



Principal Executive Variable Universal Life III<sup>SM</sup>

# Life insurance that works overtime for your business





# What will make a difference in your business?

You can be proud of the business you've built through a lot of hard work and a belief in what you're doing. But there are always new challenges. You're a pro at taking care of the day-to-day ones. But what about long-term challenges like:

Recruiting  
and retaining  
top employee  
talent

Preserving,  
protecting, and  
promoting the  
value of the  
business

Transitioning  
one or more  
owners from  
the business

Regardless of your needs, we can help. For over 25 years, we've worked with business owners, employers, and executives and their financial professionals to put customized plans in place to help them protect and grow their business.

## **A flexible option to finance your customized plan**

One of the decisions you'll make with your plan is how to fund the benefits. In many cases, options like company cash or taxable investments are available. Here's one more option—Principal Executive Variable Universal Life III<sup>SM</sup> (Executive VUL III). You might wonder about using life insurance. Businesses of all sizes use it because of the tax benefits and other unique features that can make life insurance an attractive financing tool.

## In this brochure:

**First**, we'll walk through the financing benefits the policy can provide.

**Next**, we'll cover some key features of the policy.

**Then**, we'll look at some policy details, including how to customize it to fit your needs.

**Finally**, we'll discuss the services that support you today and in the future.



## Life insurance offers valuable benefits.

An Executive VUL III policy provides protection with the death benefit it pays when the insured dies. And it also offers a savings component with the policy's cash value that can be accessed for a variety of business purposes. Together, these features can produce valuable benefits for your business.

### The business is protected.

Life insurance death benefit proceeds can be used to protect the business if a key employee dies. It can be used to recover plan costs, or pay a deceased executive's family as a survivor benefit.

### There are tax advantages.

- No income tax is payable on the death benefit paid to the beneficiary.<sup>1</sup>
- No current taxes are due on the policy's cash value build-up, and distributions from the policy generally are received income tax-free.<sup>2</sup>

### It can help cash flow.

Premium payment amounts can be varied, within limits, to adjust to current cash flow needs.

### The profit and loss statement can get a boost.

When a policy is owned by the business, the cash surrender value is carried on the books as an asset. This can partially or fully offset the liability. And a rider is available that can increase early year cash surrender values, providing a balance sheet boost.

Could my company benefit from a financing technique offering protection for the business, tax advantages, cash flow flexibility, and a financial statement boost?

All guarantees and benefits of the insurance policy are backed by the claims-paying ability of the issuing insurance company. They are not backed by the broker/dealer.

<sup>1</sup> 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) 101(j).

<sup>2</sup> 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.



## Here's how Executive VUL III works.

- The employer purchases or sponsors the policy.
- You'll decide the amount of coverage (death benefit) and one of three death benefit options. The death benefit option helps determine what the beneficiary will receive and the cost of the policy.
- The amount and frequency of premium payments is decided. Each payment made first goes toward covering the policy's charges and fees. Any excess amount is applied to investments you select, called sub-accounts. A fixed interest account is also available, with certain limitations<sup>3</sup>, for premium allocation.
- The policy value increases or decreases based on sub-account performance. Policy value can provide a long-term source of funds that can be accessed using partial surrenders and policy loans.
- When the insured dies, the policy's death benefit proceeds are paid to the beneficiary.

**DEATH BENEFIT  
PROTECTION**

**SAVINGS  
POTENTIAL**

**LONG-TERM  
SOURCE OF  
FUNDS**

<sup>3</sup> See the Executive VUL III prospectus for details.

# Unlock your policy's growth potential.

A key feature of the policy is the ability to direct premium payments toward sub-accounts representing many different asset classes. And you're able to change the allocations as needed. Keep in mind that there is market risk involved. The value of your accounts can grow and can also lose value.

## Choose the investment strategy that fits your objectives.

### Option 1: **Personalized**

Build a portfolio by selecting from approximately 125 investment options based on your investment objectives. You have the flexibility to move among the options as you please.

### Option 2: **Guided**

Consider the guided strategy if more help is desired. We've partnered with an industry expert to create five asset allocation models that align with specific risk profiles and objectives.

### Option 3: **Thematic**

This managed approach to investing and diversification offers two allocation approaches—one based on target retirement age and the other based on target risk profile. Investments are actively managed, so the underlying investments are constantly monitored and reallocated.

**Asset allocation** is the process of combining stocks, bonds, and cash into an investment portfolio to diversify the risk. While asset allocation and diversification don't guarantee a gain or eliminate the possibility of investment loss, they can help you reduce risk and enhance the potential of reaching your investment goals.



**You're in control** of the investment strategy. Whether you want to take a personalized portfolio approach, or one done for you, the choice is yours.

# Customize your policy with optional benefits.

Your policy offers a selection of riders<sup>4</sup> designed to expand or enhance the coverage..

## **BASE RIDERS:** Automatically included on the policy, subject to state availability.

### **Change of Insured Rider**

Permits replacement of original insured with a new insured. This may cause a taxable event.

### **Life Paid-Up Rider**

Protects the policy from lapsing due to a large policy loan, subject to conditions of the policy. There is a charge if used.

## **OPTIONAL RIDERS:** May be added to your policy at a cost, subject to state availability.

### **Death Benefit Guarantee Rider**

Ensures coverage remains active during the guarantee period as long as the cumulative Death Benefit Guarantee premium is met.

### **Enhanced Cash Surrender Value Rider**

Can be used to increase cash surrender values and improve the balance sheet assets.

### **Supplemental Benefit Rider**

Allows coverage to be a mix of term insurance and the base policy amount in order to meet a specific coverage or cost goal.

### **Death Benefit Guarantee Rider:**

#### **Key things to know**

- Paying only the Death Benefit Guarantee premium amount may not allow you to take full advantage of potential cash-value growth.
- When this rider expires, it may be necessary to pay additional premiums to keep the policy in force (i.e., active).
- Policy loans, partial surrenders, or policy charges—including additions or deletions—can negatively impact the guarantee.
- Policy changes, including a face amount increase or decrease, adding or removing a rider, or making an adjustment, can affect the Death Benefit Guarantee premium.

Prior to making a policy change, discuss the potential effects to your Death Benefit Guarantee with your financial professional.

<sup>4</sup> Rider descriptions are not intended to cover all restrictions, conditions, or limitations that may apply. Certain riders have additional costs and may reduce the death benefit, cash surrender value, and other policy values. See the rider for full details, state variations, and availability. Guarantees provided by the Death Benefit Guarantee Rider are subject to the claims-paying ability of the issuing insurance company.

# A quick review

## This type of policy may be a good fit if you:

- Need life insurance death benefit protection.
- Want a tax-friendly way to build cash savings.
- Are comfortable with how market fluctuations will impact policy cash value.

## A few additional things to keep in mind

- In exchange for a death benefit, variable universal life insurance policies have fees such as mortality and risk expense charges, and fund expenses tied to the subaccounts. You can find detailed policy charge information in the Principal Executive Variable Universal Life III Prospectus.
- Losses, including loss of principal and gains, are possible. Market volatility can lead to the need for additional payments to keep the policy active.
- Getting life insurance coverage for employees requires underwriting. And with this policy you may have options—guaranteed issue underwriting, Principal Accelerated Underwriting<sup>SM</sup>, and full underwriting. We'll work with you to determine what works best for your organization.
- This policy is flexible, meaning you may increase, decrease, or skip premium payments, provided there is sufficient policy value to cover the costs of insurance and other policy charges.
- Taking policy distributions through partial surrenders and policy loans will reduce the death benefit amount payable at the insured's death.

# Leave the plan details to us.

You have a lot of responsibilities and may not have time to think about the details of administering a benefit plan. That's why we take care of it for you. Our dedicated service team provides ongoing support for employer-owned and employer-sponsored plans financed with life insurance. As your needs change, or regulations change, we'll help you keep up with both. With our plan administrative service, you get:

**Dedicated administrator.** Helps with enrollments, policy adjustments, service requests, and more.

**Plan-level reporting.** Consolidated reports show coverage amounts and policy values for all participants with life insurance policies under your plan.

**Online access.** Get policy information when you need it, including consolidated plan-level information and the ability to request policy changes and other service items.

# Your goals, our purpose

No matter what's important to you, your financial professional and Principal® are here to help you identify and implement solutions that are right for you, your business, and your employees. We've been administering business cases for over 25 years and make it a priority to understand your goals and how you plan to reach them. Working together, financial progress is possible.





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**Before investing, carefully consider the investment option objectives, risks, charges and expenses. Contact a financial professional or visit [principal.com](http://principal.com) for a prospectus or, if available, a summary prospectus containing this and other information. Please read it carefully before investing.**

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All guarantees and benefits of the insurance policy are subject to the claims-paying ability of the issuing insurance company. They are not backed by the broker-dealer and/or insurance agency selling the policy, or any affiliates of those entities other than the issuing company affiliates, and none makes any representations or guarantees regarding the claims-paying ability of the issuer.

Principal National Life Insurance Company Policy Form: ICC18 SN 111/SN 111; Rider Forms: SN 10, SN 11, ICC18 SN 112/SN 112, ICC18 SN 113/SN 113, ICC18 SN 114/SN 114, ICC18 SN 115/SN 115, and ICC18 SN 116/SN 116

Principal Life Insurance Company Policy Form: SF 985 NY; Rider Forms: SF 612 NY, SF 934 NY, SF 986 NY, SF 987 NY, SF 988 NY, and SF 995 NY

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