Financial security *for the long run*® SECURIAN®

Case Study

Financial Professional

AGREEMENT

With baby boomers aging, life expectancies increasing and health care costs rising – the demand for chronic illness coverage has never been greater. It is estimated that 80 percent of older adults will need some form of chronic care.[1]

In addition to providing your clients with a death benefit, you can help protect their lifestyles, financial stability and families with our Accelerated Death Benefit for Chronic Illness Agreement (CIA). Unlike stand-alone long-term care products, the CIA provides benefits to help with expenses while chronically ill, while still maintaining life insurance, as long as the full death benefit is not accelerated. That means **your clients will receive chronic illness benefits, a death benefit, or both.**

Products issued by: Minnesota Life Insurance Company | Securian Life Insurance Company

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Subject:

Henry, age 45
Married with two children
Good health; non-smoker

Background

- Henry has approximately $150,000 in liquid assets. Over the years, he's invested in a variety of conservative vehicles.
- Henry has $500 per month in his budget to spend on life insurance premiums. He does not want to pay life insurance premiums after he retires at age 65.
- Henry will have a social security and other assets to cover his daily needs. However, he may require some supplemental retirement income.

Challenges

- Henry has a family history which includes dementia and Alzheimer's disease.
- Henry lives with his spouse and worries that if his health fails, he'll deplete his family retirement assets paying for care or be forced to rely heavily on his spouse and/or two children.
- Henry has researched stand-alone long-term care insurance but isn't comfortable with the cost. He is also worried that his policy will go "unused" if he never needs care.

Proposed solution 1

Focus on protection and future care needs

Propose that Henry purchase an Eclipse Protector Indexed Universal Life (Eclipse Protector) policy with the CIA:

- Henry's social security and income from his other assets will cover his everyday needs.
- Henry pays the monthly premium of $500 until age 65 for the Eclipse Protector policy with the CIA. This results in a base life insurance face amount of $412,614.[2]
- Henry selects 100 percent of his face amount to be available in the event he becomes chronically ill, as well as the 4 percent Monthly chronic illness amount. This will provide a monthly chronic illness benefit of $16,504.[3]

This is a hypothetical example for illustrative purposes only.

Future outcome from solution 1

Thirty years later, Henry becomes chronically ill:

- Henry is now 75 and qualifies for his CIA benefits. Henry is eligible for a monthly benefit of $16,504.[2]
- His first three months of care are provided in his home by his spouse.
- After three months of informal care, Henry moves to an assisted care facility. His monthly expenses are $6,000. Henry can use his benefits for any purpose. He chooses to receive only $6,000 of the monthly benefit each month and uses it to pay his monthly care expense.
- After a total of 14 months of care in the assisted care facility, Henry passes away. He leaves his family a $328,614 life insurance death benefit.

Proposed solution 2

Focus on protection, chronic illness care and retirement income

Propose that Henry purchase an Eclipse Indexed Universal Life (Eclipse) policy and an Eclipse Protector policy with the CIA:

- Henry expects social security and income from other assets will cover his everyday needs, but he is concerned about unexpected future expenses.
- Henry pays the monthly premium of $350 until age 65 for the Eclipse policy. This results in a base life insurance face amount of $100,000[4] with annual distributions of $15,086 from ages 66-90.
- Henry pays the monthly premium of $150 for life for the Eclipse Protector policy and CIA. This results in a base life insurance face amount of $161,437.[2]
- Henry selects 100 percent of his Eclipse Protector face amount to be available in the event he becomes chronically ill, as well as the 4 percent monthly chronic illness amount. This will provide a monthly chronic illness benefit of $6,457.[2]

Future outcome from solution 2

Thirty years later, Henry becomes chronically ill:

- He has been receiving annual distributions of $15,515 from his Eclipse policy since age 66.
- Henry is now 75 and qualifies for his CIA benefits. Henry is eligible for a monthly benefit of $6,457.[2]
- The first three months of care are provided in his home by his spouse.
- After three months of informal care, Henry moves to an assisted care facility. His monthly care expenses are $6,000. Henry can use his benefits for any purpose. He chooses to receive only $6,000 of the monthly benefit each month and uses it to pay his monthly care expense.
- After a total of 14 months of care in the assisted care facility, Henry passes away. He leaves his family a $77,437 life insurance death benefit from the Eclipse Protector policy with the CIA. His family also receives an additional $114,724 life insurance death benefit from the Eclipse policy.

Henry was able to leave a death benefit to his family, helping them cover his final expenses and taxes. In addition, the CIA helped with his expenses while chronically ill, so his family didn't have to deal with the financial burden.

TO LEARN HOW you can help clients protect their family, preserve their assets and provide benefits for chronic illness, contact your Life Sales Support Team today:

- **1-877-696-6654** (Securian and Broker-Dealer)
- **1-888-413-7860, option 1** (Independent Brokerage)

[1] Copyright 2016 National Council on Aging Fact Sheet https://www.ncoa.org/resources/fact-sheet-healthy-aging/

[2] Illustrated at a 6.72 percent net illustration rate. The life insurance policy is illustrated at Preferred with the Chronic Illness Agreement illustrated at Preferred. Not valid without a compliance illustration of Policy values which includes values based on guaranteed mortality and expense assumptions. This illustration assumes that the currently illustrated non-guaranteed elements will continue unchanged for all years shown. This is not likely to occur and actual results may be more or less favorable than those shown.

[3] This benefit amount is subject to the current IRS per diem rules at the time of care.

[4] Illustrated at a 7.0 percent net illustration rate with a variable loan rate of 6 percent and annual distributions of $15,086 from age 66 to 90. The life insurance policy is illustrated at Preferred. Not valid without a compliance illustration of Policy values which includes values based on guaranteed mortality and expense assumptions. This illustration assumes that the currently illustrated non-guaranteed elements will continue unchanged for all years shown. This is not likely to occur and actual results may be more or less favorable than those shown.

The Accelerated Death Benefit for Chronic Illness Agreement is a life insurance policy agreement that provides an option to accelerate the death benefit in the event that you become chronically ill.

The Accelerated Death Benefit for Chronic Illness Agreement may not cover all of the costs associated with chronic illness. The Agreement is generally not subject to health insurance requirements and does not provide long-term care insurance subject to state long-term care insurance law. This Agreement is not a state-approved Partnership for Long Term Care Program Agreement, and is not a Medicare supplement policy. Receipt of Chronic Illness Benefit payments under this agreement may adversely affect eligibility for Medicaid or other government benefits or entitlements.

The accumulation value, surrender value, loan value, and death benefit will be reduced by a chronic illness benefit payment under this agreement.

Agreements may be subject to additional costs and restrictions. Agreements may not exist in all states, may exist under different names in various states, and may not be available in combination with other agreements.

The Accelerated Death Benefit for Chronic Illness Agreement is a life insurance policy agreement that provides an option to accelerate the death benefit in the event that the insured becomes chronically ill.

Distributions under this agreement, as with any policy loans and withdrawals, may create an adverse tax result in the event of a lapse or policy surrender, and will reduce both the surrender value and death benefit.

Withdrawals and loans from a life insurance contract are subject to special tax rules if the policy is a Modified Endowment Contract (MEC).

Due to uncertainty in the tax law, chronic illness benefits paid from a life insurance contract may be taxable. Please ensure that your clients consult a tax advisor regarding chronic illness benefit payments from a life insurance contract.

The Indexed Universal Life Series is designed first and foremost to provide life insurance protection. While the interest crediting options are attractive for cash accumulation, the product should always be promoted to first meet the death benefit needs of families and businesses with cash accumulation as a secondary benefit.

Life insurance products contain fees, such as mortality and expense charges (which may increase over time), and may contain restrictions, such as surrender charges. One could lose money in these products. Guarantees are based on the claims-paying ability of the issuing insurance company. Please keep in mind that the primary reason to purchase a life insurance product is the death benefit.

Securian Financial Group, Inc.
www.securian.com

Insurance products are issued by Minnesota Life Insurance Company in all states except New York. In New York, products are issued by Securian Life Insurance Company, a New York authorized insurer. Minnesota Life is not an authorized New York insurer and does not do insurance business in New York. Both companies are headquartered in Saint Paul, MN. Product availability and features may vary by state. Each insurer is solely responsible for the financial obligations under the policies or contracts it issues.
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