

# Sales MAKERS

**American General**  
Life Companies

For more information, contact:

## One Plan Meets Two Needs

The notion of buying individual level term coverage to retirement is taking hold and the flexibility and reach of AG Select-a-Term<sup>SM</sup> makes it the perfect term product for the Term to Retirement sale. But the life insurance need doesn't completely end at retirement for everyone. Many term buyers are realizing they have an ongoing need for life insurance, a lower amount maybe, but still a need. This is one reason why "final expense" life insurance is such a significant market. Those who rely solely on group and individual term insurance often become buyers of final expense life insurance in their post-retirement years.

How about a product that does both — covers the income replacement need until retirement and then guarantees final expense coverage after retirement if the insured survives and maintains the policy? AG ROP Select-a-Term<sup>SM</sup> also provides term coverage to retirement plus the return of all base premiums paid if the insured survives and maintains the policy to the end of the term period.<sup>1</sup>

One way to utilize that return of premium benefit is to take advantage of the reduced paid-up option (RPU). At any point where the policy has cash value, the RPU option allows the owner to take a reduced paid-up death benefit to age 95 in lieu of the cash value. Granted, this provides less coverage than the original policy, but is often sufficient for final expense needs. The reduced paid amount appears on all AG ROP Select-a-Term software illustrations at all policy durations. The optimum time to elect the RPU option is at the end of the level premium period when the cash value reaches its peak value.

The client who buys AG ROP Select-a-Term coverage to retirement and survives until retirement, can do one of four things:

1. Drop the policy and take the return of premium benefit in cash, income tax-free<sup>2</sup> under current law, to use in retirement;
2. Take the return of premium benefit in cash and keep the full death benefit in force at ART rates;
3. If age 70 or less, take the return of premium benefit in cash and convert the policy to an allowable permanent plan (return of premium benefit can help pay the first premium if desired);
4. Exercise the RPU option, using the return of premium cash value to buy a reduced amount of paid-up death protection to age 95.

<sup>1</sup>AG ROP Select-a-Term accumulates a cash value that starts no later than the fifth policy year. At the end of the level term period, the cash value of the in force policy provides an endowment benefit equal to the total of all cumulative premiums paid, less any charges for substandard ratings, riders and any outstanding loan balance. If needs change and your client surrenders the policy, or converts it to our permanent insurance, the client will receive the cash value that has built up in relation to the age of the policy, minus any outstanding loan balance.

<sup>2</sup>The cash value benefit received is a tax-free return of basis under current tax law. Please consult a qualified tax advisor with questions.

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## EXAMPLE

A male age 32, preferred plus, wants to buy \$300,000 of term insurance to his planned retirement at 67. He opts for AG ROP Select-a-Term at an annual premium of \$705<sup>3</sup> because it offers the flexibility of several options at retirement. The policy will provide a return of premium benefit of \$24,675 if he survives and maintains the policy to retirement at age 67.

Example: Male, Age 32, Preferred Plus			
DEATH BENEFIT	ANNUAL PREMIUM	YEAR 35 CASH VALUE	YEAR 35 RPU AMOUNT
\$300,000	\$705	\$24,675	\$51,816

This plan provides a \$300,000 term death benefit to retirement at age 67, protection when the client needs it most. Furthermore, it provides over \$51,000 of guaranteed paid-up coverage to age 95 if the client survives and maintains the policy for 35 years. Enough to meet final expenses and some other cash needs at death.

And, if the client changes his mind at retirement, he can take the return of premium cash benefit in lieu of the ongoing final expense coverage or select one of the other options.

The bottom line is your client can buy one plan guaranteed to meet two needs — family protection until retirement with the option for final expense coverage into retirement. If you are not selling both plans you are “short-selling” AG ROP Select-a-Term. Increase your sales by selling the whole package. **NOTE:** If the RPU option is elected, the clients will NOT receive funds at the end of the level term premium period, AND the life insurance coverage will terminate at age 95. In New York, the endowment at the end of the level term period is reduced. See policy for details. Client and his/her independent life insurance advisor should carefully consider the consequences of electing this option.

<sup>3</sup>Premium rates current as of March 9, 2009; rates may vary by state. Premiums available for other rate classes, ages and payment plans. Premium charges depend on evidence of insurability. Premiums increase at the end of the guaranteed term if policy is renewed. Death benefit remains level.

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