College Funding

Thinking Ahead with Life Insurance

Product Options

- **Builder IUL** - creates long-term cash value growth potential

Concept

Death benefit protection can make life insurance an attractive choice for establishing a self-completing plan to help fund a college education. Permanent life insurance that can accumulate cash value may be used to help pay for college costs.

Agent Profile

Financial professional whose clients have young children and will need help paying for college down the road.

Client Profile

Typically has a child or children up to age 13, is thinking about college tuition costs, and might want help supplementing income in retirement years.

Key Selling Points

- The policyowner has control of the policy's potential cash value. Should plans change, the cash value may be used for purposes other than college funding without tax consequences.
- When the insured passes away, the death benefit passes generally income tax-free to heirs. Any cash value grows on a tax-deferred basis.
- Parents may access cash value to pay for college expenses on a tax-free basis through loans or withdrawals, as long as the policy is not a MEC.[2]

Illustration Design Tips

- The life insurance coverage should be on the primary income earner. Aim for the lowest death benefit possible that meets the client's needs and still provides ample funding for college should death occur before the first child enters college.
- Since the policy can also help to supplement retirement income, the client may want to keep the death benefit low for the longest period of time possible. Use the guideline premium test (GPT), which generally provides the best long-term illustrated performance.
- Illustrate both variable interest rate loans and zero cost loans.[1,5] It's impossible to forecast what the interest rate environment will be in the future. Planning for both scenarios can increase your credibility and provide reasonable expectations.
- You can set up the illustration as a defined benefit (a specific college cost) or a defined contribution plan (a specific premium payment).
- Determine whether the client will pay for annual college bills or to repay student loans. The older the child, the more beneficial it is to repay student loans, as this provides more time for the cash value to grow. Be mindful of when each child will enter and exit college.
- Determine whether to continue funding the policy after the college period is over. This decision depends upon the client's retirement goals.

Right Words

"When you're planning ahead for something big, like how to afford your children's education, there are a lot of alternatives to consider. It's important to find the set of solutions that best matches your family's situation. One strategy is quite common, but you might not have considered it yet—life insurance."

Right Questions

- "Did you know that life insurance cash value accumulates on a tax-deferred basis?"
- "Did you know that you can take loans against these cash values and pay yourself back at rate that fits your budget?"
- "Were you aware that life insurance cash values have been used historically to help fund start-up businesses, retirement, and even college tuition?"

Send | New Email Message | Cancel

To: | Cc:

Subject: **Follow-Up Email to Agent**

Hello ____________________,

It was great talking to you [today/recently] about how to use life insurance to help your clients create a college funding strategy. Since you're interested in this niche of sales, I wanted to send you some tips to help you get started.

First, remember that life insurance can be a great supplement to your clients' current college funding plans by providing financial protection for your clients during the working years, or for the "what ifs" that may happen along the way.

Plus, there's no guarantee that money saved for college will actually be used for college—kids change their minds a lot! If your clients' children decide to not go to college or to pursue other paths along the way, the potential cash value of the policy can be used for retirement planning or for emergency funds.

Once you have a couple of people in mind that could benefit from this strategy, send me their information and I can help you design a case for them.

Feel free to call me with any questions in the meantime!

Thank you,

____

The primary purpose of life insurance is to provide a death benefit to beneficiaries. Because of the uncertainty surrounding all funding options except savings, it is critical [to encourage your clients] to make personal savings the cornerstone of your client's college funding program. However, even a well-conceived savings plan can be vulnerable. Should your client(s) die prematurely, their savings plan could come to an abrupt end.
To protect against this unexpected event, life insurance may be the only vehicle that can help assure the completion of a funding plan. In addition to the financial protection aspect of insurance, the tax-deferred buildup of cash values can be part of your client's college savings plan. Generally, if the policy is not a Modified Endowment Contract then tax-free withdrawals can be made up to the contract's cost basis. Moreover, if the policy is not a Modified Endowment Contract, then loans in excess of the cost basis are also tax free as long as the policy remains in force.

Go to http://nalife.northamericancompany.com/NA-CollegeFunding to download the complete sales concept kit!

The primary purpose of life insurance is to provide a death benefit to beneficiaries. Because of the uncertainty surrounding all funding options except savings, it is critical [to encourage your clients] to make personal savings the cornerstone of your client's college funding program. However, even a well-conceived savings plan can be vulnerable. Should your client(s) die prematurely, their savings plan could come to an abrupt end.
To protect against this unexpected event, life insurance may be the only vehicle that can help assure the completion of a funding plan. In addition to the financial protection aspect of insurance, the tax-deferred buildup of cash values can be part of your client's college savings plan. Generally, if the policy is not a Modified Endowment Contract then tax-free withdrawals can be made up to the contract's cost basis. Moreover, if the policy is not a Modified Endowment Contract, then loans in excess of the cost basis are also tax free as long as the policy remains in force.