SALES IDEA | Diversified Life Insurance Strategy

Layering Protection for Client Needs

Clients often have complex and changing financial needs. A diversified life insurance portfolio can help address these needs. Combining term insurance with universal life insurance creates a layering effect to meet needs of varying types and durations.

Client scenario

John (age 45) needs $1.5 million of life insurance coverage to protect his family financially at his death. He is also interested in leveraging the benefits of life insurance to accumulate additional supplemental retirement income. John has a budget and would like to keep his annual premiums under $12,000.

Death benefit needs for the next 30 years include:

- **Years 1-10 –** Income replacement, mortgage coverage, college tuitions and short-term debt
- **Years 11-20 –** Income replacement, mortgage and college tuitions
- **Years 21-30 –** Supplemental retirement income, final expenses and estate planning

INCOME REPLACEMENT (1-10 years: $1 million; 11-20 years: $400,000)	**$1 million/$400,000**
MORTGAGE COVERAGE (20 years)	**$300,000**
COLLEGE TUITIONS AND OTHER SHORT-TERM OBLIGATIONS (10 years)	**$200,000**
TOTAL NEEDED TODAY (inflation not considered)	**$1.5 million**

Diversification strategy

John purchases a $200,000 Principal Universal Life Accumulation II℠ (UL Accumulation II) policy for both death protection and cash value accumulation benefits. For the additional death benefit needs, he purchases an $800,000 Principal 10-Year Term policy and a $500,000 Principal 20-Year Term policy.

DIVERSIFICATION STRATEGY 1	
John's UL Accumulation II* • Face amount: $200,000 • Annual planned premium: $9,600 for 20 years	**Supplemental Retirement Income, Final Expenses, Estate Planning**
John's 20-Year Term* • Face amount: $500,000 • Annual planned premium: $730	**Income Replacement, Mortgage, College**
John's 10-Year Term* • Face amount: $800,000 • Annual planned premium: $683	**Income Replacement, Mortgage, College, Short-term Debt**
JOHN'S TOTAL PLANNED PREMIUM: $11,013	

* Male, Age 45, Preferred Non-Tobacco

The term policies add flexibility in meeting the total death benefit need during the time of John's peak financial responsibilities, while helping to manage the cost of insurance. If the term policies are not needed in the future, they can be allowed to lapse. If death benefit coverage is needed beyond its expiration, the term policies can be converted to a permanent life insurance policy.

Alternative strategy

While the first strategy provides a great deal of flexibility, if John seeks a simpler solution, he may consider an alternative strategy:

John purchases a $200,000 UL Accumulation II policy for both death protection and cash value accumulation benefits. For the additional death benefit needs, he purchases a $1.3 million Principal 20-Year Term policy.

DIVERSIFICATION STRATEGY 2

John's UL Accumulation II*
- Face amount: $200,000
- Annual planned premium: $9,600 for 20 years

John's 20-Year Term*
- Face amount: $1,300,000
- Annual planned premium: $1,732.50

JOHN'S TOTAL PLANNED PREMIUM: $11,332.50

Supplemental Retirement Income, Final Expenses, Estate Planning

Income Replacement, Mortgage, College, Short-term Debt

* Male, Age 45, Preferred Non-Tobacco

UL Accumulation II flexibility

To help meet his retirement goals, John could over fund the UL Accumulation II policy using an increasing death benefit and switching to a level death benefit at the end of the premium paying period. He would be able to maximize the potential of his policy by providing the death benefit to meet his needs and also create a supplemental income flow of $21,540 for 15 years.

Offer your clients a customized, diversified strategy for their life insurance to adapt to their changing needs. Recommend a permanent/term layering strategy with insurance products from the Principal Financial Group®.

Let's connect.

Call the National Sales Desk at 800-654-4278, or your Life RVP. You can also visit our financial professional website at advisors.principal.com.

In exchange for the death benefit, life insurance products charge fees such as mortality and expense risk charges and surrender fees. Guarantees are based on the claims-paying ability of the issuing insurance company.

Surrender charges and other policy charges may apply to distributions taken from the policy. If the policy is a Modified Endowment Contract (MEC), policy distributions in excess of the policy's principal may be subject to current income taxes. Withdrawals and loans may decrease the amount of death benefit and cash accumulation value.

WE'LL GIVE YOU AN EDGE®

Principal National Life Insurance Company and Principal Life Insurance Company, Des Moines, Iowa 50392-0001, www.principal.com

Insurance products from the Principal Financial Group® are issued by Principal National Life Insurance Co. (except in NY), Principal Life Insurance Co., Des Moines, IA 50392.

For financial professional use only. Not for distribution to the public.

BB11416-02 | 09/2015 | t14101502y6