

# Indexed Universal Life Insurance

A Cash Value Life Insurance Policy



A Transamerica Company

A close-up photograph of a young child with dark, curly hair, smiling broadly. The child is wearing a bright yellow, ribbed sweater. They are leaning their head against a white, curved surface, possibly a car door or a window frame. The background is dark and out of focus.

Life insurance  
can provide your  
family with **peace**  
**of mind.**

# Indexed Universal Life Insurance

Protecting your loved ones' futures with life insurance can be the cornerstone to a sound financial strategy.

Determining what type of life insurance is right for you, however, isn't always easy: should you select term insurance or should you choose a permanent policy that has the potential to grow in value over time?

Indexed Universal Life (IUL) insurance is one option that includes a cash value component and allows policy owners to direct net premiums to a choice of a fixed interest account and/or index accounts.

Following is a high-level overview of IUL insurance to see if it may be an option to consider.

## What is IUL Insurance?

IUL is a life insurance policy that provides a death benefit. It is not a short-term savings vehicle nor is it ideal for short-term insurance needs. Designed for long-term coverage, IUL insurance should only be purchased if you have the financial means to keep the policy in force for a substantial period of time.

An IUL policy offers:

- A tax-free death benefit
- Tax-deferred growth potential, although cash value growth is not guaranteed
- Tax-advantaged withdrawals and loans
- A guaranteed minimum interest rate based on the claims-paying ability of the issuing insurance company

Interest is credited to index accounts based, in part, on changes in a specified market index or indexes between certain time periods. Additionally, depending on the product and the insurance company, there may be other elements included in the formula that determines index interest. Generally, interest may be credited up to a certain maximum rate, usually referred to as a cap, or the company may specify a participation rate. Caps, participation rates and other non-guaranteed components of the formula for index interest are set by and at the discretion of the insurance company and are subject to change.

IUL insurance policies do not invest in the stock market or indexes, but offer a choice of fixed accounts and indexed accounts based on market indexes such as the S&P 500®, the Dow Jones Industrial Average, EURO STOXX 50®, Hang Seng or one of several other indexes.

## Guaranteed Floor

Index changes can be positive or negative. With an IUL insurance policy, you won't be credited less than the policy's guaranteed minimum interest rate, or "floor." This ensures that the policy is never credited a negative rate of interest.

Avoiding loss is beneficial to your overall financial strategy, so the floor provides downside protection for the index account if there is a negative change in the index.

## Fees and Charges

Life insurance fees and charges are based on several factors such as the age, gender, lifestyle and health of the insured person. Generally, the cost of insurance is higher at older ages.

IUL fees and charges can include:

- The monthly cost of insurance
- Policy and rider charges
- Administrative charges
- Premium expense charges

Additionally, if a policy is surrendered during the first several years (generally the first 10 to 20 years), charges may apply.



# IUL and Taxes<sup>1</sup>

Following are some of the tax advantages and consequences of an IUL insurance policy:

- The guaranteed death benefit passes to the beneficiary federal income tax free
- The policy's premiums are not tax deductible
- Transfers within the policy can be made tax-free: the policy value may be moved between the index account(s) and the fixed account several times per year depending on the policy's restrictions
- Any earnings grow tax deferred, however taxes on any overall gain are due if the policy is surrendered or lapses
- Generally, once the policy's cash value is sufficient, the policy owner can take a tax-free loan from the policy<sup>2</sup>, however:
  - The policy death benefit and cash value are reduced by the amount of any outstanding loan and interest charges apply
  - If the policy is surrendered or lapses while there is an outstanding loan, taxes will be due to the extent the loan exceeds the cost basis of the policy
- Partial surrenders (withdrawals) are also available but are subject to limitations

# IUL Features

When considering an IUL, some features to keep in mind include:

- A cap or participation rate applies to the interest rate determined for the policy's index accounts
- There is the potential for tax-deferred cash value accumulation to use later in life
- There are policy riders available to customize a policy to help meet long-term objectives, but, generally, they are an additional cost
- IUL policies are not an investment in the stock market and do not participate in any stock or equity investment
- Costs, which are higher than term insurance, can include:
  - Premium expense charges
  - Per unit charges
  - Administrative charges
  - The cost of insurance
  - Costs attributed to riders or surrender charges

<sup>1</sup>Neither World Financial Group Insurance Agency, LLC nor its agents may provide tax or legal advice. Anyone to whom this material is promoted, marketed or recommended should consult with and rely on their own independent tax and legal professionals regarding their particular situation and the concepts presented herein.

<sup>2</sup>Loans, withdrawals and death benefit accelerations reduce the policy value and death benefit. Withdrawals may be subject to partial surrender charges if they occur during a surrender charge period and result in a face amount decrease. Provided the policy is not and does not become a modified endowment contract (MEC), 1) withdrawals are tax-free to the extent that they do not exceed the policy basis (generally premiums paid less withdrawals) and 2) policy loans are tax free as long as the policy remains in force. If the policy is surrendered or lapses, the amount of the policy loan is considered a distribution from the policy and is taxable to the extent that such a loan, plus the other distributions at that time, exceed the policy basis.



Your WFGIA licensed agent can help determine if an IUL policy is a good fit for you.

A photograph of a pregnant woman from the side, wearing a black and white horizontally striped shirt. She is holding her pregnant belly with both hands. The background is a bright, slightly blurred indoor setting.

## What's Next?

If you are considering an IUL insurance policy, make sure you read the consumer brochure for the specific product you're considering, and that you thoroughly understand the features, benefits and costs associated with it. Your WFGIA licensed agent can provide you with more information about the features and benefits, answer any questions about the policy and help you determine if IUL insurance is suitable for your needs. Additionally, the agent can provide you with information on other types of life insurance that may be right for you.

**This brochure is intended to provide a general overview of indexed universal life insurance and does not represent any particular product or insurance company.**

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