

1035 Exchange Using Life Insurance



How to use PL Promise GUL life insurance with your clients

Goal: Get guaranteed life insurance protection without the risk of market-based losses.

Scenario

Meet Matt, age 58, married. He currently owns a \$7.77 million life insurance policy with \$2.1 million of cash value with another life insurance company. He's now exploring a more secure alternative to remove his cash value from direct market exposure. After talking with his financial professional, they determined that Matt could use a 1035 exchange to transfer his cash value into a new policy that better meets his current risk tolerance and also includes a no-lapse guarantee.



Approach

Matt applies and qualifies for PL Promise GUL at Select No Nicotine Use risk class.¹ The 1035 Exchange was processed with the \$2.1 million of cash value to the new PL Promise GUL policy. Matt chose no-lapse guaranteed coverage^{2,3} to age 95 with no additional annual premiums.



Assumptions: Male, age 58, approved select no nicotine risk class. \$7.77M level death benefit, solving for the annual premium paid through age 95 to guarantee the death benefit through age 95 (Lifetime No-Lapse Guarantee Rider).

There are circumstances in which replacing your client's existing life insurance or annuity can benefit your client. As a general rule, however, replacement is not in your client's best interest. You should make a careful comparison of the costs and benefits, including any applicable surrender charges, of your client's existing policy and the proposed policy to analyze how a replacement may affect your client's plan of insurance. You should provide this detailed information to your client and discuss whether replacement is in your client's best interest.

¹PL Promise GUL, No-Lapse Guarantee Universal Life Insurance (Form Series P18PRUL, S18PRUL, varies based on state of policy issue).

²The Lifetime No-Lapse Guarantee Rider (Form #R17LYFNL, varies based on state of policy issue) is included in the policy. Depending on how your client structures their policy, has a maximum duration of the insured's lifetime, subject to certain limits. If your client's net no-lapse guarantee value is zero, the no-lapse feature terminates. If the no-lapse feature terminates, additional premiums would be required to resume the no-lapse guarantee. If policy performance is such that your client's policy is being maintained solely by the no-lapse guarantee, your client's policy will not build cash value.

³Riders are subject to availability, restrictions, and limitations. Clients should be shown policy quotes with and without riders to help show the rider's impact on the policy's values.

Considerations

- Matt’s VUL life insurance policy may have provided higher cash value growth potential than PL Promise GUL, but his current primary concerns are death benefit protection, less market risk, and no-lapse guaranteed coverage.
- By switching to PL Promise GUL, Matt receives a Lifetime No-Lapse Guaranteed to age 95 with the flexibility to extend up to lifetime (age 121) for an additional cost.
- Matt has the option at policy issue to add on chronic illness protection,⁴ allowing partial acceleration of the death benefit while still living if he’s certified as chronically ill⁵ by a licensed health care practitioner.

Result: Matt receives the same \$7.77 million death benefit with a no-lapse guarantee and the option to add on an optional rider for chronic illness financial protection.

⁴Feature available via the optional PL Promise Chronic Illness Care Rider (Form Number R18LYCHR) that may be added at policy issue for a monthly rider charge. Benefit payments reduce the policy’s death benefit and other values under the policy. If the entire death benefit is accelerated, the policy will terminate. Regardless of the monthly election chosen, benefit payments may not exceed 100% of the IRS per diem. Benefits paid by accelerating the policy’s death benefit are intended to qualify as death benefits under section 101(g) of the Internal Revenue Code and may be excludable from your income and may not be subject to federal taxation. However, federal, state, and/ or local tax rules relating to the payment of accelerated death benefits are complex, will depend on your specific facts and circumstances, and benefits may or may not be taxable. In addition, these payments may affect eligibility for other benefits provided by federal, state, or local government including public assistance programs such as Medicaid. When benefits are received from multiple policies providing long-term care or chronic illness benefits for a given insured, including policies with different owners, all of those benefits must be aggregated to determine their taxability. Consequently, advice and guidance should be obtained from a personal tax advisor for more information. Pacific Life cannot determine whether the benefits are taxable.

⁵Chronic illness (become unable to perform 2 of the 6 activities of daily living (bathing, continence, dressing, eating, toileting, and transferring for a period of at least 90 days) or requiring substantial supervision due to severe cognitive impairment.

For questions or more ideas on how to use PL Promise GUL, reach out to your PL Promise Sales Team at (888) 900-9777 or at LynInternalSales@PacificLife.com.

Pacific Life is a product provider. It is not a fiduciary and therefore does not give advice or make recommendations regarding insurance or investment products.



PACIFIC LIFE

Pacific Life Insurance Company
(800) 800-7681 • PacificLife.com

Pacific Life Insurance Company is licensed to issue insurance products in all states except New York.

Product/material availability and features may vary by state.

The primary purpose of life insurance is protection against premature death of the insured.

Life insurance is subject to underwriting and approval of the application and will incur monthly policy charges.

The home office for Pacific Life Insurance Company is located in Omaha, Nebraska

Investment and Insurance Products: Not a Deposit	Not Insured by any Federal Government Agency	
Not FDIC Insured	No Bank Guarantee	May Lose Value