MIDLAND NATIONAL®
A Sammons Financial Company

College funding

Sales idea

Midland National® Life Insurance Company

College funding with indexed universal life insurance

Is there a way to help your clients financially protect their family while helping to fund college for their children when the time comes? While the primary purpose of life insurance is to provide a death benefit to beneficiaries, it can also be designed to create a self-completing plan to help fund a college education.

The concept

1. Life insurance death benefit protection provides goal completion in case the unthinkable happens.
2. Potentially tax-free income through loans to help supplement your client's personal savings for college, either through paying tuition bills or paying down student loan debt.
3. After paying for college, the client can repurpose the policy to help supplement retirement income while continuing to help protect the family with the death benefit.

College funding clients

- Need for death benefit protection
- Concerned about the family's financial needs if death occurs during the working years
- Families with young children
- Concerned about the cost of college

Benefits of Midland National's IUL products

Immediate financial protection

Death benefit protection for their loved ones.

No maximum contribution limit

Life insurance is not a qualified plan, so it is not subject to tax-qualified plan[1] contribution limits. However, there are limits on the amount of premium that may be paid into a policy to qualify as life insurance.

Accelerated death benefit

Can offer financial assistance at a time when clients may be left wondering how they'll pay the bills.[2]

Downside protection, upside potential

Interest credited is never less than zero percent and can reach as high as the interest rate cap, and participation rate (portion of the index change used in the calculation of the index credit), if the selected index has a cap in place. The index account can't lose money due to poor index performance.

Generally tax-free distributions

Potential cash values within the policy can be taken as generally income tax-free loans and withdrawals, as long as the policy is not a Modified Endowment Contract (MEC).[3,4,5]

Case design tips

- The coverage should be on the primary breadwinner. Aim for the lowest death benefit possible that still provides ample funding for college should death occur before the first child enters college. A minimum non-MEC face amount usually works.
- Because the policy could be repurposed to help supplement retirement income, you generally want to keep the death benefit low for the longest period of time possible. With the Guideline Premium Test (GPT) keep in mind that the death benefit may be higher in the early years, but lower for a longer number of years because the death benefit can corridor quickly with the Cash Value Accumulation Test (CVAT).
- If the client has a lump sum and wants to avoid Modified Endowment Contract (MEC) status[3], consider using a single premium immediate annuity (SPIA) to break up the lump sum and fund the policy with a 5-pay or a 7-pay.
- Illustrate variable interest participating policy loans, zero-cost loans, and fixed interest participating policy loans. We can't forecast what the interest rate environment will be in the future. Planning for each scenario can help increase your credibility during a client presentation while also setting reasonable expectations.[6,7,8]
- You can set up the illustration as a defined benefit (a specific college cost) or a defined contribution plan (a specific premium payment).
- Determine whether to pay for annual college bills or to repay student loans. The older the child, the more beneficial it can be to repay student loans as this provides more time for the cash value to grow. Be mindful of the timing at which each child will enter/exit college.
- Determine whether to continue funding the policy after the college period is over. This decision depends upon the client's retirement goals.

Hypothetical case study

The clients, a husband and wife, realize that should something happen to the primary breadwinner, it will be especially tough for the other to keep up with expenses and help pay for college for their daughter. With the help of their agent, they plan to pay $300 per month in premiums for a Strategic Accumulator IUL 2 policy with a minimum non-MEC death benefit of $206,793*. This benefit amount is to fulfill the college funding goal and to help ensure the beneficiaries can stay in their current home.

The couple likes the idea of continuing to fund the policy after helping their daughter pay for college. They'll continue to fund the policy at $300 per month to continue to grow the cash value to help supplement retirement income. The illustration on the next page shows how a Strategic Accumulator IUL 2 policy could fit this hypothetical scenario.

* While we are featuring this indexed universal life product, keep in mind that Midland National offers other life insurance products that may fit your client's needs

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Male 28
Male, Issue Age 28
Preferred Non-Tobacco
$206,793

Strategic Accumulator IUL2

A Universal Life Insurance Policy Supplemental Illustration

AGENT ONLY REPORT

Not to be used for consumer solicitation purposes

Target (annualized)	$2,580.78	Maximum Level Annual	$3,600.01		
Minimum (annualized)	$1,156.08	Maximum Single	$68,348.29	7-Pay Annual	$11,591.91

This illustration reflects the following:
Premium Allocations: S&P500® Annual Pt-to-Pt 100%;
Death Benefit Qualification: Guideline Premium Test (GPT)
Riders, as listed on the last page

Initial Death Benefit: $206,793.00
Initial DB Option: 1-Level
Initial Monthly EFT Premium: $300.00

The client makes monthly payments of $300.

$80,000 lump-sum loan to help pay student loans.

Payments through age 68, followed by income through age 100

INTEREST AND COST SCENARIOS

					Guaranteed Maximum Charges Minimum Account Value: 2.0%			Non-Guaranteed Alternate Current Charges Index Credits: 3.00%**			Non-Guaranteed Assumed Current Charges Index Credits: 5.91%**		
End of Year	Beg/End of Yr Age	Annualized Modal Premium	Dist. Amount	Type	Account Value	Net Cash Surrender Value	Death Benefit	Account Value	Net Cash Surrender Value	Death Benefit	Account Value	Net Cash Surrender Value	Death Benefit
1 * +	28/29	3,600.00	0	P	2,527	0	206,793	2,727	0	206,793	2,727	0	206,793
2	29/30	3,600.00	0	P	5,076	852	206,793	5,483	1,260	206,793	5,598	1,374	206,793
3	30/31	3,600.00	0	P	7,646	3,644	206,793	8,311	4,309	206,793	8,618	4,616	206,793
4	31/32	3,600.00	0	P	10,213	6,657	206,793	11,167	7,610	206,793	11,758	8,202	206,793
5	32/33	3,600.00	0	P	12,802	9,690	206,793	14,077	10,965	206,793	15,051	11,938	206,793
17	44/45	3,600.00	0	P	43,855	43,855	206,793	57,609	57,609	206,793	74,425	74,425	206,793
18	45/46	3,600.00	0	P	46,494	46,494	206,793	62,065	62,065	206,793	81,578	81,578	206,793
19	46/47	3,600.00	0	P	49,140	49,140	206,793	66,634	66,634	206,793	89,136	89,136	206,793
20	47/48	3,600.00	0	P	51,794	51,794	206,793	71,322	71,322	206,793	97,123	97,123	206,793
		72,000.00	0										
	48/49	3,600.00	0	P	54,474	54,474	206,793	76,580	76,580	206,793	106,013	106,013	208,846
	49/50	3,600.00	0	P	57,163	57,163	206,793	81,962	81,962	206,793	115,376	115,376	220,369
	50/51	3,600.00	0	P	59,862	59,862	206,793	87,475	87,475	206,793	125,247	125,247	231,709
	51/52	[illegible]	80,000	PFL	0	0	0	94,954	10,634	122,473	137,472	53,152	160,381
	52/53	3,600.00	0	P	0	0	0	102,699	13,825	117,919	150,411	61,538	168,330
	53/54	3,600.00	0	P	0	0	0	110,742	17,070	113,120	164,157	70,484	175,545
	54/55	3,600.00	0	P	0	0	0	119,095	20,364	108,062	178,755	80,024	181,915
	55/56	3,600.00	0	P	0	0	0	127,791	23,729	102,730	194,280	90,218	187,358
29	56/57	3,600.00	0	P	0	0	0	136,843	27,162	97,111	210,766	101,084	198,037
30	57/58	3,600.00	0	P	0	0	0	146,270	30,666	92,100	228,266	112,662	208,534
		108,000.00	80,000										
31	58/59	3,600.00	0	P	0	0	0	156,110	34,263	93,585	246,886	125,039	218,856
32	59/60	3,600.00	0	P	0	0	0	166,352	37,926	94,486	266,678	138,252	228,922
33	60/61	3,600.00	0	P	0	0	0	177,002	41,640	94,741	287,698	152,336	238,645
34	61/62	3,600.00	0	P	0	0	0	188,063	45,392	98,050	309,999	167,328	254,128
35	62/63	3,600.00	0	P	0	0	0	199,560	49,185	101,070	333,667	183,292	270,045
36	63/64	3,600.00	0	P	0	0	0	211,517	53,022	103,786	358,794	200,299	286,410
37	64/65	3,600.00	0	P	0	0	0	223,945	56,891	106,158	385,451	218,397	303,195
38	65/66	3,600.00	0	P	0	0	0	236,885	60,810	108,187	413,764	237,689	320,442
39	66/67	3,600.00	0	P	0	0	0	250,335	64,752	112,317	443,789	258,207	342,527
40	67/68	3,600.00	0	P	0	0	0	264,324	68,720	116,298	475,639	280,035	365,650
		144,000.00	80,000										
70	97/98	0.00	36,161	FL	0	0	0	0	0	0	3,988,010	327,251	327,251
		144,000.00	1,164,830										
71	98/99	0.00	36,161	FL	0	0	0	0	0	0	4,295,677	399,125	399,124
72	99/100	0.00	36,161	FL	0	0	0	0	0	0	4,626,024	480,946	480,946
73	100/101	0.00	36,161	FL	0	0	0	0	0	0	4,980,621	573,596	573,596
74	101/102	0.00	0		0	0	0	0	0	0	5,360,336	715,332	715,333
75	102/103	0.00	0		0	0	0	0	0	0	5,766,902	871,069	871,069
76	103/104	0.00	0		0	0	0	0	0	0	6,202,127	1,041,921	1,041,920

The information presented is hypothetical and not intended to project or predict investment results. Illustrations are not complete unless all pages are included.

ExactIllustrations Software, May 8, 2023.

1. The tax-deferred feature of the indexed universal life policy is not necessary for a tax-qualified plan. In such instances, your client should consider whether other features, such as the death benefit and optional riders make the policy appropriate for your client's needs. Before purchasing a policy, your client should obtain competent tax advice both as to the tax treatment of the policy and the suitability of the product.

2. Subject to eligibility requirements. There is no additional monthly deduction or premium charge for the Accelerated Death Benefit Endorsement. However, the actual payment received in connection with any acceleration will be discounted and is lower than the death benefit amount accelerated. In addition, there is an administrative fee required each time an election is made. Amount can vary by state.

3. For most policies, withdrawals are free from federal income tax to the extent of the investment in the contract, and policy loans are also tax-free so long as the policy does not terminate before the death of the insured. However, if the policy is a Modified Endowment Contract (MEC), a withdrawal or policy loan may be taxable upon receipt. Further, unpaid loan interest on a MEC may be taxable. A MEC is a contract received in exchange for a MEC or for which premiums paid during a seven-year testing period exceed prescribed premium limits (7-pay premiums).

4. In some situations loans and withdrawals may be subject to federal taxes. Midland National does not give tax or legal advice. Clients should be instructed to consult with and rely on their own tax advisor or attorney for advice on their specific situation. Income and growth on accumulated cash values is generally taxable only upon withdrawal. Adverse tax consequences may result if withdrawals exceed premiums paid into the policy. Withdrawals or surrenders made during a Surrender Charge period will be subject to withdrawal charges, processing fees, or surrender charges, and may reduce the ultimate death benefit and cash value. Surrender charges vary by product, issue age, sex, underwriting class, and policy year.

5. Neither Midland National nor its agents give tax advice. Please advise your customers to consult with and rely on a qualified legal or tax advisor before entering into or paying additional premiums with respect to such arrangements.

6. The net cost of a variable interest participating policy loan could be negative if the credits earned are less than the interest charged. The net cost of the loan could also be larger than under standard policy loans if the amount credited is less than the interest charged. In the extreme example, the amount credited could be zero and the net cost of the loan would equal the maximum interest rate charged on variable interest participating policy loans. In brief, Variable Interest Participating Policy Loans have more uncertainty than Standard Policy Loans in both the interest rate charged and the interest rate credited.

7. Net Zero Cost Loans are loans charged and credited at the same interest rate percentage for a net zero cost. The policy year and amount available vary by product. Please refer to the specific product marketing guide for details.

8. The net cost of a Fixed Interest Participating Policy Loan could be negative if the credits earned are less than the interest charged. The net cost of the loan could also be larger than under standard policy loans if the amount credited is less than the interest charged. In the extreme example, the amount credited could be zero and the net cost of the loan would equal the maximum interest rate charged less any guaranteed bonus. In brief, variable interest rate loans have more uncertainty than standard policy loans in the interest rate credited.

As independent financial professionals, it is up to you to choose whether this sales concept contained in these materials might be appropriate for use with your particular sales strategy and clients. Please note that Midland National does not require you to use this sales concept; it is a resources that can be used at your option for your own individualized sales presentations if appropriate for the particular client and circumstances.

The primary purpose of life insurance is to provide a death benefit to beneficiaries. Because of the uncertainty surrounding all funding options except savings, it is critical to encourage your clients to make personal savings the cornerstone of your clients' college funding program. However, even a well-conceived savings plan can be vulnerable. Should your clients die prematurely, their savings plan could come to an abrupt end. To protect against this unexpected event, life insurance may be the only vehicle that can help assure the completion of a funding plan. In addition to the financial protection aspect of insurance, the tax-deferred buildup of cash values can be part of your clients' college savings plan. Generally, distributions up to the contract's cost basis are tax free. Moreover, loans in excess of the cost basis are also tax free as long as the policy remains in force.

Indexed Universal Life products are not investments in the "market" or in the applicable index. They are subject to all policy fees and charges normally associated with most universal life insurance.

Agents offering, marketing, or selling accelerated death benefits for chronic illness in California must be able to describe the differences between benefits provided under an accelerated death benefit for chronic illness and benefits provided under long-term care insurance to clients. You must provide clients with the ADBE Consumer Brochure for California that includes this comparison. Comparison is for solicitation purpose only, not for conversions.

Strategic Accumulator IUL 2 (policy form series L153) or state variation, including all applicable endorsements and riders, is issued by Midland National Life Insurance Company, West Des Moines, IA. Products, features, riders, endorsements, or issue ages may not be available in all jurisdictions. Limitations or restrictions may apply.

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