



Understanding

INDEXED UNIVERSAL LIFE INSURANCE



**YOUR LICENSED HFG AGENT
CAN HELP YOU DETERMINE
IF INDEXED UNIVERSAL LIFE
IS RIGHT FOR YOU.**

INDEXED UNIVERSAL LIFE

Life insurance can be part of a comprehensive long-term financial strategy. With all of the options in today's marketplace, which one is best for you? The answer depends on your needs and goals. Indexed Universal Life (IUL) is a permanent cash value life insurance policy that includes a cash value component. Once all policy charges are paid, such as the Cost of Insurance, the net premium may be directed to a choice of Stock Market Indexed Accounts and/or a Fixed Interest Account, for which the cash value may grow and accumulate over time.

Key features of an IUL policy include:

- A Tax-Free Death Benefit
- Tax-Deferred Cash Value Growth Potential¹
- Tax-Advantaged Partial Withdrawals, Wash Loans and Variable Interest Loans
- Guaranteed Minimum Interest Rate on Fixed Accounts²



TAX ADVANTAGES

- Death benefit is federal income tax-free.
- Transfers between cash value Stock Market Indexed Accounts and Fixed Interest Accounts can be made tax-free.
- Earnings grow income tax-deferred. Income taxes are not due for qualified distributions, however income taxes may be due on the overall gain if the policy is surrendered or lapses.³
- Providing there is enough cash value in the policy, the policy owner may take tax-free loans from the policy. Any policy loans will reduce the death benefit by the amount of the outstanding loan amount and unpaid interest.

¹Cash value growth is not guaranteed and is not insured by the FDIC.

²Guarantees are based on the claims paying ability of the issuing insurance company.

³Policy loans and withdrawals reduce the policy's cash value and death benefit and may result in a taxable event. Withdrawals up to the basis paid into the contract and loans thereafter will not create an immediate taxable event, but substantial tax ramifications could result upon contract lapse or surrender. Surrender charges may reduce the policy's cash value in early years. Overfunding a permanent life insurance policy creates the risk that the policy will become what is known as a Modified Endowment Contract (MEC.) For MECs, contract loans and withdrawals are considered taxable income. Check with the issuing insurance company or licensed insurance agent for details.

CASH VALUE OPTIONS

IUL is different than other forms of permanent cash value life insurance. In addition to offering a traditional declared Guaranteed Minimum Interest Rate on Fixed Interest Accounts,¹ an IUL policy also offers the ability to earn interest that is linked to the movement of a selected stock market index over a specific period of time, such as the S&P 500®, Russell 2000®, EURO STOXX 50® and the NASDAQ-100®.



GUARANTEED FLOOR

An IUL policy may have its cash value directed into one or more Stock Market Indexed Accounts. These accounts are not directly invested in the stock market, however their performance is based on the the performance of these stock market indices. While the stock market index may go up or down, an IUL policy will never be credited less than the Guaranteed Minimum Interest Rate, or the "floor".

If the stock market index goes down, your IUL policy will never be credited a negative interest rate. This mechanism provides downside protection when the stock market index is negative, and the potential for strong cash value accumulation when the stock market index is positive. While you have the potential to earn higher returns when the stock market index is positive, you will have peace of mind that you will not ever have to worry about negative returns.

HIGHLIGHTS:

- The interest rate credited to the policy's index account value is based on the performance of the index or indices chosen and will never be less than 0%.
- The premiums are not invested in any stocks, bonds, or equity investments.
- The index performance does not include dividends on the stocks that make up each index.
- The premium allocation to an Stock Market Indexed Account does not represent an investment in any index or market.

¹Guarantees are based on the claims paying ability of the issuing insurance company.



**POLICY OWNERS HAVE THE
CHOICE TO DIVERSIFY AMONG
ALL OF THE FIXED AND
INDEXED ACCOUNTS.**

CASH VALUE SELECTIONS

IUL insurance gives you the opportunity to earn tax-deferred interest based in part on the performance of the selected Stock Market Indexed Accounts and/or Fixed Interest Account selection. Depending on your needs, you may direct your net premiums to:

- A **Fixed Interest Account**, which includes a Guaranteed Minimum Interest Rate. The Guaranteed Minimum Interest Rate is declared by the insurance company and usually will range between 2% -3%.¹
- A **Stock Market Indexed Account**, which includes a Guaranteed Floor of 0%, meaning you are protected in a poorly performing market.

Policy owners have the choice to diversify among all of the fixed and indexed accounts that are offered by the issuing insurance company. Once an allocation is made, policy owners may make changes in the future at their discretion.²



¹Guarantees are based on the claims paying ability of the issuing insurance company.

²Check with the issuing insurance company for specific details.

INDEXED ACCOUNT CREDITING

Policy owners have the choice of a number of Stock Market Indexed Accounts with different index crediting options. Two of the most popular are called the **Participation Rate Account** and a **Cap Rate Account**.

A **Participation Rate** account will generally pay a stated percentage of the performance of the index. For example, if the insurance company has a 60% participation rate and the index performs at 30%, the cash value will be credited 18% (60% x 30% = 18%).

A **Cap Rate** Account will generally pay 100% of the index performance up to a stated Cap. For example, if the insurance company has a 13% cap rate and the index performs at 30%, the cash value will be credited 13%.

The following chart illustrates an example of how an indexed account would have performed in various years at different interest rates.

	S&P 500 Index		S&P 500 Index	
	Participation Rate: 60%		Cap Rate: 13%	
End of Year	Index Change ²	Indexed Account	Index Change ²	Indexed Account
2008	-37.00%	0.00%	-37.00%	0.00%
2009	26.46%	15.88%	26.46%	13.00%
2010	15.06%	9.04%	15.06%	13.00%
2011	2.11%	1.27%	2.11%	2.11%
2012	16.00%	9.60%	16.00%	13.00%
2013	32.39%	19.43%	32.39%	13.00%
2014	13.69%	8.21%	13.69%	13.00%
2015	-1.38%	0.00%	-1.38%	0.00%
2016	11.96%	7.18%	11.96%	11.96%
2017	21.83%	13.10%	21.83%	13.00%
2018	-4.38%	0.00%	-4.38%	0.00%
2019	31.49%	18.49%	31.49%	13.00%
2020	18.40%	11.04%	18.40%	13.00%

¹ Check with the issuing insurance company for specific details.

² Source: https://ycharts.com/indicators/sandp_500_total_return_annual

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LEARN MORE

If you are considering Indexed Universal Life Insurance, set an appointment with your licensed HGI Agent to discuss your specific needs.

Your HGI Agent will be able to help you determine what type of life insurance that is suitable to your personal financial situation and can help you to understand the features, benefits and costs associated with it.



THE NEXT STEP

- Set an appointment with your licensed HGI Agent.
- Get a free Financial Needs Analysis (FNA).
- Start your Financial Independence Plan with HGI and begin achieving your dreams!



This brochure is intended to provide a general overview of indexed universal life insurance and does not represent any particular product or insurance company.

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