CLIENT STRATEGIES

Supplementing Future Income with Life Insurance

IF YOU HAVE YOUNG, SUCCESSFUL CLIENTS, TALK TO THEM

ABOUT ACTIVELY PLANNING FOR AND PROTECTING THEIR FUTURE.

This case study will feature two single individuals, a male and a female, who are on a high-earnings track. These individuals have discretionary income today with good prospects for the future. Both of them would like to have life insurance to be able to provide a death benefit to their families should they die young. They also have college debt they would like to cover.

CASE STUDY

William (30) is an attorney. Mary (30) is an investment broker.

- Both are single, but in serious relationships, and are focused on the future.
- Each makes $85,000 in salary.
- Each needs death benefit protection that life insurance can provide. The idea of permanent life insurance protection that can last their lifetimes and the idea of cash value accumulation potential and the flexibility it provides appeal to them both.

THE CONCEPT

After speaking with a financial professional, both were presented with an option that can set them up to have death benefit protection and a good potential source of income for the future. This concept is called Supplemental Income Planning for Young Professionals.

Here's how the concept works:

The individual buys a permanent life insurance policy that offers death benefit protection and the potential to be a strong cash value accumulator.

The individual starts paying premiums at a targeted level and increases monthly premium payments by 5%, or whatever percentage he or she is comfortable with, each year until they reach either age 65 or maximum allowable premium payments.

In this example, based on the policy application (age, history, and face amount), the premium payments will start at $400 per month for William and $300 per month for Mary. Each can increase the premium payments as his/her needs change and budget allows.

Please note: It is recommended that monthly premium payments be used to take advantage of dollar cost averaging. Full premium-paying details should be discussed with the client. Also, increasing premium payments is done manually by the client contacting his/her life representative or the customer service center, or by doing so online at prudential.com.

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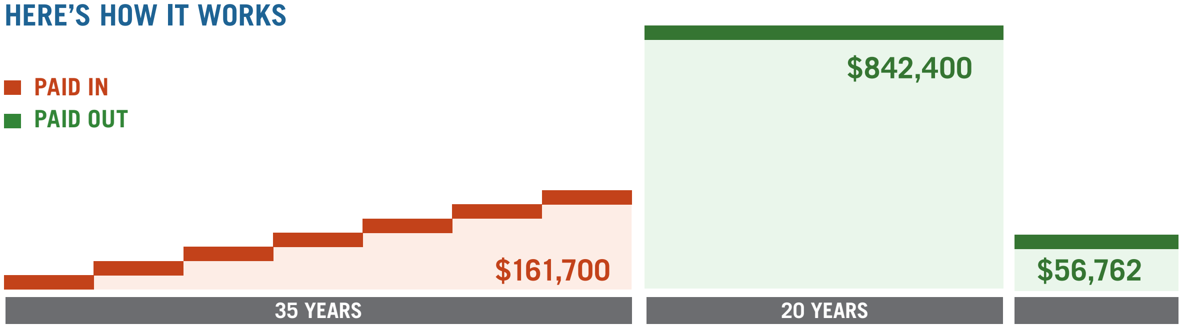
Let's look at the specific examples below to see how a modest increase in premium each year can have a beneficial impact on policy cash value over time.

MARY EXAMPLE:

- Age 30 Preferred Best
- PruLife Custom Premier II
- $124,109 Death Benefit
- Type B (Variable) Death Benefit for 35 years, then switch to Type A (Fixed)
- Premiums = $300/month that increases annually by 5%
- Assumes a hypothetical 7% gross return and current charges

HERE'S HOW IT WORKS



AGE 30

Mary pays monthly premiums starting at **$300**; increases 5% every year. Total paid in premiums over 35 years: **$161,700.**

AGE 65

Monthly distributions* begin; she receives **$3,510 each month.**

Total taken in distributions over 20 years: **$842,400.**

AT AGE 85

Death Benefit after distributions: **$56,762.**

DIFFERENCE OF PREMIUMS PAID VS. DISTRIBUTIONS: **$680,700**

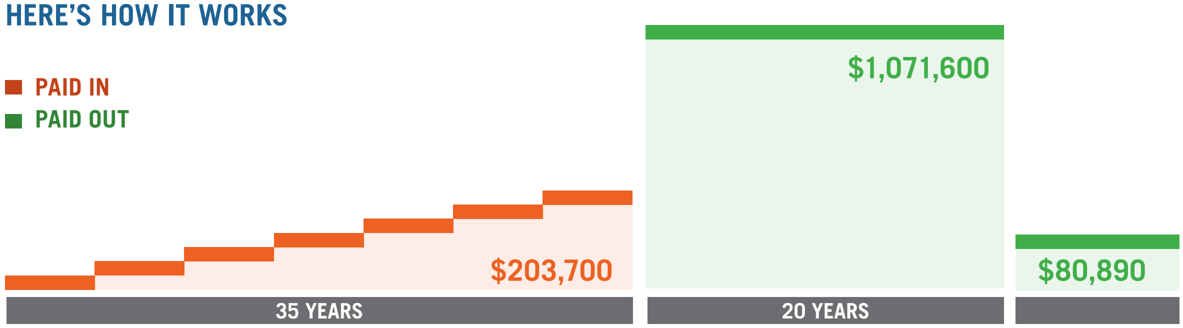
This hypothetical example is for illustrative purposes only. Actual client results will vary. If the results assumed 0% return and maximum policy charges, receiving three distributions at 42,120 and policy would lapse at age 67.

*Outstanding loans and withdrawals will reduce policy cash values and death benefit available to policy beneficiaries and may have tax consequences.

WILLIAM EXAMPLE:

- Age 30 Preferred Best
- PruLife Custom Premier II
- $133,062 Death Benefit
- Type B (Variable) Death Benefit for 35 years, then switch to Type A (Fixed)
- Premiums = $400/month that increases annually by 5%
- Assumes a hypothetical 7% gross return and current charges

HERE'S HOW IT WORKS



AGE 30

William pays monthly premiums starting at **$400**; increases 5% every year. Total paid in premiums over 35 years: **$203,700.**

AGE 65

Monthly distributions* begin; he receives **$4,465 each month**.

Total taken in distributions over 20 years: **$1,071,600.**

AT AGE 85

Death Benefit after distributions: **$80,890.**

DIFFERENCE OF PREMIUMS PAID VS. DISTRIBUTIONS: **$867,900**

This hypothetical example is for illustrative purposes only. Actual client results will vary. If the results assumed 0% return and maximum policy charges, three years of annual distributions and policy lapsing at age 67.

*Outstanding loans and withdrawals will reduce policy cash values and death benefit available to policy beneficiaries and may have tax consequences.

William and Mary should have the correct amount of death benefit based on their needs when they purchase the policy. Then they can determine how much additional cash value they'd like to have and determine future premium payments.

As you can see in the examples, when William and Mary stop paying premiums in year 36 when they are 65 years old, there is potential to have cash value available to help supplement their income for years to come.

If they choose to use this flexibility and take distributions as a source of income, the death benefit planned for their beneficiaries will be reduced, as seen in each example at age 85.

Please note that in these examples the death benefit is changed at age 65 from a Variable (Type B) death benefit to a Fixed (Type A) death benefit. As the client's death benefit needs change, they can make changes to their policy. Changing from a Type B to Type A will help minimize the policy's internal charges. This isn't a necessary step for this strategy, but it is something to consider.

For more information, call your Prudential wholesaler about this or other helpful case studies. Your wholesaler can help you identify target clients or prospects and prepare for the meeting with consumer material and illustrations.

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