

# LIFE ON THE GO REQUIRES FLEXIBILITY

LEVEL, INCREASING, AND GRADED DEATH BENEFIT OPTIONS

**Universal life insurance is very attractive because it provides the client with the option to select whether they want a level or increasing death benefit option and the opportunity to adjust options if circumstances change.**

## LEVEL DEATH BENEFIT OPTION

With the level death benefit option, the death benefit remains level at the policy's face amount throughout the life of the policy as long as the policy is not overfunded, causing the death benefit to increase in order to meet life insurance compliance tests. As policy values accumulate within the policy, the pure insurance component known as the net amount at risk decreases, thereby reducing the amount on which the monthly cost of insurance charges will be based. So even though the cost of insurance rates per unit increase with the age of the insured, this option may result in lower monthly deductions over the life of the policy.

## TOTAL DEATH BENEFIT





## INCREASING DEATH BENEFIT OPTION

With an increasing death benefit option, the death benefit is equal to the policy face amount plus the accumulated policy value. This results in a level net amount at risk over the life of the policy. Since monthly cost of insurance charges increase per \$1,000 of insurance for each attained age, with an increasing death benefit option and level net amount at risk, your client's monthly deductions will increase slightly each year.

One benefit to the increasing death benefit option is that, generally, clients can put more money into the policy, to the extent that it meets the qualifications under life insurance compliance testing. Clients can have larger premium outlays and typically a higher death benefit.

## GRADED DEATH BENEFIT OPTION

With the graded death benefit option, the death benefit option is the same as the increasing option until a specific age. Then, it generally grades to a level option over a 20 to 25 year period.

## Which Death Benefit Option Should Be Chosen?

Generally, a level death benefit option may be more suitable if the goal is policy value accumulation. If the goal is to increase the total death benefit, an increasing death benefit option may be more suitable. The graded death option helps simplify the process of changing from an increasing to a level death benefit later on.

## TOTAL DEATH BENEFIT



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Under Guideline Premium test, distributions required as a result of a requested change or transaction may be required in the year of the change and in future years thereafter.

Please refer to Section 7702 of the Internal Revenue Code for details.