

5 Living Benefits Available With IUL Products

Indexed universal life products can do more than protect the clients against the risk of death.

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When it comes to talking to your clients about life insurance, there's no doubt most would rather focus on maximizing their lives today versus thinking about protecting their financial future, if the unexpected happens. For example, a recent consumer survey by Voya Financial found that almost half (45%) of Americans were willing to sacrifice their financial security if it meant keeping their smart phones, cars and vacations.

It's clear people today are very much interested in living in the now — but that doesn't make owning life insurance any less important when it comes to protecting their loved ones. Plus, life insurance is an important piece of any holistic financial plan. So how do you broach what is often a dreaded conversation and get your clients to pay attention? Perhaps it's time to flip the script. While death benefit protection is the foundation of any life insurance policy, focusing on the additional living benefits can make for a much more upbeat and positive conversation. Plus, it's a message that appears to be resonating with more and more Americans.

For example, indexed universal life (IUL) insurance is one of the fastest growing products in the industry, with sales increasing 9% annually since 2013, according to LIMRA. What makes this product so attractive? The flexibility and versatility it can offer clients. And perhaps the biggest selling point is the ability to generate cash value inside the IUL policy that can be used in a number of ways.

Admittedly, an IUL policy is not right for everyone. But given this recent sales trend, if you're not offering this solution to your clients, perhaps it's worth another look. More than likely, your clients understand life insurance death benefits can help protect their loved ones from being put in a precarious financial position. But most probably don't realize how an IUL policy can help them — the insured — while they're still alive. Here's a list of five possible living benefits to highlight during your next conversation, so your clients can decide if an IUL policy is right for them.

1. Source of Cash for Financial Emergencies

If your client has a financial emergency, they could withdraw or borrow cash values from their IUL policy to meet it. In fact, they could use policy cash values for a wide variety of financial needs, including home repairs, college expenses, business operations and debt repayment. They could even use it to pay for damage from storms or natural disasters for anything that isn't covered by property and casualty insurance — like we recently saw with hurricanes Harvey and Irma.

2. Supplemental Retirement Income

When retired, your client could withdraw or borrow policy cash values to supplement income they receive from other sources, such as Social Security and pension benefits. In many instances, cash-value distributions can be income tax free as long as the policy stays in force.



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3. Funds to Help Pay Chronic Illness and Long-Term Care Costs

Many IUL policies have riders or optional living benefits that allow death benefits to be distributed before death to pay qualifying medical and long-term care costs. These are generally known as “accelerated death benefits.” They make it possible to pay critical illness and long-term care costs without forcing your client to sell other assets.

4. Waiver of All or Part of Policy Premiums

Some IUL policies have provisions that require the insurance company to take over payment of all or part of the premiums during periods when the insured is disabled (within the terms of the policy). This provision helps keep the policy in force and maintains policy cash values during times when your client might not be able to continue it themselves.

5. Protection of Policy Benefits from Claims of Creditors

Some states have laws that protect some or all of the policy death benefits and cash values from claims by potential creditors. These laws restrict creditors’ access to the policies’ values and may prevent them from seizing the IUL policy to pay off a debt. The type and amount of creditor protection varies from state to state.

While this list of possible living benefits is certainly a good start to help shift your clients’ life-insurance mindset, it’s still important not to overlook the valuable death benefits an IUL policy can provide. But hopefully by “flipping the script” and leading the conversation with how it can help them today, your clients will be more receptive and take action so they have the right financial protection in place for tomorrow.

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