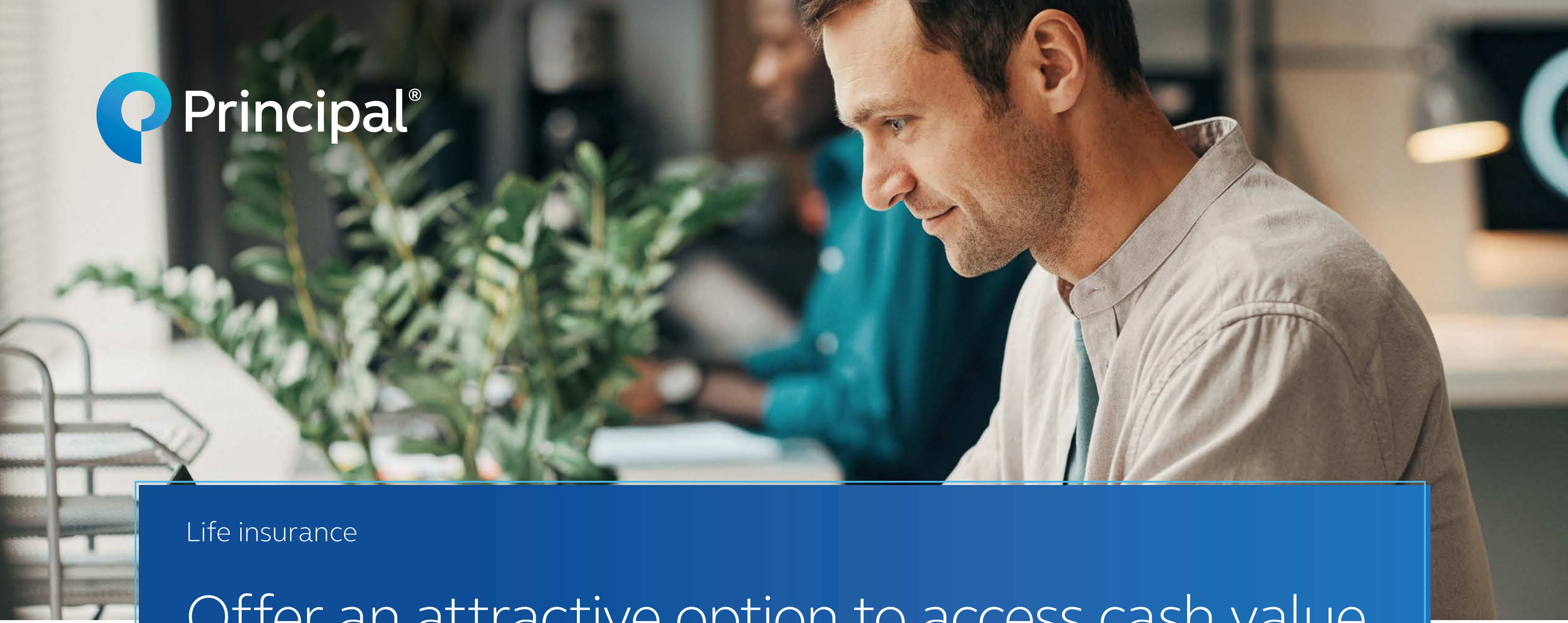

Life insurance

Offer an attractive option to access cash value.

Your clients purchase life insurance with an accumulation focus for the valuable protection it provides and the supplemental income potential it offers. Clients are busy, so when the time comes and they're ready to access the cash value they've built, they don't want to get caught up in details and a lot of paperwork. Our automated income platform[1] is built with a series of actions that once started, take care of the details so you and your clients don't have to.

Here's what we mean:

Automated event	What happens	What happens 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 helps build values during accumulation, then switching to a level death benefit when income starts helps maximize payments.	Client notifies the carrier when to change the option. Failure to time it correctly reduces the amount of income received.
3 | **Distributions switch from surrenders to loans.**[2]	After cost basis has been removed using withdrawals, policy loans begin.	Client identifies when to switch. Failure to time it correctly can result in withdrawal of taxable gain.
4 | **Income amount is re-calculated annually.**	Helps ensure 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 the goal.
5 | **Over-loan protection is activated.**[3][4]	Policy is automatically converted to a paid-up status when qualifying conditions are met, thus preventing policy lapse.	Policy can lapse due to over-loan and the client receives a Form 1099 for the taxable gain.

Automated distributions help clients turn accumulated values into a tax-free[5] income stream!

Automation may be worth more than you think

Policy illustrations assume the five actions outlined on the previous page take place as illustrated. You might assume that given the importance of these actions the insurer automatically takes care of them. The reality is few carriers automate these actions, leaving it to you and your client to ensure things happen how and when they should. See what happens when reality differs from assumptions in this hypothetical story.

Surprise tax leads to a mad Max

- Max needed life insurance protection for his family and also wanted an option to supplement his retirement income.
- His financial professional prepared illustrations of a couple of policies. Max felt the one showing the greatest income would be the best choice. So at age 45, he purchased a policy from Fictional Life Insurance Company (Fictional Life).
- His illustration showed:
  - $1,000 per month premium payment for 20 years
  - Monthly income ($33,000 annually) starting at age 66 and going for 15 years, with partial surrenders happening first, then switching to policy loans

All went well until age 73…

How distributions looked in Max's scenario

Age	Partial surrender ($)	Annual loan ($)	Taxable income ($)
66	33,333	0	0
…	…	…	…
73	**33,333**	**0**	**26,667**
74	**11,111**	**22,222**	**11,111**
75	0	33,333	0
…	…	…	…
80	0	33,333	0

Cost basis was gone by April. Unfortunately for Max, Fictional Life doesn't have an automated switch from surrenders to loans, so withdrawals continued to be made for the remainder of the year.

Result: $26,667 of taxable gain withdrawn.

Max got a surprise when he received a Form 1099 for the previous year's gain. By the time he got advice from his tax professional and switched surrenders to loans, it was April.

Result: additional $11,111 of taxable gain withdrawn.

Fast forward a few years…

- Max is now age 81, and it's time for the over-loan protection rider since he received his final payment.
- Fictional Life doesn't automatically start the rider. They mail a letter to notify Max it can be activated—for a fee.
- Max doesn't realize the impact of failing to initiate the rider—he ignores the letter and the policy lapses at age 90 with a loan of nearly $400,000.

How Max's policy ended:

Age	Death benefit ($)	Taxable income ($)
81	100,000	0
…	…	…
90	**0**	**400,000**

Max faces a frustrating situation as the policy lapses with an outstanding loan leaving him with **no coverage** and a **$140,000[6] tax bill**

This example is for illustrative purposes only. It is not a promise, or a guarantee of the results shown.

Choose a valuable option to prepare for a better outcome

Max and his financial professional assumed Fictional Life would handle the income administration. But its lack of automation resulted in tax liabilities for Max that took a big bite out of what he received. See the true worth of an automated income platform when you compare Max's final outcome to how it could have been with income automation—like Principal® features.

		Max's final outcome ($)	Alternative with income automation ($)
15-year income received		500,000	500,000
Less taxes paid			
For gain withdrawn at age 73/74	9,444[7]		
For gain at policy lapse	+ 140,000[6] =	149,444	0
Net proceeds		**350,556**	**500,000**

Take service to another level with an income reality checklist

How can Max's fate be avoided? When comparing products, look beyond illustrated values and use the income reality checklist below to understand how assumed actions in a policy illustration are actually administered. Run the other products you're considering through the checklist and fill in the blanks below—it can help protect the client, and you, from unwelcome surprises.

Principal	Other products	
☑	__________	Automatically continues income payments without additional requests?
☑	__________	Automatically changes death benefit from increasing to level when income starts?
☑	__________	Automatically switches from withdrawals to policy loans when cost basis is gone?
☑	__________	Automatically re-calculates income annually when maximum amount is requested?
☑	__________	Automatically initiates over-loan protection rider when triggering events occur?

With Principal accumulation products, you get a comprehensive platform that helps turn illustration assumptions into reality—automatically managing actions to help maximize income, prevent a surprise tax bill, and offer convenience for you.

Let's connect

Call the National Sales Desk today at 800-654-4278, or your Life RVP.
Visit us at **advisors.principal.com**.

(1) Automated distributions available on all cash-value products from Principal, except Principal Universal Life Provider Edge II℠.

(2) Policy loans and surrenders may reduce the face amount of the policy, and surrender charges may apply.

(3) Rider availability varies by state.

(4) This is a free rider until activated. There is a charge for this rider when it is used.

(5) 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.

(6) Assumes 35% income tax rate.

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