



Life Paid-Up Rider

Discover the perks of an active policy.

You probably know life insurance offers security for you and your family. But are you aware it can also provide an income tax-free¹ source of cash?

One of the keys to enjoying this benefit is a feature called the Life Paid-Up Rider,² automatically included on many of our policies. Here's what you need to know about it.

What is the Life Paid-Up Rider?

When you take income from your policy, you do so using a series of withdrawals and policy loans.³ Any money you receive will be income tax-free—provided your policy remains in force (i.e., active). How can you ensure your policy stays in force? That's where the Life Paid-Up Rider comes in. It's a safeguard that keeps your policy from lapsing and helps you avoid a tax surprise.⁴

What kind of tax surprise are we talking about?

If your policy lapses, you'll be taxed on any proceeds that exceed the total amount of premiums you've paid.

How does the rider work?⁵

- The rider automatically activates when all of the following conditions are met:
 - › The ratio of loan debt to surrender value reaches the percentage specified in your policy.
 - › The insured is at least 75 years old.
 - › The policy has been in force for the minimum number of years specified in your policy.
 - › All premiums have been withdrawn from your policy.
- Then, the policy is automatically converted to a reduced paid-up status, which has the following results:
 - › The face amount is decreased.
 - › Monthly policy charges are no longer deducted.
 - › No further premium payments are due.
- There will be a one-time fee deducted from your policy value when the rider is used.

See the rider in action.

A policyholder began receiving regular payments from their policy at age 65. After 15 years, their Life Paid-Up Rider triggered since they had met all necessary conditions to use it. Here’s a summary of their policy before and after the rider was used.

	Policy value	Face amount	Loan balance	Net surrender value
Policy before exercising Life Paid-Up Rider	\$500,000	\$1,000,000	\$460,000	\$40,000
Policy after exercising Life Paid-Up Rider	\$482,500	\$506,625	\$460,000	N/A

Current policy value less one-time policy charge:
 $\$500,000 - \$17,500 = \$482,500$

New policy value multiplied by 105%:
 $\$482,500 \times 1.05 = \$506,625$
This is the reduced paid-up face amount.

This is a hypothetical example used strictly for illustrative purposes.



Contact your financial professional to learn more about how the Life Paid-Up Rider can benefit you.

Must be accompanied by one of the applicable product brochures (BB12089, BB12315, BB12042, BB12243, and BB12219) and prospectuses (LV923 and LV924).

Guarantees are based on the claims-paying ability of the issuing insurance company.

All guarantees and benefits of the insurance policy are backed by the claims-paying ability of the issuing insurance company. Policy guarantees and benefits are not obligations of, nor backed by, the broker/dealer and/or insurance agency selling the policy, nor by any of their affiliates, and none of them makes any representations or guarantees regarding the claims-paying ability of the issuing insurance company.

- ¹ As long as the policy isn't classified as a Modified Endowment Contract (MEC).

² Availability varies by state.

³ Surrender charges and other policy charges may apply to distributions taken from the policy. Partial surrenders and policy loans may decrease the amount of death benefit and cash value.
- ⁴ The Internal Revenue Service has not taken a position on the Life Paid-Up Rider. You should consult your tax advisor prior to this rider being exercised.

⁵ The policy rider description listed is not intended to cover all restrictions, conditions, or limitations that may apply. See the rider descriptions for full details, state variations, and availability.

principal.com

Insurance products issued by Principal National Life Insurance Company (except in NY), Principal Life Insurance Company®, and the companies available through the Preferred Product Network, Inc. Plan administrative services provided through Principal Life Insurance Company®. Referenced companies are members of the Principal Financial Group®, Des Moines, IA 50392.

The subject matter in this communication is educational only and provided with the understanding that Principal® is not rendering legal, accounting, investment, or tax advice. You should consult with appropriate counsel, financial professionals, and other advisors on all matters pertaining to legal, tax, investment, or accounting obligations and requirements.

Not FDIC or NCUA insured
May lose value • Not a deposit • No bank or credit union guarantee
Not insured by any Federal government agency

Principal®, Principal Financial Group®, and Principal and the logomark design are registered trademarks of Principal Financial Services, Inc., a Principal Financial Group company, in the United States and are trademarks and service marks of Principal Financial Services, Inc., in various countries around the world.