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Death Benefit *Options*

FORTRESS BROKERAGE

IULs can be designed with up to 3 different death benefit options. Ever wonder what that means and how it affects the performance of the contract?

Level Death Benefit - Option 1
The level death benefit option is the most commonly used option in IUL contracts. However, a level Death Benefit can begin to increase at a future date due to premium input and or cash value growth. This is a result of insurance contracts requiring a minimum net amount at risk, also called NAR to qualify as life insurance. Once cash value in a contract minus the Death Benefit equal the Minimum NAR, the Death Benefit must increase. This is commonly referred to as corridor. The Beneficiary is always guaranteed to be paid out the higher death benefit. This is primarily used in cheapest cost of death benefit solutions.

Increasing Death Benefit - Option 2
The increasing death benefit also referred to as increasing by cash value is used in several different scenario's. This option is typically used in conjunction with minimum solve death benefit solves and maximum premium allowed to generate high cash values. This can results in a somewhat higher internal cost to the policy because of cost of insurance (COI's) and premium tax typically 5.5%. If the goal is to provide a consumer high cash values, or to put money into a strategy that transfers maximum value tax free at death, this option is a good fit. Please keep in mind this death benefit option does not provide dollar for dollar increase, but rather a increase less policy costs. Typical uses of this option are for loan distributions, high cash value for collateral, or to provide a scenario to the client illustrating that the amount invested dose not each away at the death benefit reducing the overall Internal rate of return.

Return of Premium Death Benefit - Option 3
The return of premium death benefit, also referred to as sum of premiums is slightly different than the increasing by cash value. this option increases the initial death benefit by the premium paid dollar for dollar. this option is used when the consumer wishes to maintain the set amount of death benefit for beneficiaries. It is not used often, and there are some items to consider. the carrier may limit how much the additional benefit may increase. Also, the carrier will underwrite for the potential increase in death benefit.