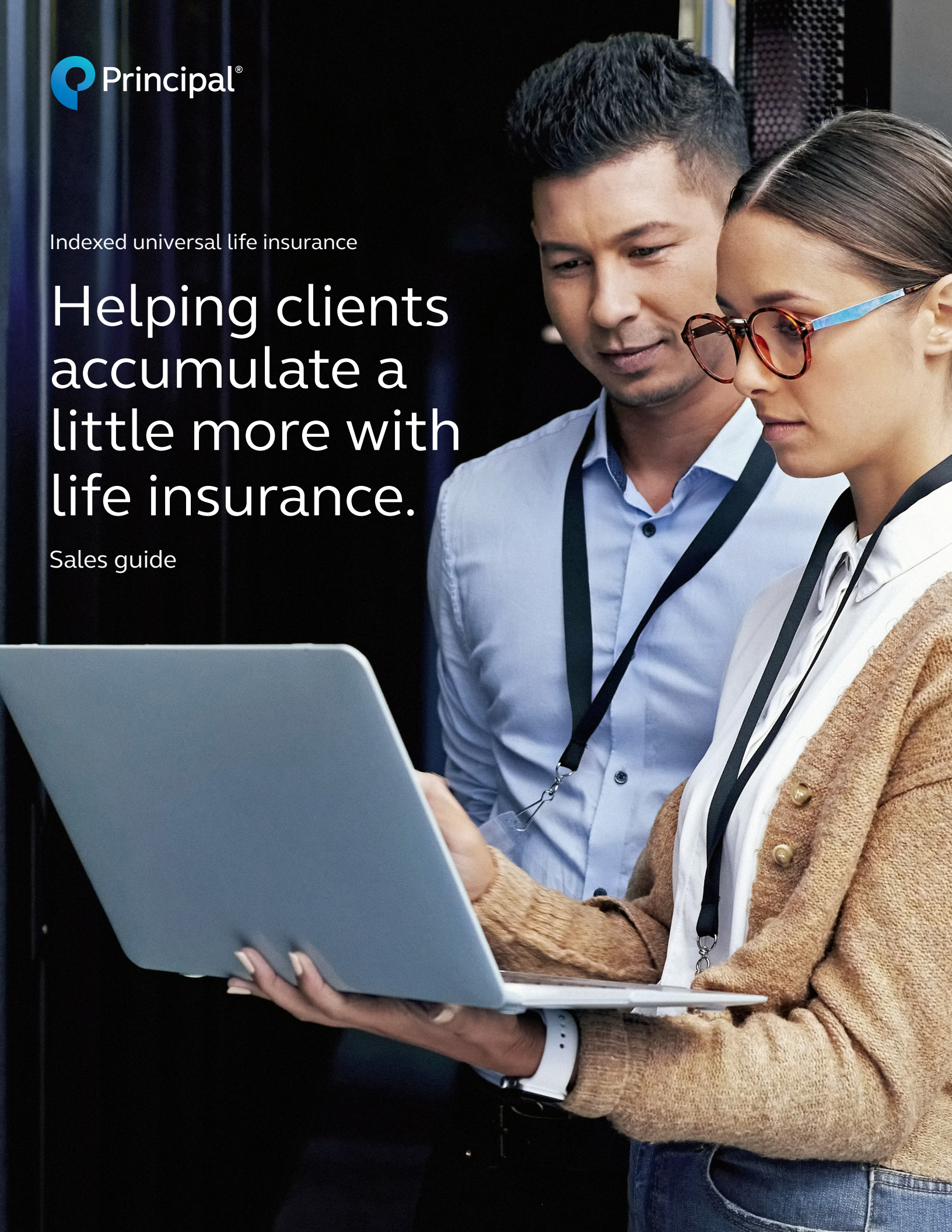
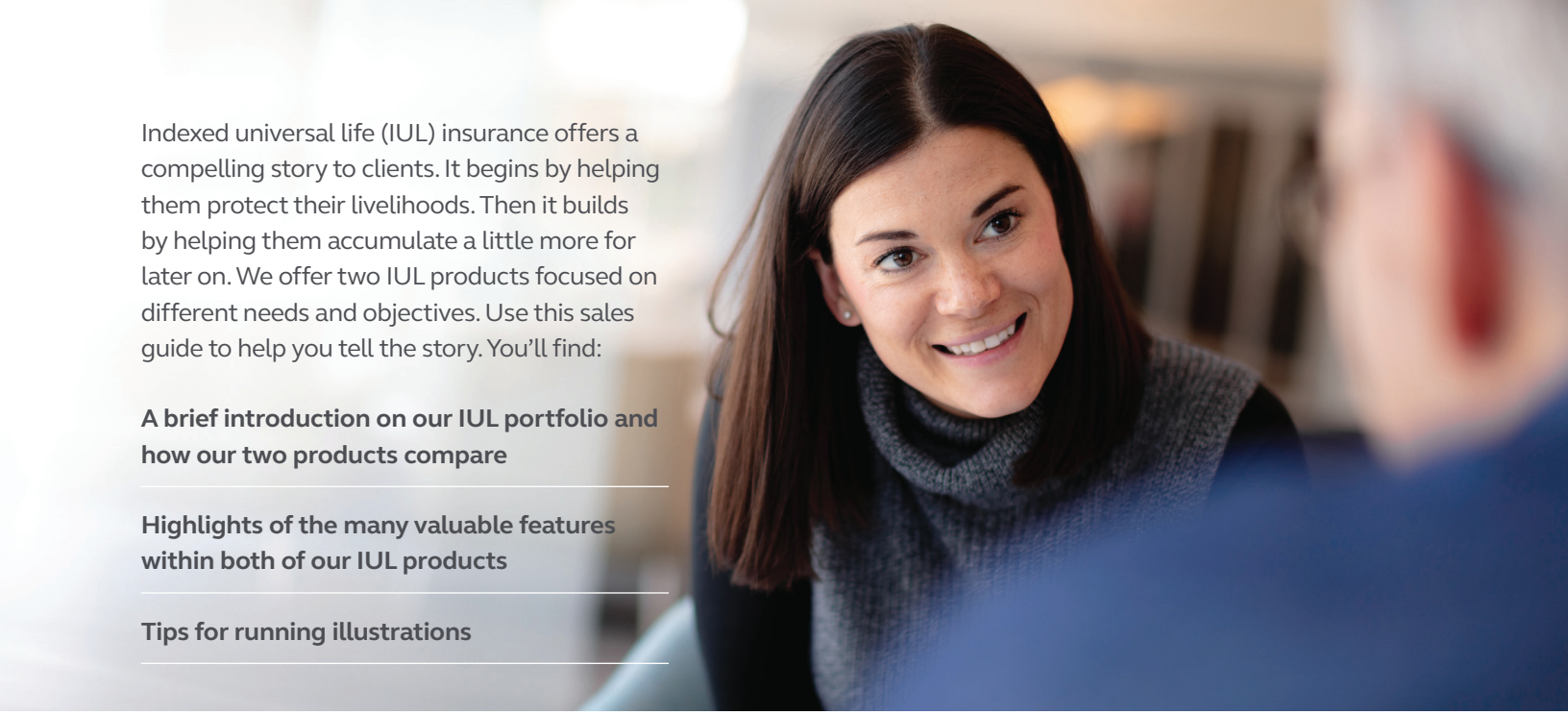
Principal®

Indexed universal life insurance

# Helping clients accumulate a little more with life insurance.

Sales guide





Indexed universal life (IUL) insurance offers a compelling story to clients. It begins by helping them protect their livelihoods. Then it builds by helping them accumulate a little more for later on. We offer two IUL products focused on different needs and objectives. Use this sales guide to help you tell the story. You'll find:

**A brief introduction on our IUL portfolio and how our two products compare**

**Highlights of the many valuable features within both of our IUL products**

**Tips for running illustrations**

# Our IUL portfolio

Do your clients know how life insurance can provide protection for today and help create a brighter future?

- A tax-free life insurance benefit helps ensure the financial security of the business or loved ones.[1]
- Cash value accumulates tax-deferred, so it grows faster than if it were taxed each year.
- Withdrawals and policy loans are generally received income tax-free.[2]
- Unlike 401(k) plans, there are no income-based limits on how much money can be put away.
- Living benefits may help provide for medical care expenses.

## Why IUL?

When it comes to opportunity and security, IUL insurance offers a lot:

- Growth in policy values is linked to stock market index performance without direct market participation.
- Values are protected against index loss with a guaranteed minimum rate.
- Asset and tax diversification within a portfolio is increased.

## Offer clients options.

- **Principal Indexed Universal Life Accumulation II℠ (IUL Accumulation II)** offers features that focus on growth and income.
- Cost-effective coverage with efficient cash value growth is what you get with **Principal Indexed Universal Life Flex II℠ (IUL Flex II)**.

| | IUL Accumulation II | IUL Flex II |
|---|---|---|
| Target ages | 35-55 | 35-65 |
| Expected funding | Close to maximum non-MEC level | Up to 1-2 times target premium |
| Needs | • Executive benefits<br>• Supplemental income and college funding for business owners | • Business protection and business succession<br>• Wealth transfer and income replacement for business owners |

# Features of our IUL products

## Smart options for cash value growth

### S&P 500® Price Return Account (excludes dividends)

Uses one-year point-to-point interest crediting where the beginning index value is compared to the ending index value to determine the percentage change, subject to a cap and a zero percent floor.

*Two points of measurement means this account often excels in upward trending markets.*

### S&P 500® Price Return High Cap Account (excludes dividends)

Interest is credited in the same manner as the S&P 500 Price Return Account. However, this account has an annual segment charge in return for a higher cap rate. The higher cap rate can make this appropriate for clients who are optimistic about the market

*The higher cap rate can make this appropriate for clients who are optimistic about the market*

### S&P 500® Total Return Account (includes value of reinvested dividends)

Uses one-year  monthly average crediting where the beginning index value is compared to the average of the 12 monthly index values to determine the percentage change, subject to a cap and a zero percent floor.

*Monthly averaging plus the value of reinvested dividends helps this account potentially perform well in more volatile markets.*

### Fixed Account

Provides an attractive option for those who like the security of having some portion of their cash value earning a competitive, consistent rate of return.

## Choice of allocation strategies to fit your clients' needs

| | Premium allocation | Benefit | Client profile |
|---|---|---|---|
| **Strategy 1 –** Select Choice | 100% to one index-linked account | Maximum interest credit potential | Feels strongly about short-term prospects for one of the accounts |
| **Strategy 2 –** Blend | A split between index-linked accounts | Diversifies index-linked returns | Values a diversified approach |
| **Strategy 3 –** Protection+ | A percentage directed to the Fixed Account and the remainder to one or more index-linked accounts | Raises the overall floor rate by mixing the fixed account's 1% guaranteed rate with the index-linked account(s) | More conservative and looking for less interest rate volatility |

## Enhanced values that reward policy owners

IUL Accumulation II policy owners get rewarded for long-term ownership with an additional 0.25% credit beginning at the end of year 11.

The **Accumulated Value Enhancement** is applied to all unloaned policy value, including any interest earned by the clients' allocated accounts, regardless of performance. And unlike many IUL bonuses, the Accumulated Value Enhancement is guaranteed as long as the Fixed Account is crediting more than the 1% guaranteed minimum.

## Streamlined underwriting

Save time with Principal Accelerated Underwriting℠. This innovative program eliminates lab testing and exams for applicants who qualify based on age, product, face amount, and personal history.

- Underwriting decisions in as little as 24 hours.[3]
- Payday for you in 10 days or less.

## Taking protection to another level

Clients interested in an additional level of security can extend death benefit guarantees on IUL Flex II beyond the base no-lapse guarantee period with the Extended No-Lapse Guarantee Rider.[4]

- For those 55 and older, adding the rider provides guarantees to life expectancy or beyond.
- And because the rider is optional, those that don't need the added protection simply don't elect it.

## A balance sheet boost for businesses

Some businesses need higher than normal cash surrender values during a policy's early years. These high early cash surrender values are carried forward as an asset, which can have a positive impact on the business balance sheet. Your clients can get values they need using the Alternate Surrender Value Rider[5] available with IUL Accumulation II.

## Preparing for the unexpected with a benefit offering simplicity and flexibility

A medical condition can pose a serious threat to your clients' financial future. Our chronic illness rider[4] allows them to accelerate a portion of the death proceeds if they experience a chronic illness.

- No cost to have the benefit.
- Automatically added to qualifying policies with no additional underwriting.
- No restrictions on using the money.
- Can accelerate the full available amount in four years or less.



Nearly **95%** of older adults have one **chronic disease;** nearly **80%** have **two or more.**[6]

## Easier access to income

Receiving income from an accumulation policy should be easy. Our IUL distribution system is built with a series of automated events that once started take care of details so you and your clients don't have to. Here's what we mean:

| | Automated event | What happens | What would happen without automated event |
|---|---|---|---|
| **1** | Income begins. | Client completes one form to receive payments as frequently as monthly. | A new request is needed each time up to 12 times per year. |
| **2** | Death benefit switches from increasing to level. | An increasing death benefit during accumulation helps build values, while changing to a level death benefit when income starts helps maximize payments. | Client identifies when to change the option. Failure to time it correctly would reduce the amount of income they receive. |
| **3** | Distributions switch from surrenders to loans. | After cost basis has been removed using withdrawals, policy loans begin. | Client identifies when to switch. Failure to time it correctly may result in a withdrawal of interest that would be taxable. |
| **4** | Income amount is re-calculated annually. | Ensures the current situation aligns with the original goal, i.e., income will last for the number of years desired. | If the policy underperforms projections, the client could be left short of meeting their ultimate goal. |
| **5** | Over-loan protection is activated. | Policy is converted to a paid-up policy when qualifying conditions are met, preventing policy lapse. | You would have an uncomfortable conversation with the client if he or she receives a Form 1099 for the taxable income received as a result of policy lapse with an outstanding loan. |

**Tip:** Electing to use withdrawals and then loans to generate an income stream is generally a more conservative and prudent approach than using loans only. Plus, removing all cost basis from the policy before taking loans allows the Life Paid-Up Rider to activate when other conditions are met. Our illustrations default to the "withdrawals first and then loans" approach.

Withdrawals and loans may decrease the amount of death benefit and cash accumulation value.

## Choice of loan options offering predictability and opportunity

| | Standard policy loan | Alternate policy loan |
|---|---|---|
| Availability | IUL Accumulation II, IUL Flex II | IUL Accumulation II |
| Loan charge rate | Fixed | Fixed |
| Loan credit rate | Fixed | Rate earned by allocated accounts |
| Is loaned amount part of accumulated value? | No. A loan account is created as collateral for the loan. | Yes. The policy's accumulated value serves as collateral for the loan. |
| Advantages | Has a predictable cost | May result in a lower net cost than standard loans |
| Considerations | Loaned amount(s) not eligible to earn index credits | Credit rate may be worse than expected due to index volatility |

Clients can take advantage of the interest rate predictability of fixed loans or the interest rate opportunity of alternate loans. Find the loan that meets your clients' needs and risk tolerance.

**Tip:** Electing either standard or alternate loans does not lock the client into that decision. While a policy can only have one type of loan outstanding at any given time, the client may switch from one loan type to the other once per policy year.

## Are your clients receiving all they could be?

Index-linked interest gets applied at the end of each one-year index segment. So what happens to value removed for monthly policy charges or for withdrawals taken prior to year end? With some IUL policies, the client forfeits interest the money withdrawn would have earned while it was in the account, whether that was one day or 364 days.

We believe the client should receive credit for the time the money was in the segment. It's called an adjusted segment balance approach. The example below shows the difference between this approach and the one where interest is forfeited.

| | Value in segment at beginning of year 1 | Partial surrender at end of month 6* | Index-linked rate credited at end of year 1** | Index-linked interest applied to segment*** |
|---|---|---|---|---|
| Principal® approach | $10,000 | $5,000 | 8% | $600<br>($10,000 x .5 year) +<br>($5,000 X .5 year) =<br>$7,500 x 8% |
| Other approach | $10,000 | $5,000 | 8% | $400<br>($5,000 x 8%) |

* Adjusted segment balance is based on the exact number of days money withdrawn is in the segment.

** Assumes one-year segment duration and any applicable participation rate, cap rate and spread (if applicable) have been applied to the index-linked rate.

*** Doesn't take into consideration any monthly policy charges.

This is a hypothetical example only to illustrate the concept of adjusted and non-adjusted segment balance. An adjusted segment balance is a reference value only used to determine the amount of interest applied to each segment. In other words, it is not a value that is accessible via partial surrenders or loans. If a segment value is zero at segment maturity, the adjusted segment balance will also be zero.

Our approach keeps more money in your client's pocket!

# Sell it today!

## Illustrate the possibilities.

As a professional, you want to present illustrations to your clients that you feel good about. We're committed to delivering illustrations that promote integrity and transparency to help your clients understand and appreciate the important steps you're preparing them to take. Consider these tips:

- Show multiple illustrations so clients understand possibilities.
  - We don't know what the actual performance will be for a policy, but we do know it's unlikely actual performance will exactly match that of an illustration.
  - So, show a range of possibilities. They'll appreciate that you're not showing only a "best-case" scenario.
- Illustrate based on the intent. Our IUL policies are most beneficial when illustrated with the appropriate intended funding level:
  - IUL Accumulation II—Close to maximum non-MEC premium
  - IUL Flex II—Up to 1-2 times target premium
- When you run an IUL Accumulation II illustration using alternate loans, a report shows projected results at different loan crediting rates. Use this report to explain to your client the interest rate variability they may experience with alternate loans.

What are you waiting for?

**Give your clients greater opportunity with products featuring:**

- Index account option choice
- Loan choices offering predictability or opportunity
- Expedited underwriting
- Optional no-lapse guarantees to, or beyond, life expectancy
- Easier access to income
- Easy access to cash for chronic illness
- Balance sheet boost for business

## Let's connect

Call the National Sales Desk today at 800-654-4278.
Visit us at **advisors.principal.com.**

All guarantees are subject to the claims-paying ability of the issuing insurance company.

In exchange for the death benefit, life insurance products charge fees such as mortality and expense risk charges and surrender fees.

Loans and withdrawals may be subject to surrender charges and/or transaction fees and will reduce the cash value and death benefit.

[1] When life insurance is owned by an employer on the life of an employee, current tax regulation requires certain conditions and requirements be met to keep proceeds from the death benefit income tax-free. This is covered in Internal Revenue Code (IRC).

[2] Withdrawals are generally tax-free until cost basis has been recovered. Thereafter, policy loans are generally tax-free unless the policy lapses. Withdrawals and loans will reduce the policy cash surrender value and net death benefit and may cause the policy to lapse. Lapse of a life policy may cause loss of death benefit and adverse income tax consequences. A life insurance policy classified as a modified endowment contract (MEC) will have less favorable tax treatment during the life of the insured compared to other life insurance (non-MEC policies). Such tax treatment would be similar to tax treatment of a deferred annuity.

[3] Accelerated Underwriting is an expedited underwriting program offered by Principal Life Insurance Company that eliminates paramed exams and lab tests for those who qualify. Applicants may qualify based on age, product, face amount and personal history. To monitor quality and ensure solid mortality results, a small, random sample of applicants who qualify for Principal Accelerated Underwriting will go through full, traditional underwriting.

[4] Availability varies by state. Monthly policy charges will be higher when the ENLG Rider is present on a policy than they would be without the rider. Once the rider has been added to a policy, it may not be removed.

[5] Availability varies by state. Rider is only available for use on business and approved premium finance cases.

[6] NCOA Healthy Aging Fact Sheet, March 13, 2023.

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