Death Benefit Option 3

Show clients why it's good to have options.

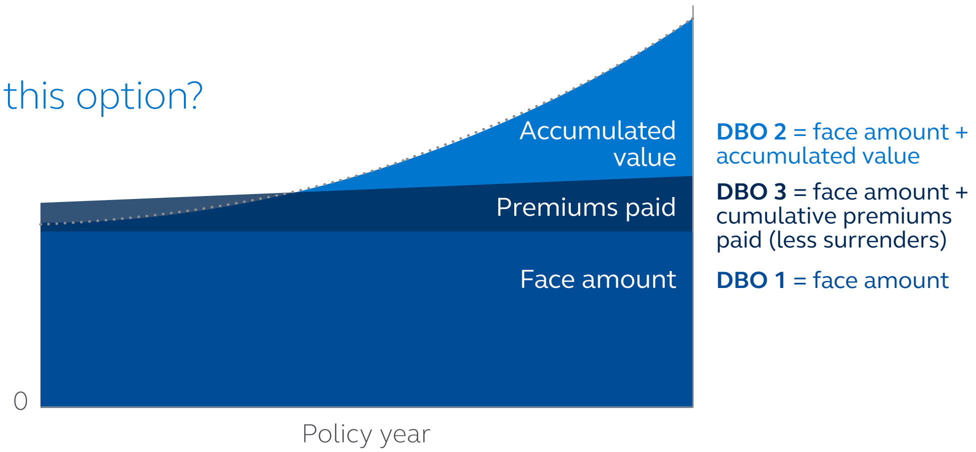
Life is better when you have choices—and so is life insurance. Many universal life policies offer two death benefit options, but you can deliver a third: Death Benefit Option (DBO) 3.[1]

What is DBO 3?

It allows a beneficiary to receive the policy face amount plus total premiums paid less withdrawals.

Who should consider this option?

Clients who value death benefit coverage more than cash-value growth and are comfortable paying a larger premium in exchange for a higher benefit amount.



What are the advantages?

- **Policy reimbursement.** DBO 3 provides policy cost reimbursement for clients who are concerned that premiums paid will reduce the net assets available to transfer. For example, assume a hypothetical scenario with a $500,000 policy:
  - **Using DBO 1.** The beneficiary receives a death benefit of $500,000, but if total premiums paid were $200,000, the net amount received would be $300,000.
  - **Using DBO 3.** The beneficiary receives the $500,000 face amount plus premiums paid. If the premiums paid were, say, $260,000, the beneficiary would receive a total of $760,000.
- **Single life estate tax option.** The premium is gifted into a trust and, upon the insured's death, recovered income tax-free and often estate tax-free.
- **Key person insurance.** If a covered employee dies, the business has 100% cost recovery.
- **Buy-sell strategy.** A business partner can recoup premiums and still have funds for the buyout.
- **Endorsement split dollar.** Parties to the agreement share equally in policy cost reimbursement.
- **Enhanced rate of return.** DBO 3 can boost a policy's Internal Rate of Return[2] (IRR) in later years.

DBO 1 vs. DBO 3: rates of return over time

Consider showing clients how DBO 3 can yield a competitive IRR in later years.

	DBO 1			DBO 3		
End of year age	Annual premium ($)	Death benefit ($)	Before-tax IRR equivalent[4] (%)	Annual premium ($)	Death benefit ($)	Before-tax IRR equivalent[4] (%)
50	6,000	500,000	152.8	6,000	530,000	156.7
70	6,000	500,000	11.1	6,000	650,000	13.3
83 (LE)[3]	6,000	500,000	4.9	6,000	728,000	7.0
90	6,000	500,000	3.3	6,000	770,000	5.4

Hypothetical example only to show the Internal Rate of Return. Based on $500,000 Principal Universal Life Flex III[SM], 45-year-old male, Standard Non-Tobacco, annual premiums paid to age 90.

In this scenario, the IRR for DBO 3 becomes greater than that of DBO 1 at age 50.

Let's connect

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

[1] Available only with Guideline Premium Test. Offered on all currently sold products except Principal Term and Principal Universal Life Provider Edge II[SM].

[2] IRR represents the rate of return that a policy's net premiums must earn to equal the death benefit at the end of a specific year.

[3] Life expectancy (LE) for a male age 45 is age 78.

[4] Before-tax equivalent represents the rate that a taxable asset would have to earn in order to match the tax-free proceeds of life insurance. This example assumes a 25% tax rate.

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