

# Why SAAVY AFFLUENT FAMILIES *use* INDEXED UNIVERSAL LIFE POLICIES



Affluent families often use Indexed Universal Life (IUL) insurance policies for the **FINANCIAL AND TAX BENEFITS** that these policies can provide. Here's a breakdown of the key benefits:

## Tax-Free Death Benefit for Estate Planning

IUL policies offer a death benefit that passes to beneficiaries tax-free. This can help high-net-worth individuals transfer wealth to heirs without the tax liabilities associated with other assets. Since estate taxes can be high, especially on substantial estates, using life insurance as a wealth transfer tool can be advantageous.

## Tax-Advantaged Growth of Cash Value

An IUL policy's cash value can grow based on the performance of a selected stock index (like the S&P 500) with certain limits. Policyholders benefit from potential growth in good years, while typically avoiding losses during bad years due to a guaranteed minimum rate. The cash value grows tax-deferred, meaning taxes are not paid on gains as long as they remain within the policy.

## Asset Protection

In some jurisdictions, the cash value in life insurance policies is protected from creditors. For high-net-worth individuals who may face litigation risks, an IUL policy can be an effective way to shield assets.

## Diversification and Risk Management

Wealthy individuals often look for diversification strategies to reduce risk in their portfolios. IUL policies offer a combination of life insurance coverage and investment-like growth potential, providing an additional asset class that performs differently than traditional investments.

## Access to Tax-Free Loans and Withdrawals

IUL policies allow policyholders to borrow against the cash value or make tax-free withdrawals up to the amount of premiums paid. This provides wealthy individuals with a source of tax-free income in retirement or at other times when they need liquidity, without triggering taxable events like capital gains or dividend taxes.

## Supplemental Retirement Income

IUL policies can act as a supplemental retirement income stream. Wealthy individuals can take tax-free loans or withdrawals against the policy's cash value in retirement, offering flexibility in managing income and taxes.

## Legacy and Philanthropic Giving

Many high-net-worth individuals use IUL policies as part of legacy and philanthropic planning. For example, they may designate a charity or foundation as a beneficiary, ensuring that a portion of their wealth benefits causes they care about.

## Minimizing Market Downside

With an IUL, the cash value growth is linked to a market index, but it's usually protected by a floor, meaning it won't decrease due to market downturns. This appeals to affluent clients who want some exposure to market gains, but are risk-averse about losses.

**Lower Fees:** Over term, our IUL policies have lower fees than other retirement plans like 401k/IRA. Over time, IUL fees go down, while fees go up for other plan types.

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