Life insurance as an asset

An overlooked way to help improve your financial future

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Discover your policy's financial perks

You probably know life insurance provides protection for your loved ones if you pass away.[1] But are you aware of its other financial benefits?

That's why we're here. We'll walk you through the ways your policy can help you:

- Pay fewer taxes in retirement
- Prepare for health surprises
- Get more value for your money

[1] In exchange for the death benefit, life insurance products charge fees such as mortality and expense risk charges and surrender fees.

Pay fewer taxes in retirement

You have big plans for retirement. But in order to make your plans a reality, it's important to get the most from your financial assets.

How? One way is to minimize taxes that can take a bite out of your retirement income. You can do this by spreading your money across assets that are taxed differently — a strategy called tax diversification.

Most retirement assets are taxed in one of three ways:[2]

Taxed up-front

- Contributions/ premiums are after-tax
- No tax on growth
- No tax when withdrawn

Types: Cash value life insurance and Roth IRA

Taxed as it grows

- Contributions are after-tax
- Growth is taxed
- No tax when withdrawn

Types: savings account, Certificate of Deposit, Money Market and mutual fund

Taxed when you take income

- Contributions are tax-deductible
- No tax on growth
- Full amount is taxable when withdrawn

Types: 401(k) account, traditional IRA and 403(b) account

Diversify your income

A cash value life insurance policy can provide a source of tax-free income[3] to supplement taxable income from other assets, such as a 401(k) or Individual Retirement Account (IRA). Plus, life insurance offers:

› Income tax-free death benefit to your beneficiary

› Tax-deferred cash value build-up

› No penalty for withdrawals prior to age 59½[4]

› No income-based funding limits

Keep more money in your pocket during retirement.

[2] This comparison represents only federal tax treatment. It is not intended to compare the features, fees, expenses or benefits of specific products.

[3] Distributions from a life insurance policy are generally received income tax-free. If the policy is considered a modified endowment contract, distributions in excess of the policy's principal may be subject to current income taxes.

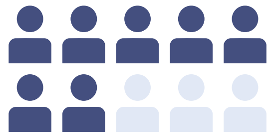
[4] If the policy is a modified endowment contract, withdrawals taken before age 59½ may be subject to a 10% penalty.

Prepare for health surprises

Life throws a lot of curveballs your way. And unfortunately, illnesses are part of life. The good news: If you or a loved one are ever faced with a chronic illness, life insurance can provide much-needed financial protection.

It can happen to anyone

Chronic illnesses are conditions that can be treated but not cured. And they're more common than many people realize.



7 in **10** people age 65 and older will need chronic illness care later in life[5]

It costs more than you think

Paying for professional medical care, rehabilitation services or medication in the event of a chronic illness can really add up. How would you cover these expenses?

$220,000 average couple is expected to pay for medical expenses during retirement[6]

It can deplete your savings

You might be tempted to pay for chronic illness expenses using money set aside for other goals, such as retirement or college savings. But that could negatively impact your family's financial future.

So what can you do in the event of a chronic illness?

That's where life insurance comes in. Select Principal® policies include an additional coverage option that allows you to receive a portion of the benefit typically paid at your death should you be diagnosed with a chronic illness.[7] That gives you a way to offset medical costs while preserving your retirement nest egg for you and your family.

If the unexpected happens, you can be ready.

[5] Source: longtermcare.gov/the-basics/who-needs-care as of February 21, 2017

[6] Source: Genworth 2016 Cost of Care USA

[7] This is the Chronic Illness Death Benefit Advance Rider and its availability varies by product and by state. There is no cost to have the rider; however, if used, the payment amount is discounted to reflect early access. Taking a claim from the rider will reduce the amount your beneficiary receives at your death. Proceeds received may be taxable. Consult your tax advisor prior to taking a claim against the rider.

Get more value for your money

When you think about your financial portfolio, life insurance likely isn't the first asset that comes to mind. But your policy can offer great value and an attractive rate of return.

Most assets take time to accumulate value. With life insurance, there's no build-up period. Your policy's death benefit is available to your loved ones whether you've been paying premiums for 40 years or just one.

See how your premium dollars perform

Consider a hypothetical example in which a 55-year-old man purchases a life insurance policy that will pay his beneficiary $1 million at his death. The chart below shows the strong internal rate of return (IRR) earned on premiums paid.

Even better: Beneficiaries receive the death benefit income tax-free. This needs to be taken into account to truly compare the policy's rate of return to other taxable assets. This is done by looking at a before-tax IRR equivalent[8] that shows how paying zero taxes can further boost your return.

Internal rate of return (IRR)

This is the rate at which premiums paid for a policy would have to grow in order to equal the death benefit at the end of any given year.

If the policy owner in the example below invested $12,101 per year for 24 years in another asset, that asset would need to earn 8.9% per year to equal the $1 million death benefit.

Year	Age (end of year)	Annual premium	Death benefit	IRR on death benefit	Before-tax IRR equivalent
1	56	$12,101	$1,000,000	8,163.8%	10,885.0%
15	70	$12,101	$1,000,000	19.5%	26.0%
24LE[9]	79	$12,101	$1,000,000	8.9%	11.9%
35	90	$12,101	$1,000,000	4.4%	5.8%

This example is based on a Principal Universal Life Protector IV℠ policy for a male, age 55, Preferred non-tobacco, guaranteed protection to age 100. This example is for illustrative purposes only. These figures should not be viewed as an offer or promise of any specific return. See the full product quotation for more complete information regarding this policy.

Put your premium dollars to work for you.

[8] Before-tax IRR equivalent is determined using a hypothetical tax rate of 25%. You should consider your income tax bracket, both current and anticipated, when making a decision, as this may impact the results of any comparison.

[9] Life expectancy (LE) for someone age 55 using the 2001 Valuation Basic Table is age 79.

How to get started

› **First, consider whether you could benefit from a product that offers the following:**

- Financial security for your family when you pass away
- Tax advantages while you're living
- Help if you're faced with a chronic medical condition
- Value that may make it an attractive alternative to other traditional assets

› **Then talk to your financial professional about life insurance and the options available for your personal situation.**

Your goals, our purpose

No matter what's important to you, Principal is here to help you identify and implement solutions that are right for your needs. We help people protect and achieve their financial dreams through solutions that can help them live their best lives.

We work with people like you every day and make it a priority to understand where you want to be and how you plan to get there. This means you'll get expertise and innovative ideas when you need them to help make your financial progress possible.

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