



## Brokerage Unlimited, Inc. Special Bulletin

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### Life Insurance: Like No Other Insurance 10 Things Every Owner Should Know

When talking to clients about fulfilling a life insurance need, how often do we remember to take a step back, and talk about the most basic and wonderful benefits of our unique product? It is often true that the public becomes overwhelmed by the amount of available data. The following summary information is both basic and very important for you to share with your clients.

1. **INCOME TAX FREE** - Life insurance death benefits are paid income tax free.\*
2. **ESTATE TAX FREE** - Using third party ownership (an Irrevocable Life Insurance Trust or ILIT being the preferred owner), death benefits are not includable in your taxable estate.\*
3. **TAX DEFERRED GROWTH** - Buyers of permanent life insurance with an eye toward growing their cash surrender value should know that the cash inside the policy grows tax deferred.\*\*
4. **FIFO** - Money that is paid into a life insurance policy (within the "Modified Endowment Contract" or MEC limit) and later withdrawn is received "*First In First Out*" or FIFO. Your after tax premium dollars are the first to come out when using a life insurance policy as a cash flow vehicle.\*\*
5. **LOANS** - Policy loans are not taxable while the policy is in force. You can access cash from your policy without paying current income tax. Only when the policy ceases to exist, while you are alive, is income tax due.\*\*
6. **GUARANTEED PREMIUM** - If you buy a level premium term plan (10, 15, 20 years, etc.) or a Guaranteed Death Benefit Universal Life (GDUL) plan, nearly every carrier in the market guarantees that the premium and benefit amount will not change during the level premium period.
7. **GUARANTEED DEATH BENEFIT** - If you buy a level premium term plan or a GDUL, the amount of death benefit is guaranteed by the carrier not to decrease.

8. **GUARANTEED RENEWABLE** - The carrier cannot change or cancel your coverage, even if your health, lifestyle, hobbies or avocations dramatically change. If you purchased a plan without a premium guarantee or are beyond the guarantee period, it is possible for your premium to change, but not the benefit.
  
9. **AVOID PROBATE** - Life insurance proceeds paid directly to a named beneficiary avoid probate costs, delays and will not become public record.
  
10. **NEVER AN UNPAID CLAIM** - There is no record of any legitimate life insurance claim that went unpaid in the history of the industry. Though it is still recommended that you choose a high quality provider, take comfort knowing that your beneficiaries will be paid.

**The Fine Print:**

- \* Always seek tax advice from competent tax counsel.
- \*\* It is important to note that accessing cash value from a GDUL plan will likely mitigate or eliminate the lifetime guarantee.

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 For more information, please contact Michael Tessler at [mtessler@brokerageunlimited.com](mailto:mtessler@brokerageunlimited.com) or Izzy Myers, CLU, ChFC, AEP at [imyers@brokerageunlimited.com](mailto:imyers@brokerageunlimited.com). Thank you for the business you send to Brokerage Unlimited, Inc.

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**Brokerage Unlimited, Inc.**  
 P.O. Box 419006  
 St. Louis, Missouri 63141  
 314-392-2841 / 800-645-2841  
[www.brokerageunlimited.com](http://www.brokerageunlimited.com)

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