Building an indexed whole life policy.

Presenter: I was asked to show how Indexed Whole Life works.

And one of the ways that I really thought that we could explain this is by using Legos.

In fact, I was given a Lego by my son a couple years ago.

He helped my wife build my lunch. You know I was running late for work. Had to get out the door. So, she's throwing whatever leftovers she could get into my lunchbox.

And my son snuck in a Lego because he wanted to help mommy and ever since I've kept that Lego on my desk.

But that Lego also helped me realize that we can take building blocks like Legos and build a whole life product.

And we can build an indexed universal life product.

And then we can actually take the pieces and parts from both whole life and indexed universal life and we can build an indexed whole life.

So, when building a whole life at the very base you have a guaranteed face amount, a guaranteed cash value, and guaranteed premiums.

These are features of whole life that we know and love. We know when a whole life is issued. We issue a $250,000 face amount and that 250K is guaranteed.

We also know that when premiums are paid that guaranteed cash value is built into the product. We know that there will be cash value.

And we also know that there are guaranteed set premiums whether it's a ten pay, a twenty pay, a pay to 65.

At the end of the premium payment period the contract is guaranteed. We have guaranteed set of premiums.

On top of that we also have the flexibility for additional riders. Whether that's a waiver of premium, paid-up additions rider, the accelerated benefit rider.

We have access to all of these riders.

There's also on top of that a dividend scale.

And here we're looking specifically at how a dividend is recognized.

Is it looked at as a direct recognition or a non-direct recognition?

If you take money from the policy, is it going to be credited as though the policy is intact, like non-direct recognition?

Or is it going to be credited as though the money is out, like direct recognition?

And to cap it all off, you have access to a dividend interest rate.

And this is how that dividend applies into the policy.

Now that we've built a whole life product,

let's look at our indexed universal life product.

At the foundation of an indexed universal life product, we have flexible premium options.

There is a range of premium that your client can pay based on the death benefit of the policy.

You can have a small premium, you can have a large premium, you can increase your premium over time, or you could decrease it over time.

You have flexible index options.

You can choose from any of the indices that are available inside of the product.

You also have flexible death benefit.

You can choose Option A versus Option B.

And you can actually change that during the course of the policy life.

You can change it to B to increase the death benefit and cash value growth later or you can change it down to A when you're done funding the policy as examples.

And you also have access to index crediting, which is absolutely foundational to an index universal life.

We're taking the net premium after the policy has been paid, putting it into an index account, and letting it grow within the market.

On top of that, you have the choice of a DEFRA test.

This is GPT versus CVAT.

Feel free call us if you have any questions about GPT versus CVAT. We can talk about that.

You also have loan types. You can choose a standard versus an indexed loan when you're borrowing on an IUL policy.

On top of that, to cap it all off, we have both an overloan protection rider, which is like a parachute for your policy. If you're borrowing too heavily against it, the overloan protection rider will kick in and shut the loan down and keep the policy in force so your client doesn't receive a tax bill.

And we have a transparent cost structure.

Inside of any IUL you can watch the money move through the policy.

You can see the premiums get paid in, the expenses get moved out, and the interest get credits in, and watch the policy grow.

Now when you're building an indexed whole life, at the base we've got a guaranteed face amount, guaranteed premiums, and guaranteed cash value just like whole life.

Our indexed whole life product is a whole life product and it's built on these guarantees of whole life.

In the next layer up, you have options from the indexed universal life.

You have access to index crediting, you have the same flexible index options available on the IUL, and you also have a transparent cost structure.

And this is unique to whole life. Most other participating whole life products you cannot watch the money move through the policy.

But in our indexed whole life, you can run a cost report and you can watch the premiums paid in, the expenses come out, and the index credit go in.

We also have access to additional riders in the policy.

We have the waiver of premium, we have the accelerated benefit rider, the guaranteed purchase option, and others.

An important detail, this is not a participating policy. So, it does not have access to paid-up additions.

Paid-up addition rider is a function of dividend, and since this has no dividend, there is no room for PUA.

This product is also sold at the highest nonforfeiture rate we can design.

Meaning we cannot put any more premium into this policy or it will create a MEC.

You also have access to the same loan types as you do on the indexed universal life.

You have a standard loan where you can pull the money out of the policy and the credit would be based on what's left in the policy.

Or you have an indexed loan where you can create a side account and you're hoping for positive arbitrage to outgrow that loan rate.

And to cap it all off we have an overloan protection rider.

This is the same rider available on the IUL and it prevents your client from overborrowing on the product and ending up with a tax bill.

When looking at the pieces that make the whole, an IWL should feel familiar to anyone who is used to either traditional whole life policies or indexed universal life policies.

It combines the best parts of each product type to create something that offers reliable guarantees of whole life with the strong market based growth potential of indexed universal life.

For additional questions on this policy, please reach out to the sales support team.

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