ADD MORE LIFE

Navigating the Life Insurance and Healthcare Client Conversation

PRUDENTIAL'S PERMANENT, CASH VALUE POLICIES OFFER YOUR CLIENT SOME OPTIONS TO ACCESS MONEY FROM THEIR POLICIES.

Two of them are:

1. Loans or withdrawals from cash value
2. Accelerating the death benefit

A SOURCE OF INCOME TO HELP PAY HEALTHCARE COSTS[1]

Permanent, cash value life insurance can be a good choice for clients who need a death benefit and also prefer another potential resource for money. As long as the policy has cash value, they can take loans at any time, for any reason. Loans from cash value give your clients:

- Typically income **tax-free cash**.[1]
- **Access to money** they can use for anything they want. If they're ill, they may have expenses for in-home care or home modifications.
- The ability to help **offset health insurance costs**.

WITHDRAWALS AS ANOTHER OPTION[1]

A **withdrawal** is a partial surrender of the net cash surrender value. The result is a reduction in the face amount and the account value of the policy. Your clients can withdraw money from the account value, subject to the available net cash surrender value, but withdrawals in excess of the basis (cumulative premium amount) can be taxed. Unlike a policy loan, taking a partial withdrawal lowers the account value, which lowers the amount on which interest is earned.

A SOURCE OF INCOME IN CASE OF CHRONIC OR TERMINAL ILLNESS

The BenefitAccess Rider (BAR) provides clients the option to accelerate their policies' death benefits if they become chronically or terminally ill and meet the terms of the rider. BAR offers your clients:

- The **ability to advance** up to 100% of the policy's death benefit, once qualified.
- **No restrictions** on how the benefits are used.
- Assurance that the **policy will not lapse** while receiving BAR benefits.

See last page for more information on BAR.

Of course, it's important to remind your clients that the death benefit is the main reason they are purchasing life insurance. Make it clear that taking loans or withdrawals from cash value or accelerating the death benefit will reduce the amount that will go from the policy to their beneficiaries. And, in the case of accelerating the death benefit, it may even be eliminated.

0304133-00003-00 Ed. 10/2017 Exp. 10/09/2018

Responding to Your Clients' Questions

During this conversation, your clients will surely have questions. Providing them with the answers they need isn't a challenge when you're ready with the answers. We packaged the more common questions clients ask about both the options of taking withdrawals or taking loans from cash value and the option of BAR, along with how to respond to them in a meaningful way.

CLIENT QUESTION	YOUR RESPONSE	BENEFITACCESS RIDER	LOANS OR WITHDRAWALS
What about Medicare and Medicaid; aren't those programs available to pay for any chronic illness?	I hear this question all the time and the simple answer is "no." Medicare may help with things like a busted hip or knee replacement, but it is not designed for a chronic illness. Medicaid, on the other hand, is a government program for the indigent. It is for people who have nothing left and their final stop is a care facility like a nursing home The government recognizes that people have these expenses and in response have made changes to the tax code to offer more options for people.	X	X
Can I simply give away all my savings when and if I become chronically ill?	The thinking here is that if the person is diagnosed with Alzheimer's, they will simply give away all their assets and have Medicaid pay for the expenses that come up. It doesn't work that way. The government has strict look-back rules that can go as far back as 5 years. They will assess penalties and a formula is determined that will not allow you to use Medicaid for months or even years. The Alzheimer's example is the worst because it can last a very long time.	X	X
If I do nothing and just self-fund, which assets should I use first?	This is a great question for your tax advisor. Depending upon how or where payments are made from, there will be either a tax or investment surcharge. For example, if monies are used from a managed account, there will be some type of tax charge to surrender, either capital gains tax or ordinary income. Also, the money is not in the market and you may lose some return value. Cash value from a life insurance policy may be a better asset to use than tapping into the investment portfolio. Clients can keep their portfolios invested, which may help ensure they won't run out of money.	X	X

CLIENT QUESTION	YOUR RESPONSE	BENEFITACCESS RIDER	LOANS OR WITHDRAWALS
How much benefit should I get?	First, we need to determine how much death benefit protection you will need, then we can look at adding on a rider and determining what amount of benefit you would need. One rule of thumb is to look at your total portfolio, specifically your liquid invested assets plus any debt you may have. We also want to take a look at your existing life insurance coverage to help ensure it is still meeting your needs. Once we determine that number, we can look at how much the premium would be for an amount of life insurance equal to that number. From there, we can consider the premium for that amount of coverage and determine how we need to adjust the amount or type of coverage to find a desired premium amount. You are moving assets from one pocket to another; however, these financial instruments are long term in nature. Another way is simple math. Often times, a chronic illness can last between 6 and 10 years.[2] At first, people stay at home and work with family and caregivers. Most of the time, life isn't all that different. The cost early on can range from $25,000 to $50,000.[3] Costs are going up, as with everything. But remember, with the life policy and rider that I showed you, the money can be used for anything you wish.	X	N/A
What am I missing; why wouldn't I do it?	The reality is that not everybody can do it. There are several things to consider, such as how much death benefit protection you need, the additional cost of adding the rider, as well as whether or not you would qualify medically for it. Life insurance companies operate by the law of large numbers, which is what you are taking advantage of if you qualify. Another consideration is that, if you accelerate the death benefit for a chronic or terminal illness, there may not be any death benefit left for your beneficiaries, since it will be reduced on a dollar-for-dollar basis.	X	N/A

CLIENT QUESTION	YOUR RESPONSE	BENEFITACCESS RIDER	LOANS OR WITHDRAWALS
If I become chronically ill and start taking benefits, will I still need to pay premiums for the policy?	No, policy charges will be waived if the insured is receiving benefits. This is a great benefit vs. the self-funded plan. After 24 months on claim, this product suspends premium payments for life. Policy charges will resume if the insured comes off claim within 25 months; however, rider charges do not resume. Withdrawals are not available while a policy is on claim. While on claim, the policy is protected from lapse, through waiver of policy and rider charges. If claim continues for 25+ months, the policy is permanently protected from lapse, even if the client later comes off claim. Clients may choose to make additional premium payments during a claim, but billing and drafting is discontinued.	X	N/A

DO YOU HAVE QUESTIONS FOR US?

We're at your service and are motivated by helping you close more cases.
Email us at lifesalesdesk@prudential.com

BENEFITACCESS RIDER INFORMATION

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 otherwise meets the terms of the rider. It is not Long-Term Care (LTC) insurance. Benefits received under the rider will reduce and may deplete the death benefit. Electing this 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. Benefit payments may be made only if the payments are subject to favorable federal tax treatment. When determining whether the benefit payments will receive favorable tax treatment, the payment of benefits from all insurance policies must be considered. Benefit payments may be reduced or unavailable if they are expected to exceed the maximum amount eligible under Internal Revenue Code Section 101(g)(1) and all other applicable sections of federal law.

[1] Outstanding loans and withdrawals will reduce policy cash values and the death benefit and may have tax consequences. 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. Unpaid loans and withdrawals reduce cash values and death benefits; and may have tax consequences.

[2] Commission on Long-Term Care. Report to the Congress. September 30, 2013, p.24.

[3] https://www.thelundreport.org/content/valuing-invaluable-2015-update, accessed April 4, 2017.

Cash value life insurance policies are issued by Pruco Life Insurance Company in all states except New York, where they are issued by Pruco Life Insurance Company of New Jersey. Variable universal life insurance is offered through Pruco Securities, LLC (member SIPC). All are Prudential Financial companies located in Newark, NJ.

All guarantees and benefits of the insurance policy are backed by the claims-paying ability of the issuing insurance company. Policy guarantees and benefits are not backed by the broker/dealer and/or insurance agency selling the policy, nor by any of their affiliates, and none of them makes any representations or guarantees regarding the claims-paying ability of the issuing insurance company.

We do not provide tax, accounting, or legal advice. Clients should consult their own independent advisors as to any tax, accounting, or legal statements made herein.

Investment and Insurance Products:
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.

NOT FOR CONSUMER USE.

0304133-00003-00 Ed. 10/2017 Exp. 10/09/2018