the death benefit. Electing the BenefitAccess Rider results in an additional charge and underwriting requirements. Some benefit payments may be subject to a fee. Other terms and conditions apply and can vary by state. Clients should consult their tax and legal advisors. For New York contracts: Please also note the rider is not subject to the minimum requirements of New York law, does not qualify for the New York State Long-Term Partnership Program, and is not a Medicare supplement policy. In addition, receiving accelerated death benefits may affect clients' eligibility for public assistance programs and such benefits may be taxable.

For Connecticut contracts: Please note that eligibility for chronic illness benefits also requires at least 6 months of previous illness related confinement in a home or institution and the confinement must be expected to continue for life.

<sup>2</sup>Loans are charged interest; they are usually not taxable. Withdrawals are generally taxable to the extent they exceed basis in the policy. Loans that remain unpaid when the policy lapses or is surrendered while the insured is alive will be taxed immediately to the extent of gain in the policy. For policies that are Modified Endowment Contracts (MECs), distributions (including loans) are taxable to the extent of income in the policy; an additional 10% federal income-tax penalty may apply. Consult your tax advisor for advice about your own situation.

<sup>3</sup>The lower the target cash value, the more supplemental retirement income can be distributed. It's important to target enough cash value so the policy does not lapse.

PruLife Custom Premier II is issued by Pruco Life Insurance Company in all states except New York, where it is issued by Pruco Life Insurance Company of New Jersey and offered through Pruco Securities LLC (member SIPC). All are Prudential Financial companies located in Newark, NJ.

**Your clients should consider the investment objectives, risks, and charges and expenses carefully before investing in the contract and/or underlying portfolios. The prospectus and, if available, the summary prospectus contain this information, as well as other important information. A copy of the prospectus(es) may be obtained by contacting your Prudential Life Wholesaler or from prudential.com. Your clients should read the prospectus(es) carefully before investing.**

It is possible to lose money by investing in securities.

**NOT FOR CONSUMER USE.**

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Not Insured by FDIC, NCUSIF, or Any Federal Government Agency. May Lose Value.

Not a Deposit of or Guaranteed by Any Bank, Credit Union, Bank Affiliate, or Credit Union Affiliate.