

The Prudential Insurance Company of America and its affiliates provide essential insights for consumers considering life insurance, which is intended to offer financial support to beneficiaries upon the policyholder's death, covering needs such as lost income, daily living expenses, mortgage payments, education, and business continuity. Coverage amounts typically range from 2 to 10 times the annual salary, and a personal needs analysis with a financial professional is recommended for accurate assessment. Consumers can choose between term and permanent life insurance, with term insurance offering high coverage at a lower initial cost for specific time-limited needs, while permanent insurance lasts a lifetime and is suitable for ongoing financial obligations. It is cautioned against purchasing multiple term policies over time due to increasing costs and potential health issues affecting insurability; a permanent policy can secure coverage regardless of future health changes. The strategy of "buying term and investing the difference" is also discouraged, as it assumes investments will outperform the cash value of permanent insurance, which may not always hold true.

When evaluating life insurance, personal objectives and circumstances must be considered, including the ability to invest the difference between premiums, the costs of renewing term policies, and the performance of investments. Whole Life insurance builds cash value and remains in force as long as premiums are paid, but it typically has the highest premiums. Universal Life (UL) offers flexibility and potential for higher cash value accumulation, while Indexed Universal Life (IUL) credits interest based on financial indices, allowing allocation between index features and fixed-interest options. Variable Universal Life (VUL) combines UL flexibility with investment options, though it carries market performance risks. Survivorship or Second-to-Die policies cover two individuals and pay out upon the death of the second insured, often used for estate conservation. The choice of policy should align with age, life stage, and budget, with term insurance often favored by new families for its affordability.

Permanent policies can build cash value accessible through withdrawals or loans, which may have

tax implications and affect benefits. Loans are generally not taxable unless the policy is canceled or lapses, potentially triggering taxes on unpaid balances. If a policy becomes a Modified Endowment Contract (MEC) due to excessive premiums, different tax rules apply. Life insurance should provide necessary coverage at an affordable price, with various premium payment options available. Group life insurance may be beneficial but often lacks the coverage and flexibility of individual policies, which remain with the policyholder regardless of employment status. Insuring a spouse or child is also crucial for financial protection, especially if they contribute to household income or provide essential services.

Stranger-Owned Life Insurance (STOLI) arrangements, which involve purchasing a policy without an insurable interest, are generally prohibited. Prudential will not issue a policy if STOLI is suspected, as it may limit the ability to purchase additional insurance and could lead to higher premiums due to changes in health or age. Policyholders are advised to review their coverage annually or after significant life changes to ensure adequate protection. Underwriting evaluates an applicant's health, medical history, and lifestyle to determine eligibility and premium pricing, with confidential information shared only with necessary parties. When considering replacing a life insurance policy, it is advisable to consult with the current insurer for updated illustrations and to understand the potential costs and benefits of a new policy, comparing factors such as insurability, face amounts, premium structures, guarantees, and supplemental benefits. Policyholders should be aware of potential tax consequences and the risk of coverage gaps when switching policies.

The document emphasizes understanding the financial professionals involved in selling life insurance, including their compensation structures, which may vary based on the policies sold. Prudential encourages individuals to personalize their insurance policies to meet specific financial security goals and offers a range of products to assist in this process. However, it clarifies that all guarantees and benefits are backed solely by the issuing insurance company's claims-paying ability, not by the selling broker or agency. Prudential does not provide tax or legal advice, urging

policyholders to consult their advisors for personalized guidance. The document concludes with a reminder of the risks associated with investment and insurance products, including the possibility of losing money.