

CASE STUDY: SPLIT 1035 SALES STRATEGY

Maximizing future long-term care and death benefit needs with 1035 dollars

Planning for future care needs is a top concern as people age. One of the options to help clients alleviate this concern is to look at products with chronic illness (CI) or long-term care (LTC) coverage.

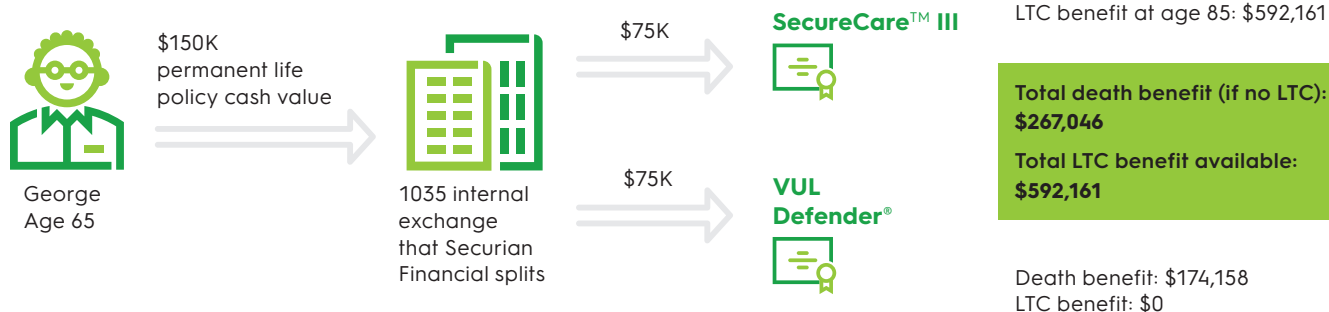
Many products can provide CI or LTC coverage in addition to a death benefit. If your client has an existing life insurance policy that no longer meets their needs, consider using a 1035 exchange to help them repurpose their old policy into two new policies that will help them secure both their death benefit and future care needs.

Securian Financial is one of the few carriers that accepts a 1035 exchange and will split the 1035 funds in-house. This can be an effective tool to customize your clients' policies so they can receive more death benefit and LTC coverage than a single policy may provide.

Example:

George, age 65, is married and in good health. He wants to protect his wealth and pass on a legacy to his family. He has \$150,000 in cash value with his existing life insurance policy that he wants to use to maximize his LTC/CI coverage and have a death benefit to pass on to his family. He does not want to pay additional premiums but rather leverage the existing value of his old policy to meet his goals. His financial professional discusses an option to use a 1035 exchange and split the funds into two policies to maximize his LTC/CI and death benefits.

Internally split 1035 exchange



Learn more

Call our sales team to see how a split 1035 may work for your clients to maximize their death benefit and provide funds for future care needs.

1-888-413-7860, option 1
 (Independent brokerage)

1-877-696-6654
 (Broker-dealer)

With this example, George can use his 1035 amount of \$150,000 and Securian Financial can split it into two policies, \$75,000 premium for SecureCare™ III, a nonparticipating whole life insurance policy with LTC with the 5 percent simple inflation option, and \$75,000 to one of our protection focused life policies, such as our VUL Defender. If he needed long-term care, at age 85, he would have nearly \$600,000 in LTC benefits available from his SecureCare III policy. Alternatively, if he uses all of his LTC benefit and passes away he still has over \$174,000 of death benefit from his VUL Defender policy, as well as the minimum death benefit in his SecureCare III policy, to leave to his family. Ultimately, this 1035 exchange would unlock the possibility of nearly \$270,000 in death benefit between both policies (if he didn't use the LTC coverage) or nearly \$600,000 in LTC benefits.

If your client is looking for LTC/CI coverage in addition to a death benefit and has existing 1035 dollars to achieve that goal, splitting that amount to maximize their coverages is a great option.

Case ID: 26821684 VUL Defender (NT plus; solve for max No Lapse Guarantee).

Case ID: 26821074 SecureCare™ III (NT Couples discount; 6 year benefit period).

This hypothetical example is for illustrative purposes only.

Please keep in mind that the primary reason to purchase a life insurance product is the death benefit.

Life insurance products contain charges, such as Cost of Insurance Charge, Cash Extra Charge, and Additional Agreements Charge (which we refer to as mortality charges), and Premium Charge, Monthly Policy Charge, Policy Issue Charge, Transaction Charge, Index Segment Charge, and Surrender Charge (which we refer to as expense charges). These charges may increase over time, and these policies may contain restrictions, such as surrender periods. Variable life insurance products contain fees, such as mortality and expense charges, and may contain restrictions, such as surrender periods. There may also be underlying fund charges and expenses, and additional charges for riders that customize a policy to fit individual needs. Charges and expenses may increase over time. The variable investment options are subject to market risk, including loss of principal.

Insurance policy guarantees are subject to the financial strength and claims-paying ability of the issuing insurance company.

SecureCare III may not be available in all states. Product features, including limitations and exclusions, may vary by state.

SecureCare III includes the Acceleration for Long-Term Care Agreement and Extension of Long-Term Care Agreement. These two agreements are tax qualified long-term care agreements that cover care such as nursing care, home and community-based care, and informal care as defined in the agreement. These agreements provide for the payment of a monthly benefit for qualified long-term care services. These agreements are intended to provide federally tax qualified long-term care insurance benefits under Section 7702B of the Internal Revenue Code, as amended. However, due to uncertainty in the tax law, benefits paid under these agreements may be taxable. Please ensure that your clients consult a tax advisor regarding long-term care benefit payments, or when taking a loan or withdrawal from a life insurance contract.

The optional Long-Term Care Inflation Protection Agreement is available with 3% simple interest, 3% compound interest, 5% simple interest or 5% compound interest.

Additional agreements may be available. Agreements may be subject to additional costs and restrictions. Agreements may not be available in all states or may exist under a different name in various states and may not be available in combination with other agreements.

The death proceeds will be reduced by a long-term care or terminal illness benefit payment under this policy. Clients should consult a tax advisor regarding long-term care benefit payments, terminal illness benefit payments, or when taking a loan or withdrawal from a life insurance contract.

This information should not be considered as tax or legal advice. Clients should consult their tax or legal advisor regarding their own tax or legal situation.

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