Laddering Life Insurance

How to use PL Promise[1] life insurance with your clients

PACIFIC LIFE

Goal: Get comprehensive coverage that fits the budget using a tiered approach.

Scenario

Larry, age 33, is a single parent to Lee, age 7. After talking with his financial professional[2] and using the life insurance calculator, they determined that he has a $600,000 life insurance need. His financial professional ran some numbers, mindful that Larry is on a budget.

Approach

Instead of buying one large life insurance policy, his financial professional suggests using the laddering strategy. Similar to certificate of deposit (CD) laddering, this approach involves buying smaller policies with different durations. Larry will have the flexibility to have higher life insurance coverage in the early years that tapers off as each term policy reaches the end of its level premium period as shown below.

1	**2**	**3**
Larry starts with 3 life insurance policies providing the total $600,000 coverage he needs.	At year 15, Larry steps down his coverage as he no longer needs to provide child support.	At year 30, with more assets and less financial obligations, Larry only keeps enough coverage to meet final expenses.
PL Promise Term (15-year level term): $300,000 death benefit		
PL Promise Term (30-year level term): $250,000 death benefit	PL Promise Term (30-year level term): $250,000 death benefit	
PL Promise GUL $50,000 death benefit	PL Promise GUL $50,000 death benefit	PL Promise GUL $50,000 death benefit
($600,000 total death benefit)	**($300,000 total death benefit)**	**($50,000 total death benefit)**

[1]PL Promise products: PL Promise Term level premium term life insurance (Form Series P16LYT and S16LYT10, S16LYT15, S16LYT20, S16LYT25, or S16LYT30, varies based on level premium period chosen and state of policy issue), PL Promise Conversion UL (Form Series P17LYCUL, S17LYCUL, varies based on state of policy issue), PL Promise GUL (Form Series P18PRUL, S18PRUL, varies based on state of policy issue).
[2]In order to sell life insurance, a financial professional must be a properly licensed and appointed life insurance producer.

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Cost Comparison

	Coverage	Monthly Premiums	Chronic Illness Protection[3]	Year 20 Return of Premium[4]
Option 1: Term Only PL Promise Term (30-year)	$600,000	$37.37	No	N/A
Option 2: Term + GUL PL Promise Term (15-year) PL Promise Term (30-year) PL Promise GUL	 $300,000 $250,000 <u>$50,000</u> **$600,000**	 $11.56 $19.76 <u>$52.63</u> **$83.95**	 No No Yes	 N/A N/A $9,473

Term Assumptions: Male, Age 33, Super Preferred Non Tobacco. $600,000 death benefit for option 1 and $550,000 total death benefit for option 2.

GUL Assumptions: Male, Age 33, Super Preferred Non Tobacco. $50,000 level death benefit, solving for the monthly premium paid through age 100 to guarantee the death benefit through age 100 (Flexible Duration No-Lapse Guarantee Rider (Form Number R17LYFNL varies based on state of policy issue)). Includes the PL Promise Chronic Illness Care Rider (Form Number R18LYCHR varies based on state of policy issue) with a 2% Maximum Monthly Percentage, and Maximum Initial Lifetime Benefit Amount.

Considerations

- While buying only term is more affordable, Larry wouldn't have any coverage after 30 years, leaving him financially vulnerable. Or, if he decides to continue the coverage, he would be paying substantially higher premiums each year he chooses to keep the policy.
- By adding on PL Promise GUL, Larry gets guaranteed coverage to age 90 with flexibility to extend up to lifetime (age 120) for an additional cost. He chose to guarantee the $50,000 death benefit through age 100 for only $46.58 more compared to the term only option.[5]
- Plus, with PL Promise GUL, Larry has the option to tack on chronic illness protection,[3] allowing partial access to the death benefit while still living if he's certified as chronically ill by a licensed health care practitioner. He may also opt to use the policy's return of premium feature[4] in the future if he no longer needs the coverage.

Result: Larry saves on life insurance premiums while still having a more comprehensive coverage with future flexibility.

Note

This strategy may not be a good fit for everyone. Do due diligence to help ensure that the strategy aligns with your client's financial objectives. Remember, your client may not have any life insurance coverage once the term policy ends so, plan accordingly.

[3]Feature 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.
[4]Feature available via Enhanced Surrender Value Rider (Form Number R17LYESV). Included in the policy at no additional charge if initial minimum premium requirements are met.
[5]Premium savings will vary depending on the insured's underwriting risk class as well as financial underwriting.

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

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