

Making The Case for Life Insurance in Estate Planning



THE LIFE PRODUCT
REVIEW

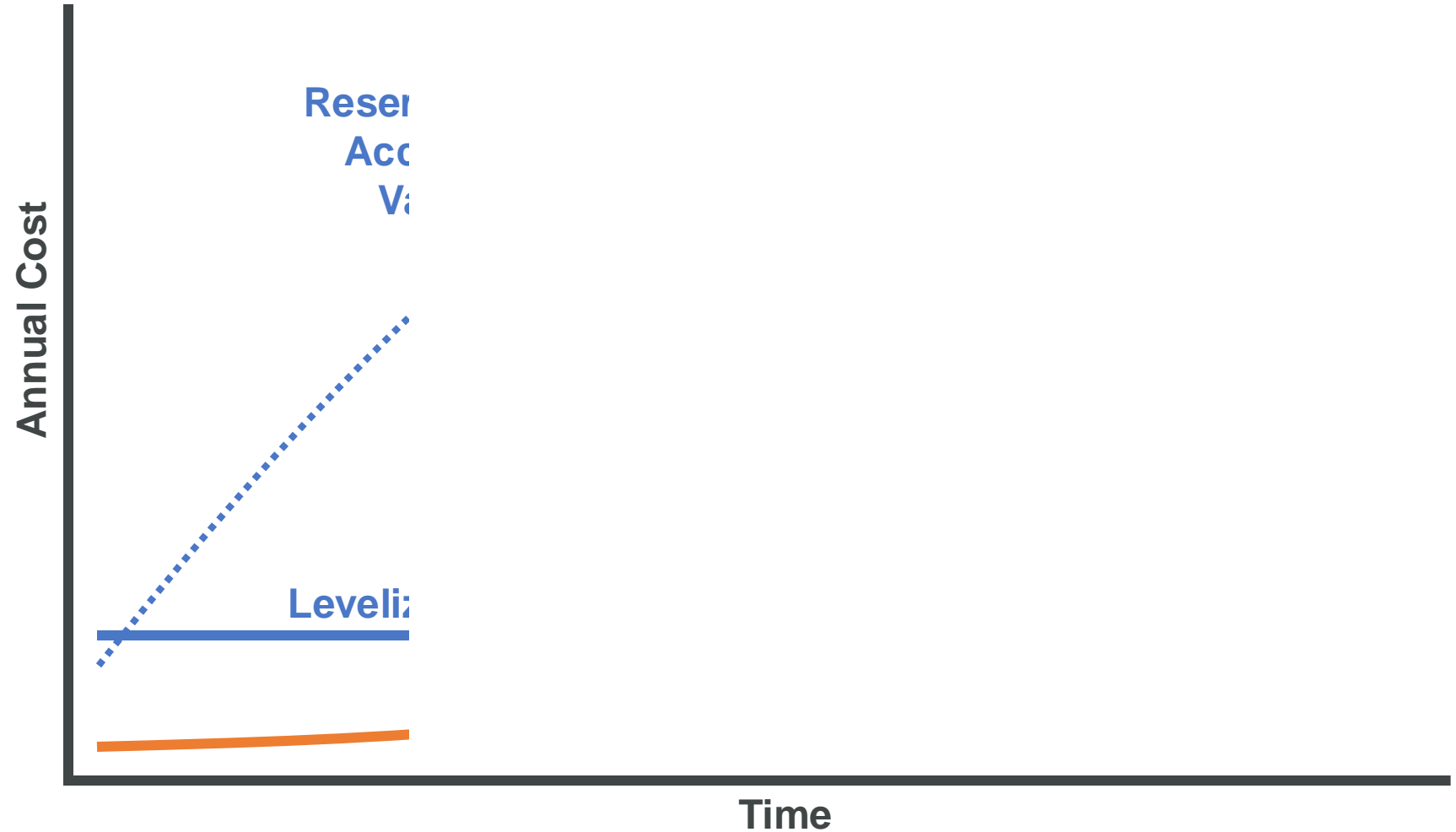
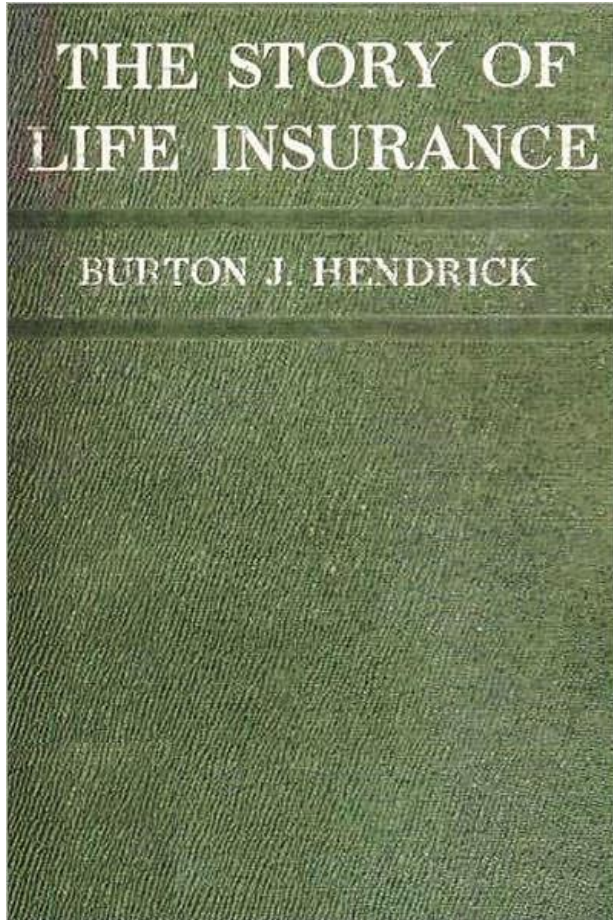
THE TRINITY OF LIFE INSURANCE

Protection

Accumulation

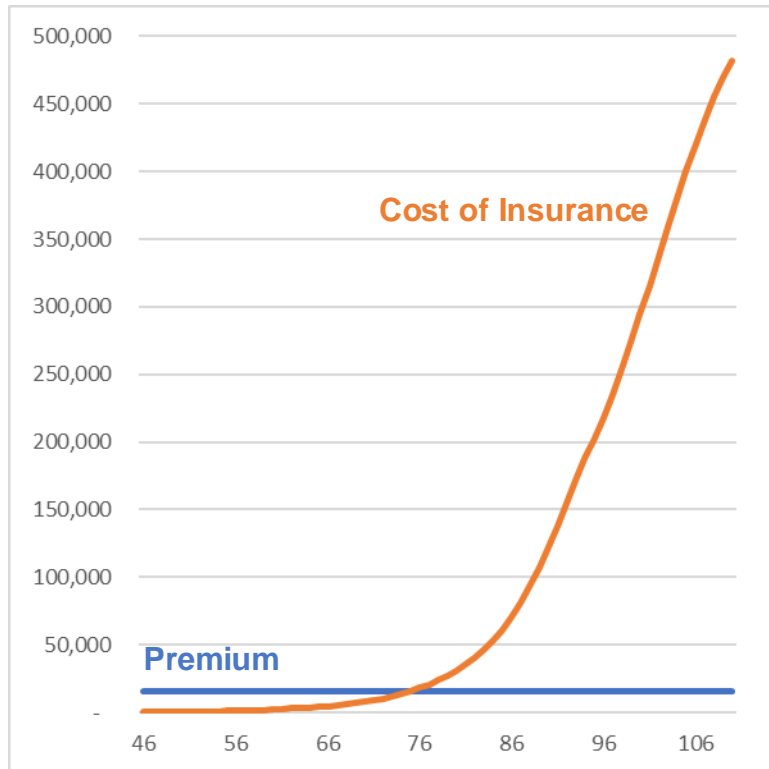
Taxation

THE BASIS FOR PERMANENT PROTECTION

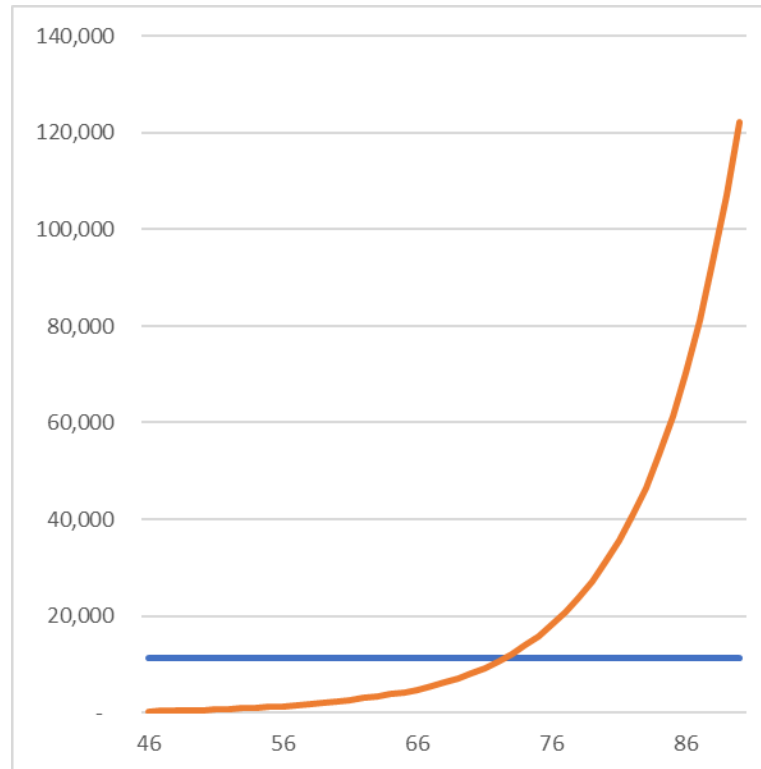


LEVELIZING A NON-LEVEL PREMIUM

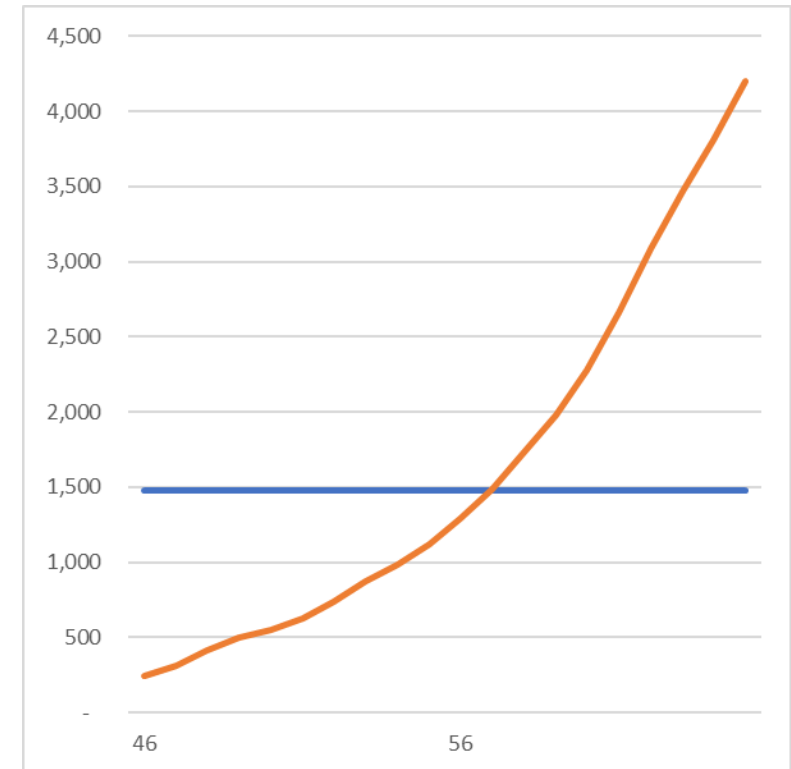
Lifetime Coverage
Premium = \$15,900
Probability of Payout = 100%



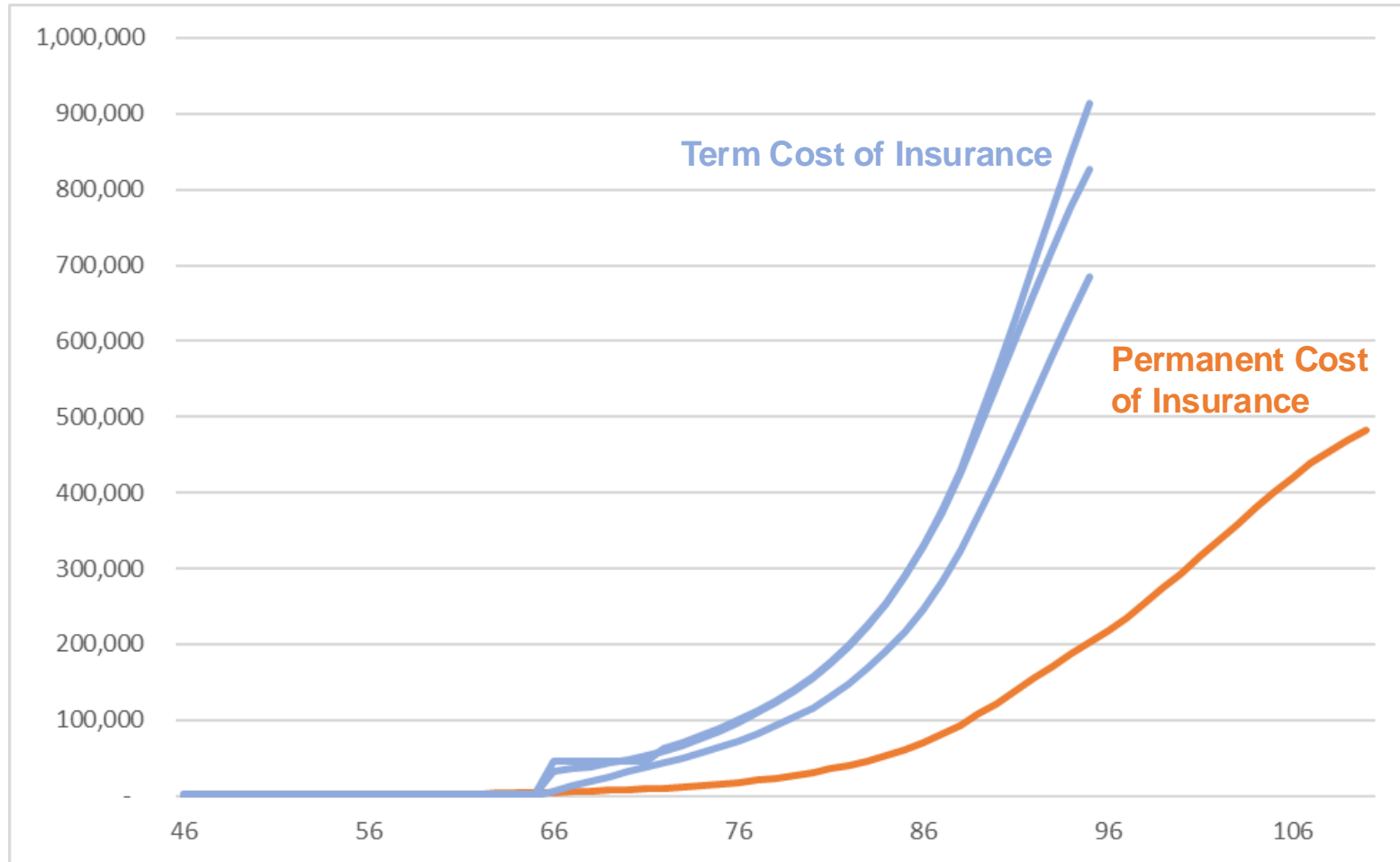
Coverage to A90
Premium = \$11,200
Probability of Payout = 63%



Coverage to A65
Premium = \$1,475
Probability of Payout = 3%

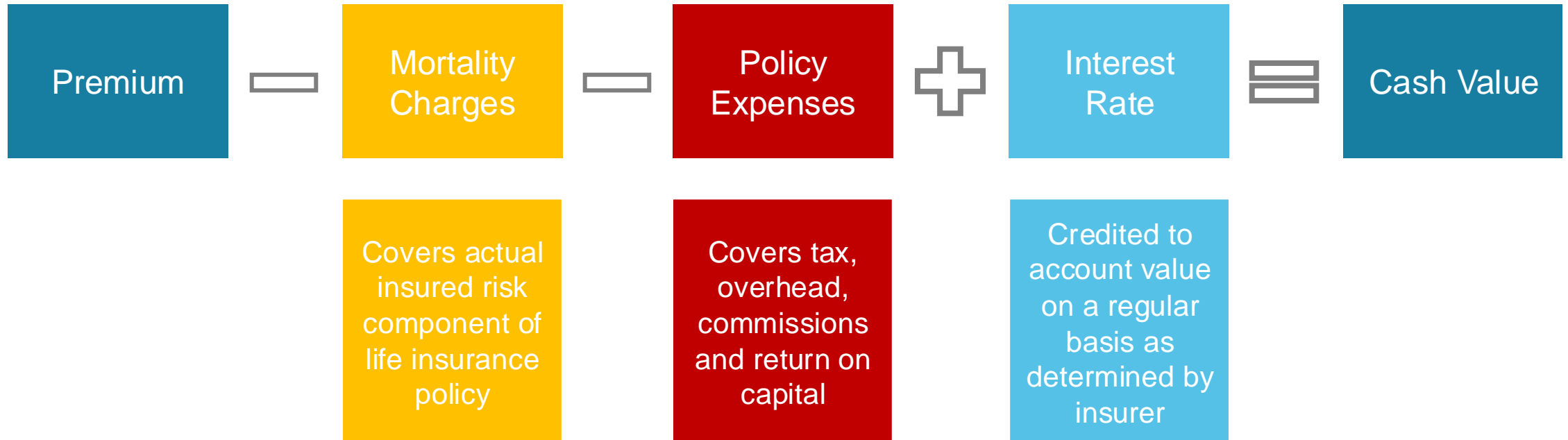


ACTUAL TERM INSURANCE PRICING



	Term	Perm
Year 1	\$1,191	\$15,900
Year 10	\$11,913	\$159,000
Year 20	\$23,827	\$318,000
Year 30	\$445,902	\$477,000
Year 40	\$1,694,247	\$636,000
Year 50	\$6,231,837	\$795,000
Death Benefit	\$1,000,000	\$1,000,000

THE LIFE INSURANCE CHASSIS



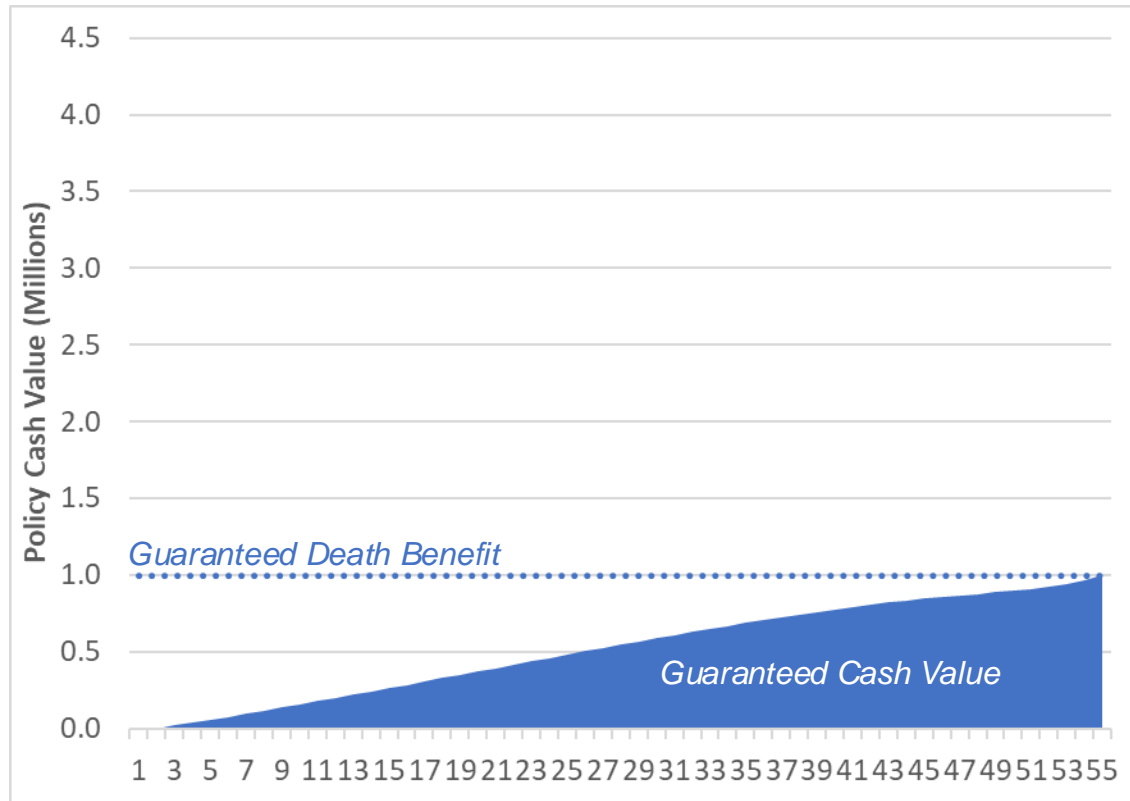
THE PERMANENT LIFE INSURANCE CHASSIS

Whole Life



THE GRADIENTS OF PARTICIPATING WHOLE LIFE

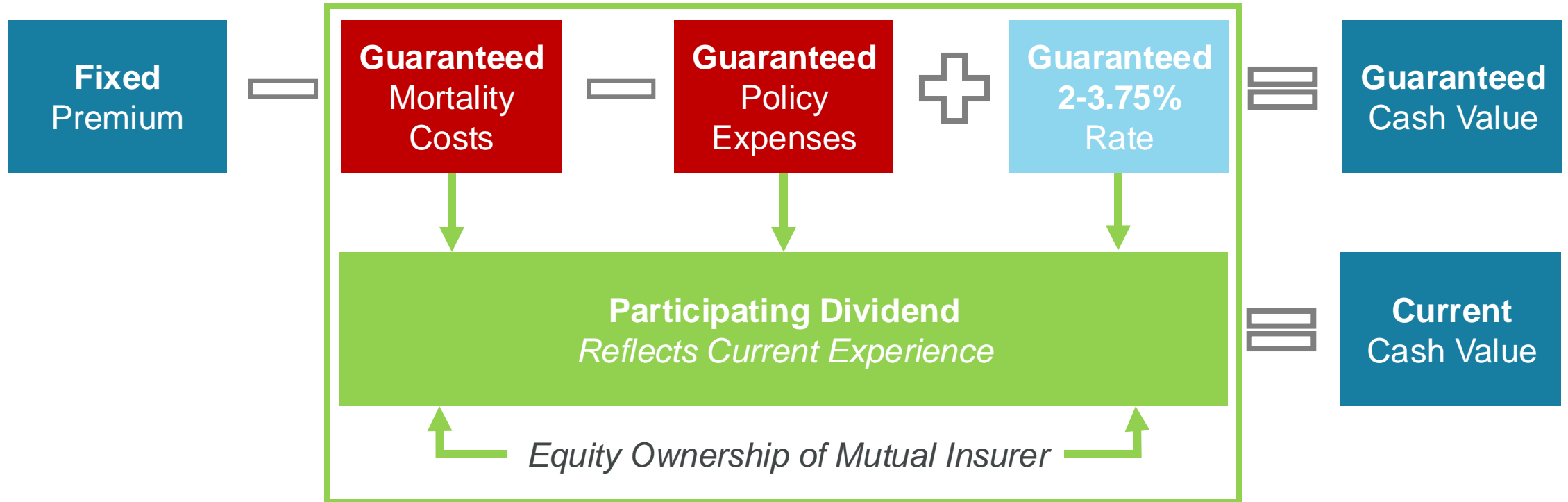
Non-Participating Whole Life



Premium = \$17,500

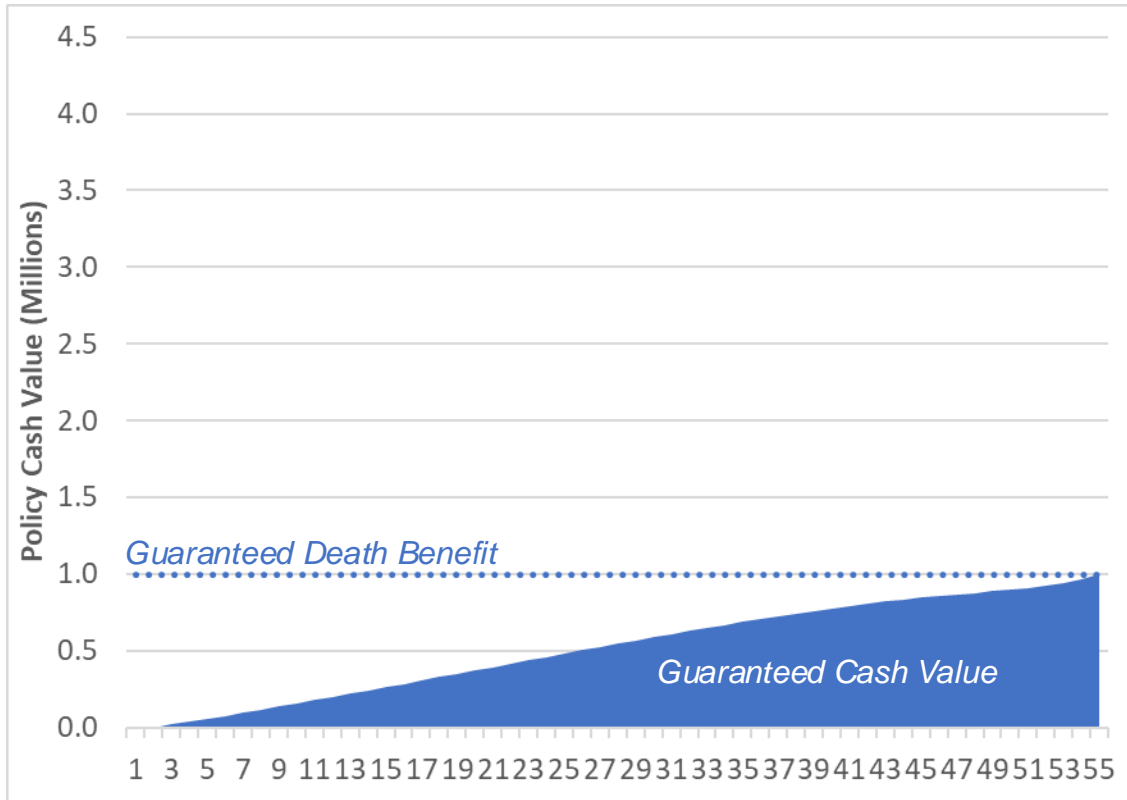
THE PERMANENT LIFE INSURANCE CHASSIS

Whole Life



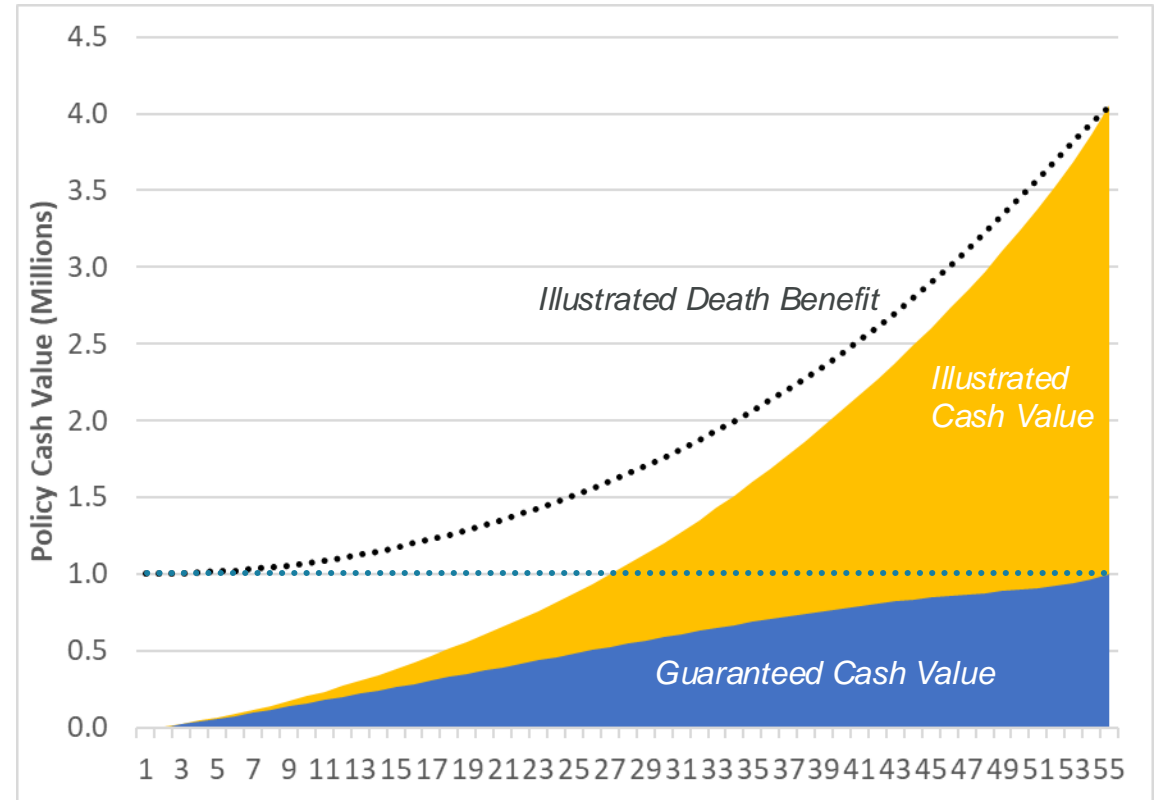
THE GRADIENTS OF PARTICIPATING WHOLE LIFE

Non-Participating Whole Life



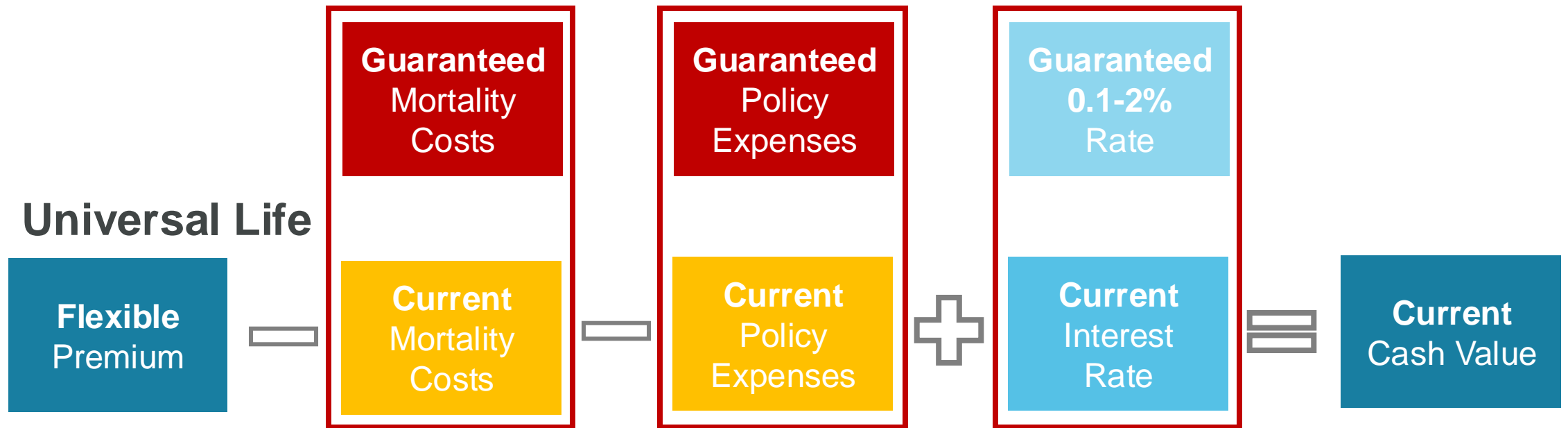
Premium = \$17,500

Participating Whole Life

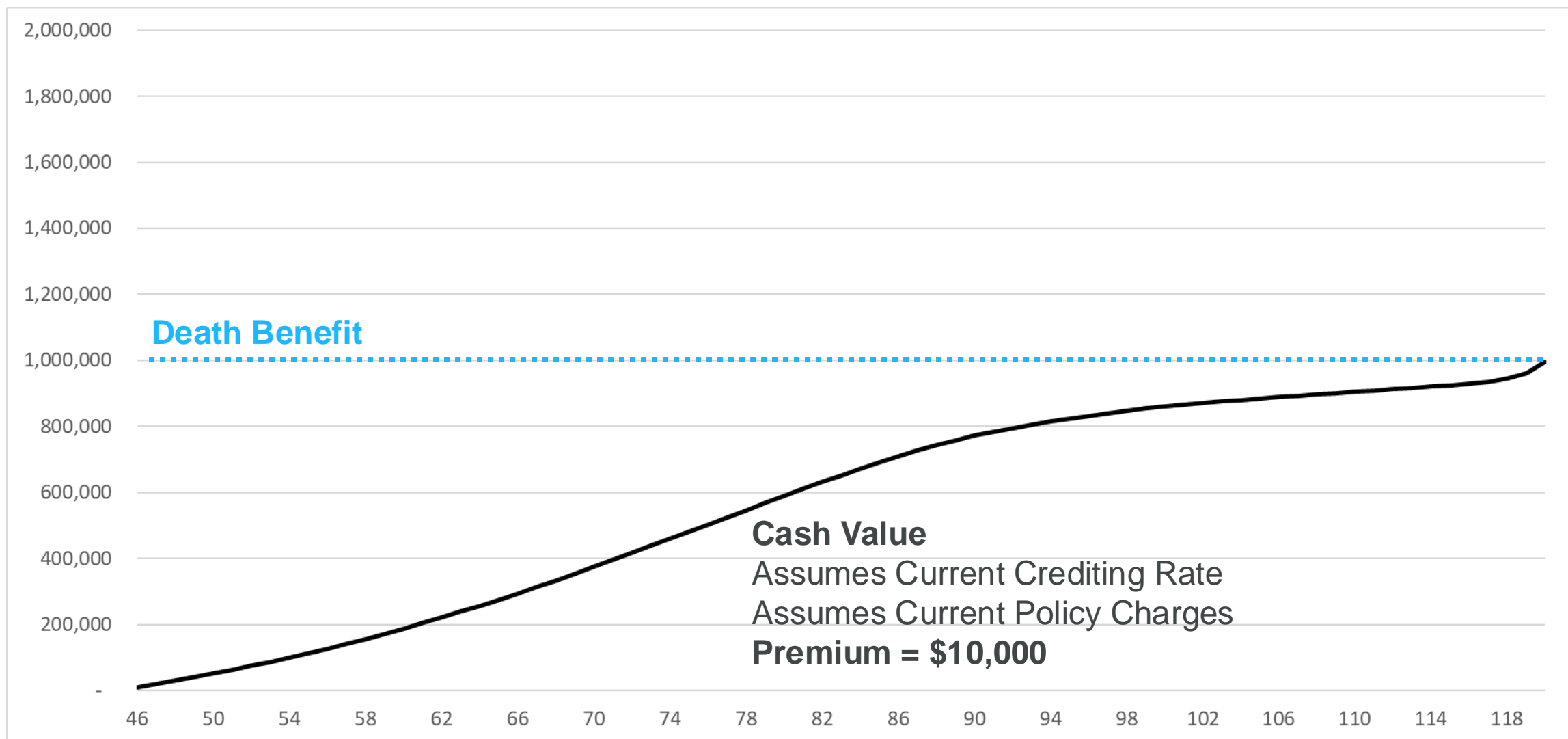


Premium = \$22,500

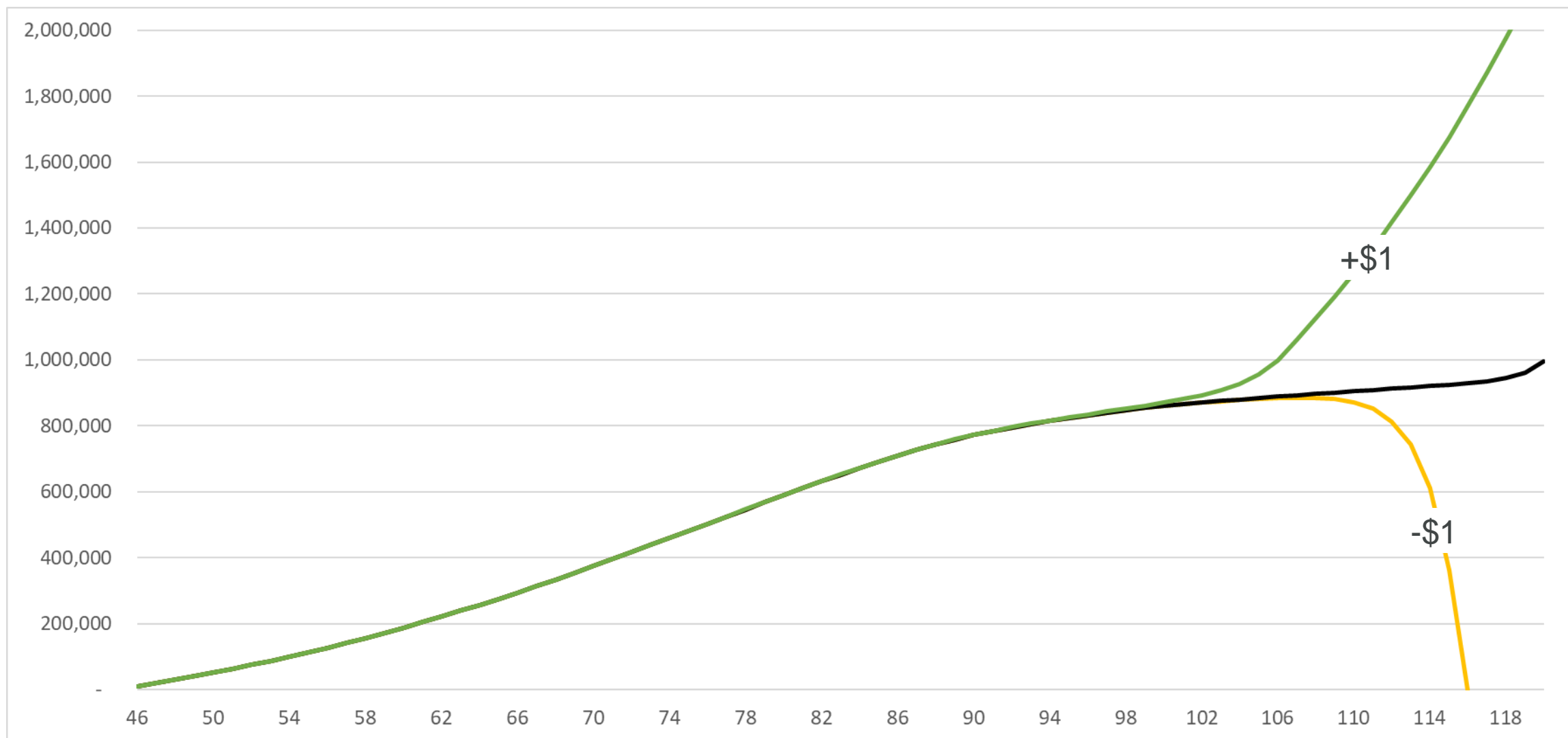
THE PERMANENT LIFE INSURANCE CHASSIS



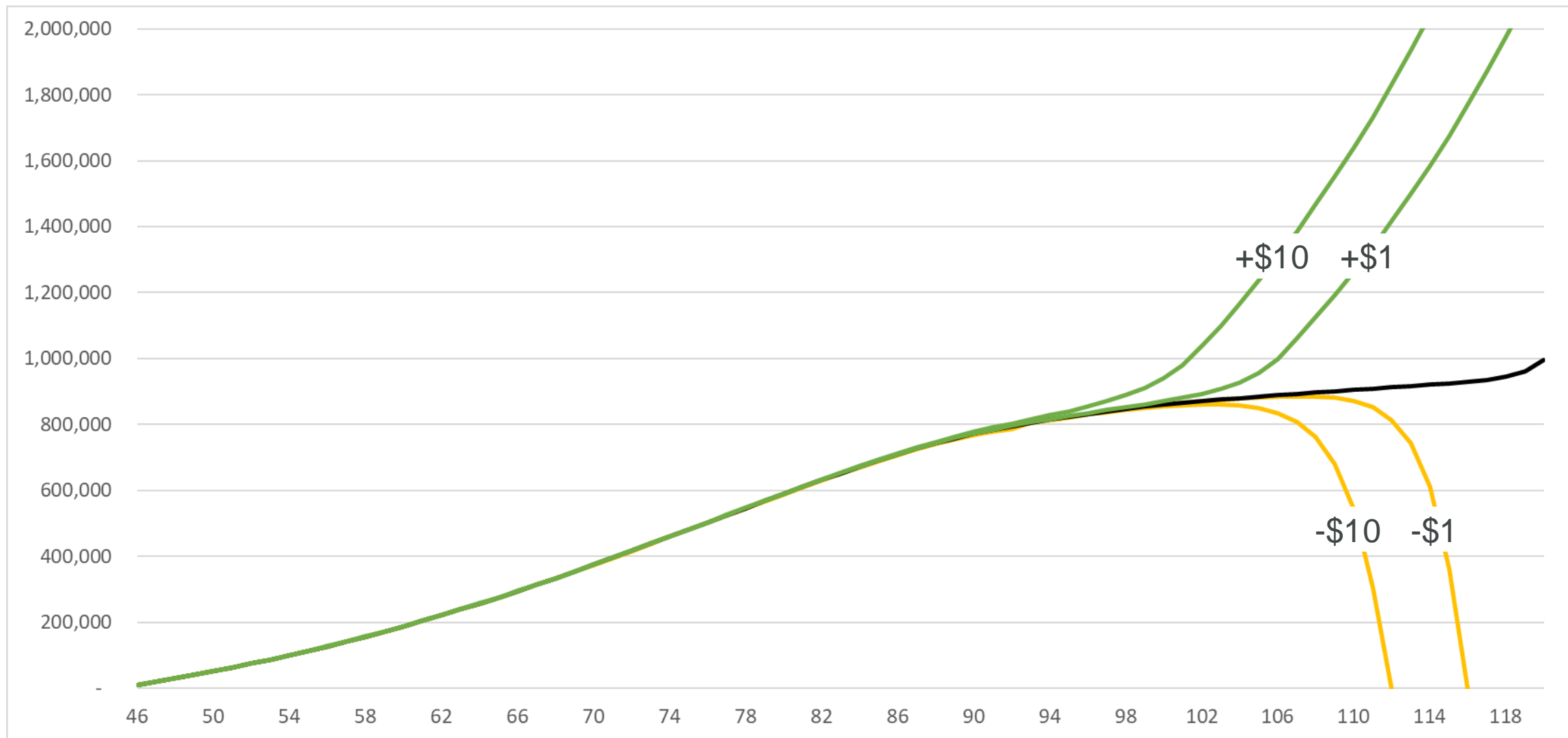
FUNDING DYNAMICS FOR UNIVERSAL LIFE



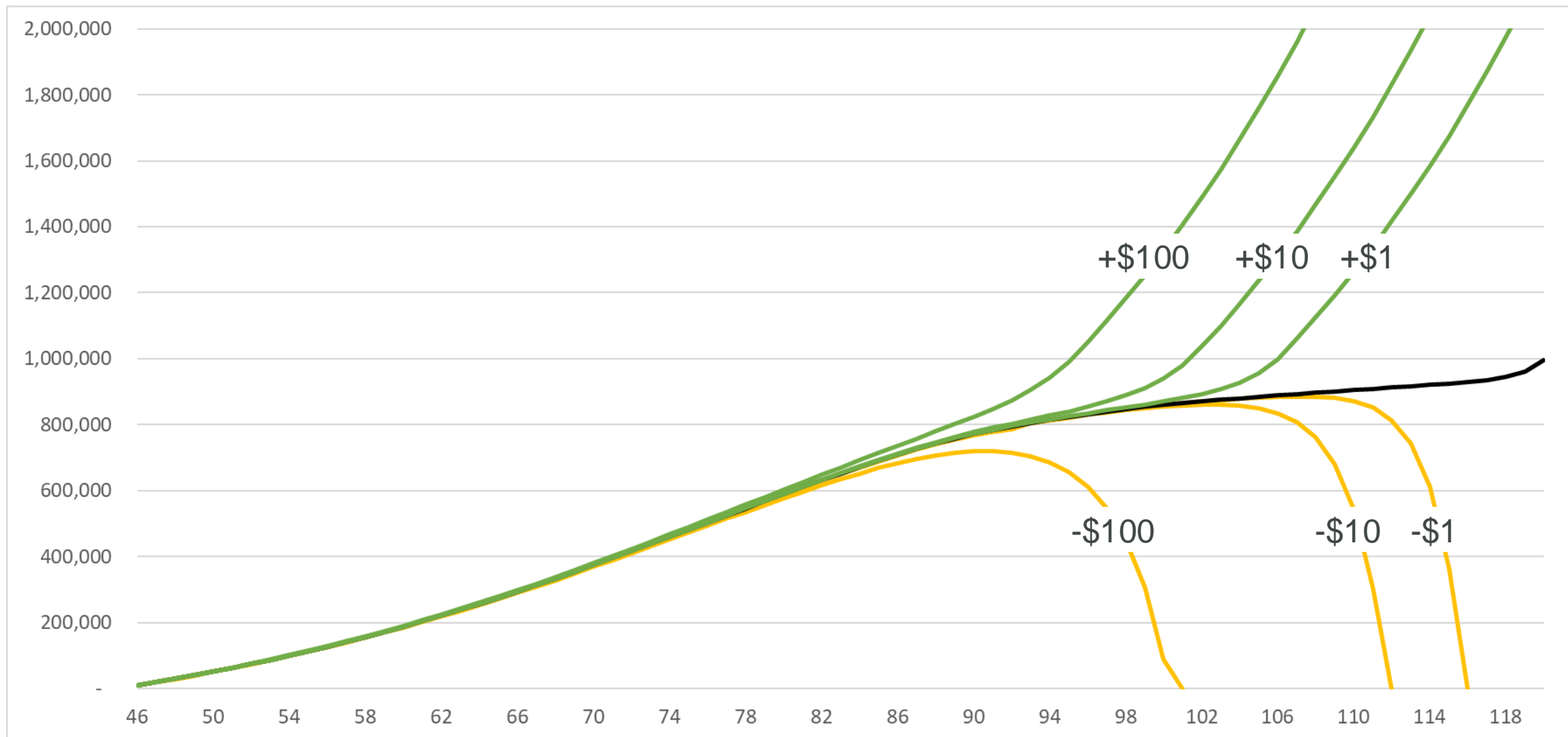
FUNDING DYNAMICS FOR UNIVERSAL LIFE



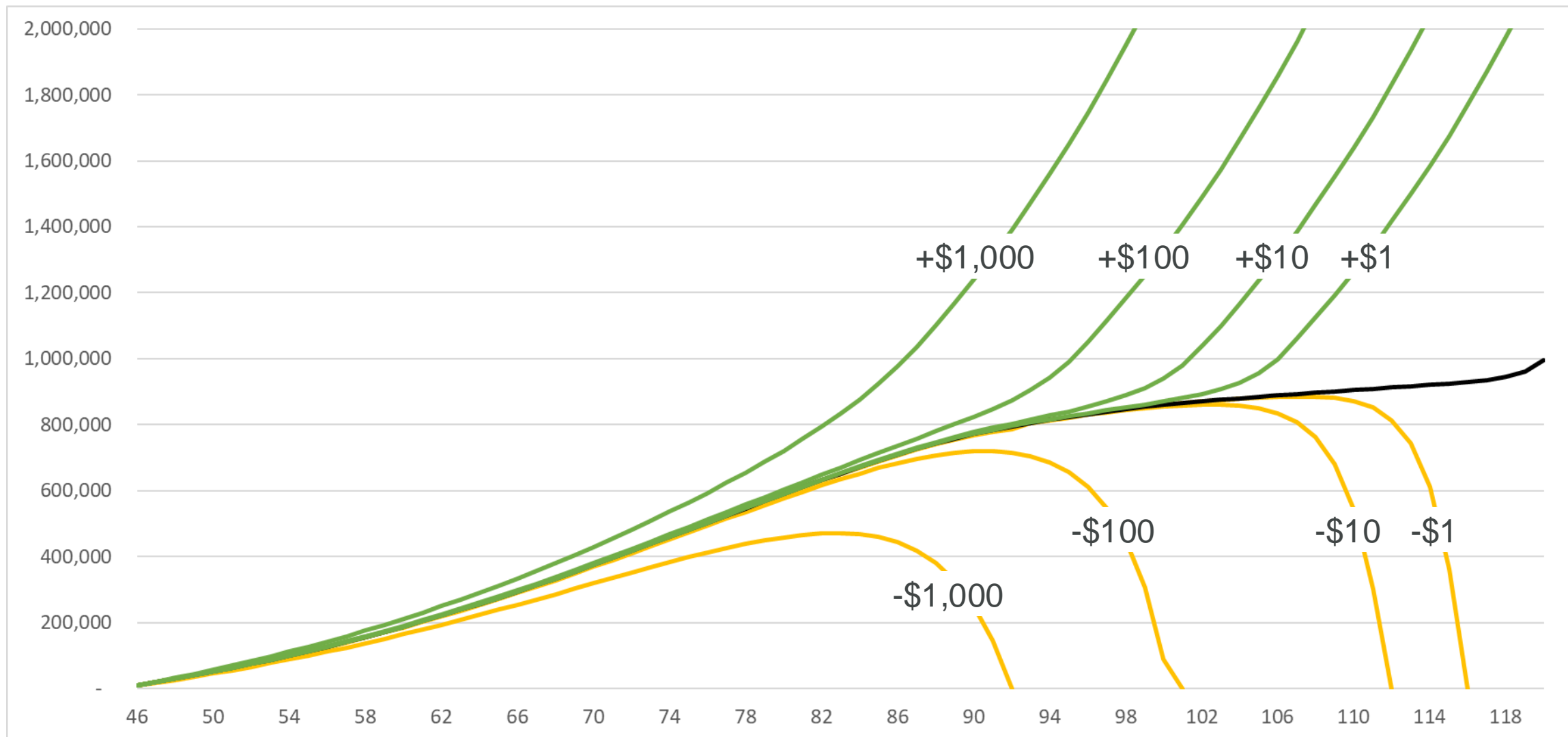
FUNDING DYNAMICS FOR UNIVERSAL LIFE



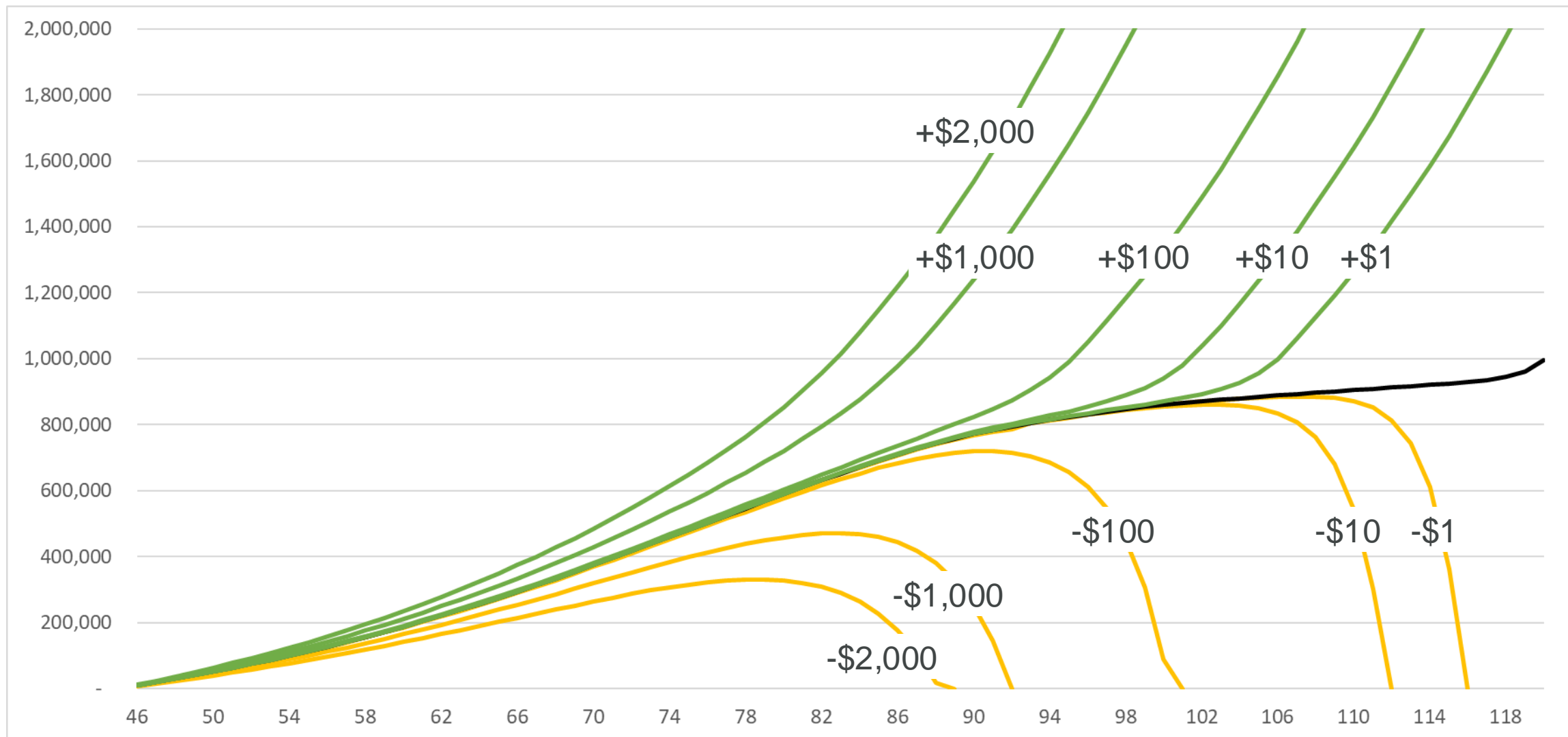
FUNDING DYNAMICS FOR UNIVERSAL LIFE



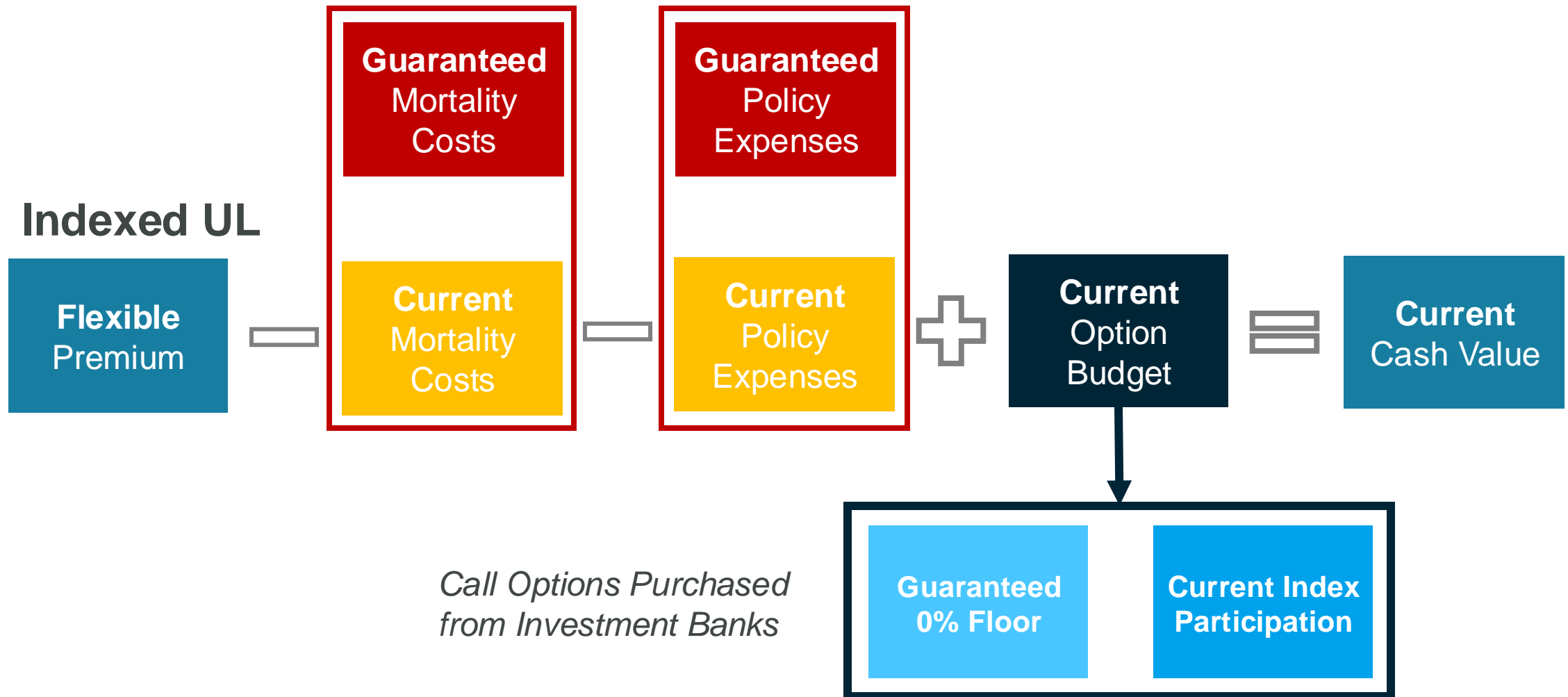
FUNDING DYNAMICS FOR UNIVERSAL LIFE



FUNDING DYNAMICS FOR UNIVERSAL LIFE



THE PERMANENT LIFE INSURANCE CHASSIS



THE INDEXED CREDITING STRATEGY



THE ILLUSTRATED ADVANTAGE FOR IUL

Minimum Premium Solve

Fixed Account	Indexed Account
\$10,706	\$8,429

21% decrease in illustrated premium

Illustrated Cash Value IRR

Fixed UL	Indexed UL
5.60%	6.30%
5.02%	5.80%

78bps greater illustrated cash value IRR

Illustrated Income

Indexed UL	Fixed UL
6.30%	5.60%
\$101,405	\$79,722

27% increase in illustrated income

THE PROBLEM WITH AG 49

Index Assumptions

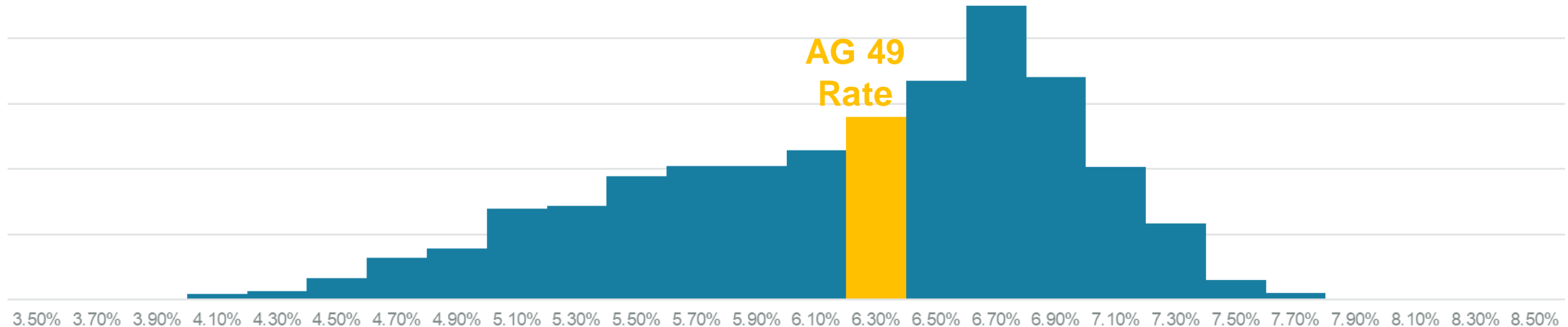
Historical Period	Average S&P 500 Return	S&P 500 Return Profile
65 Years	12%	Steady up, sharp down

Cap Assumptions

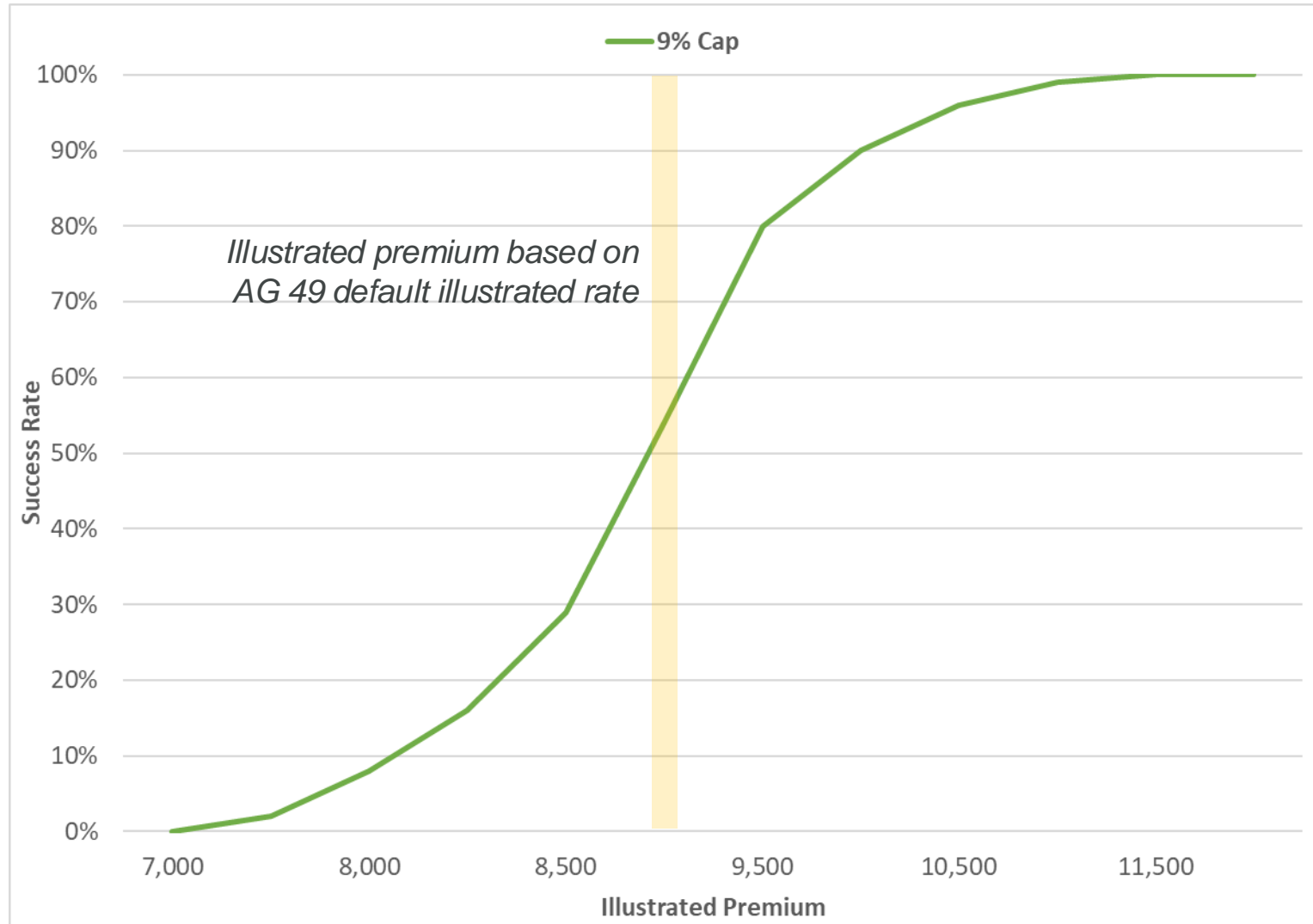
Equity Volatility	Equity Volatility Skew	Interest Rates	Index Dividends	Carrier Option Budget
Stable	Stable	Stable	Stable	Stable

Calculation Assumptions

Calculation Period	Return Percentile
25 Years	55th

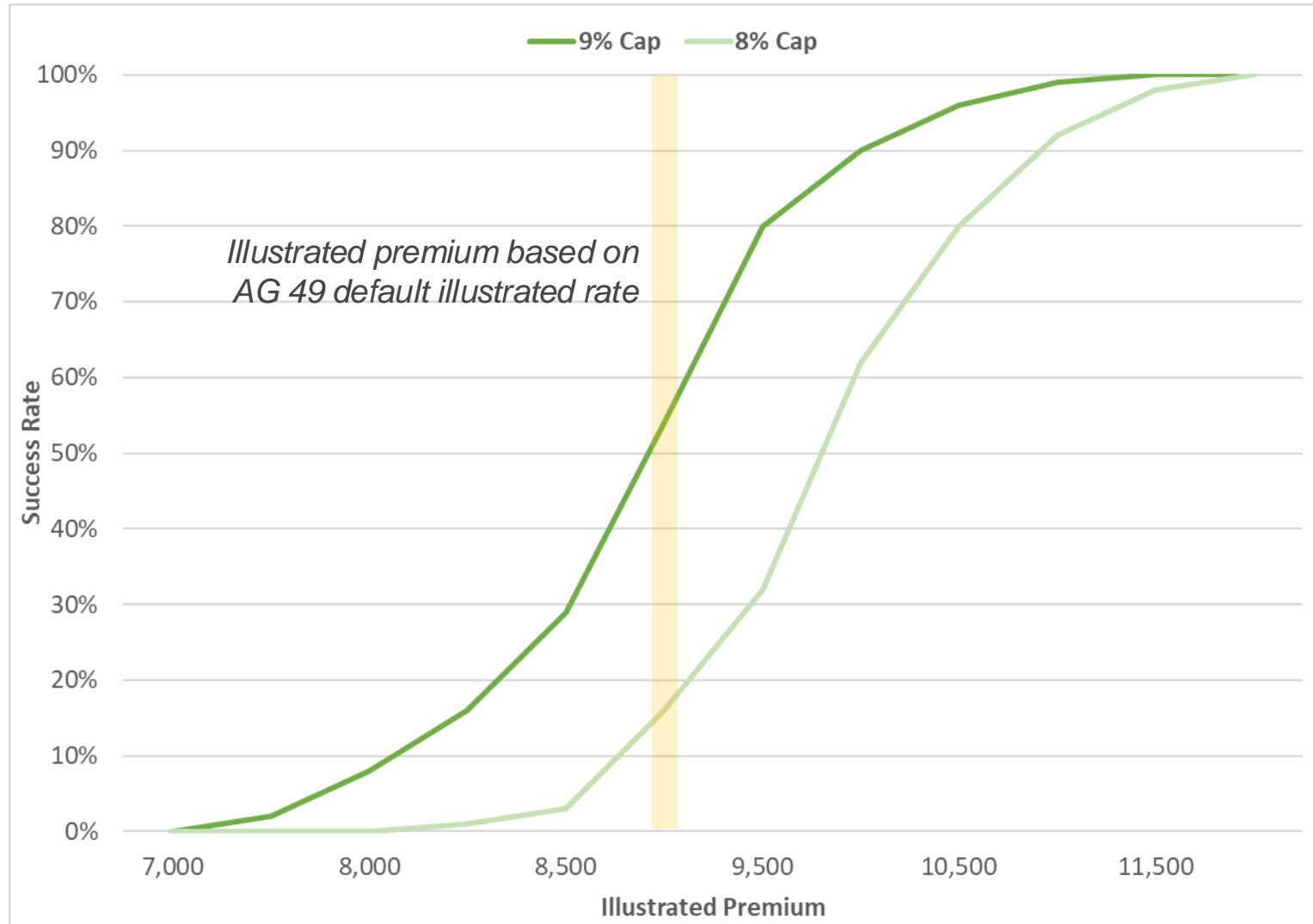


REAL WORLD PROBABILITIES FOR IUL



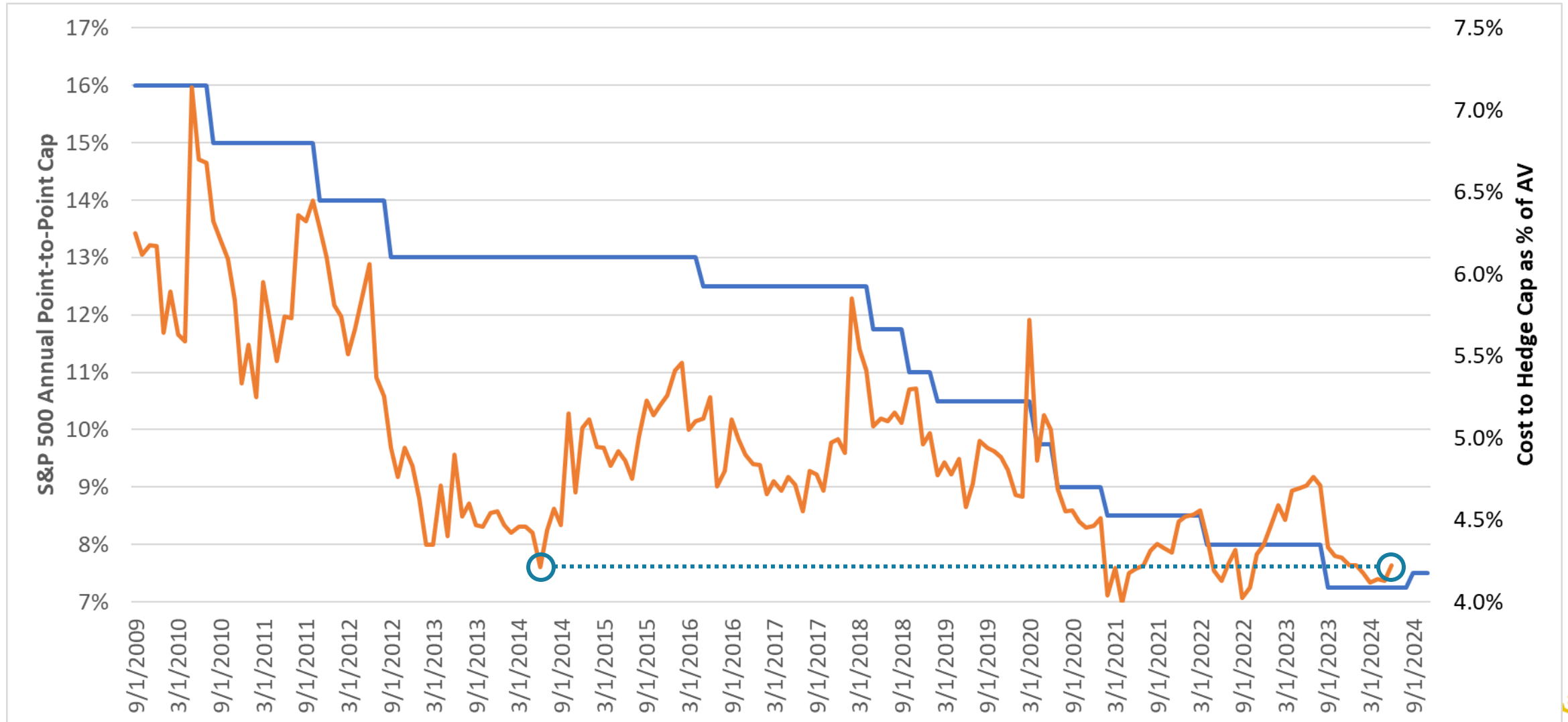
- Life Insurance Sustainability Analytics (LISA) provides stochastic return results for life insurance policies
- This analysis assumes 1,000 S&P 500 return scenarios and a **constant 9% Cap for the Indexed UL policies**
- Default premium results in a probability of success of approximately 55%
- Lower premiums result in lower probabilities of success
- Higher premiums dramatically increase probabilities of success

REAL WORLD PROBABILITIES FOR IUL

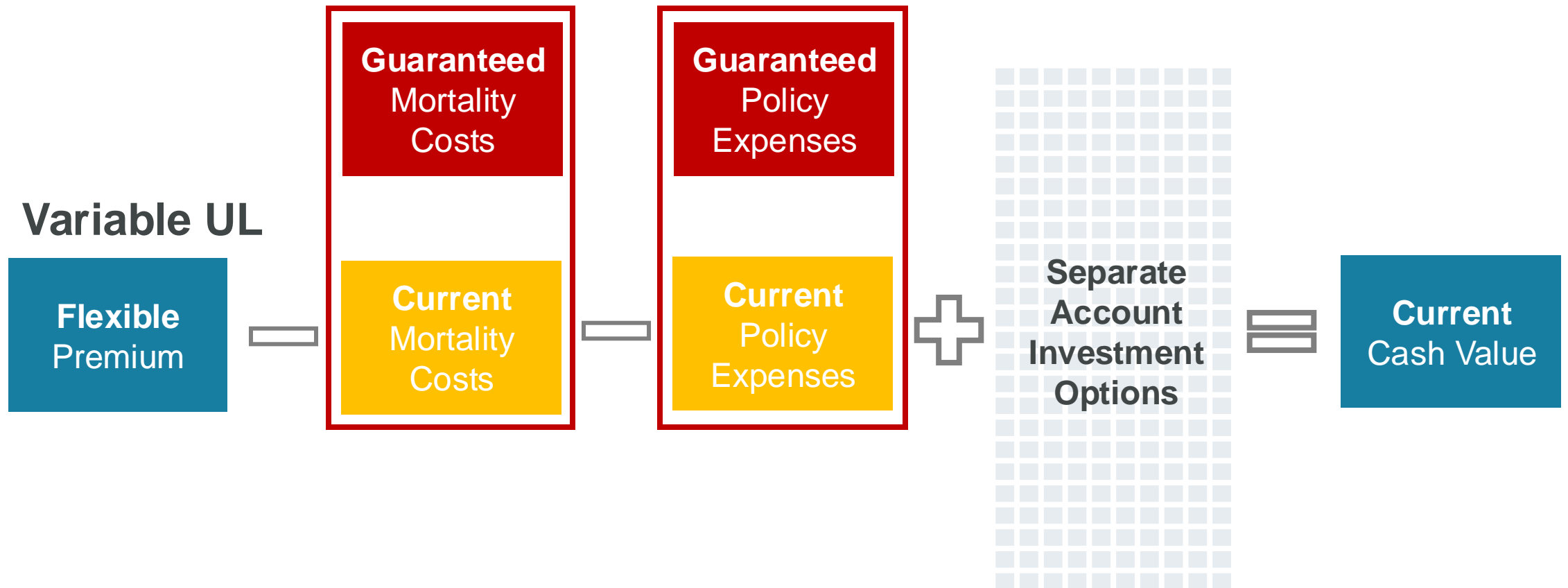


- A reduction in the Indexed UL Cap from 9% to 8%
- Probability of success for originally illustrated premium drops from 55% to just 15%
- Premium would have to be adjusted by approximately \$1,000 to offset Cap reduction
- Higher funding levels have lower probabilities of success, but high enough funding is still safe
- Lower funding levels remain extremely risky and unlikely to succeed

REAL-WORLD INDEXED UL CAP HISTORY



THE PERMANENT LIFE INSURANCE CHASSIS



VARIABLE LIFE SUBACCOUNT LINEUPS

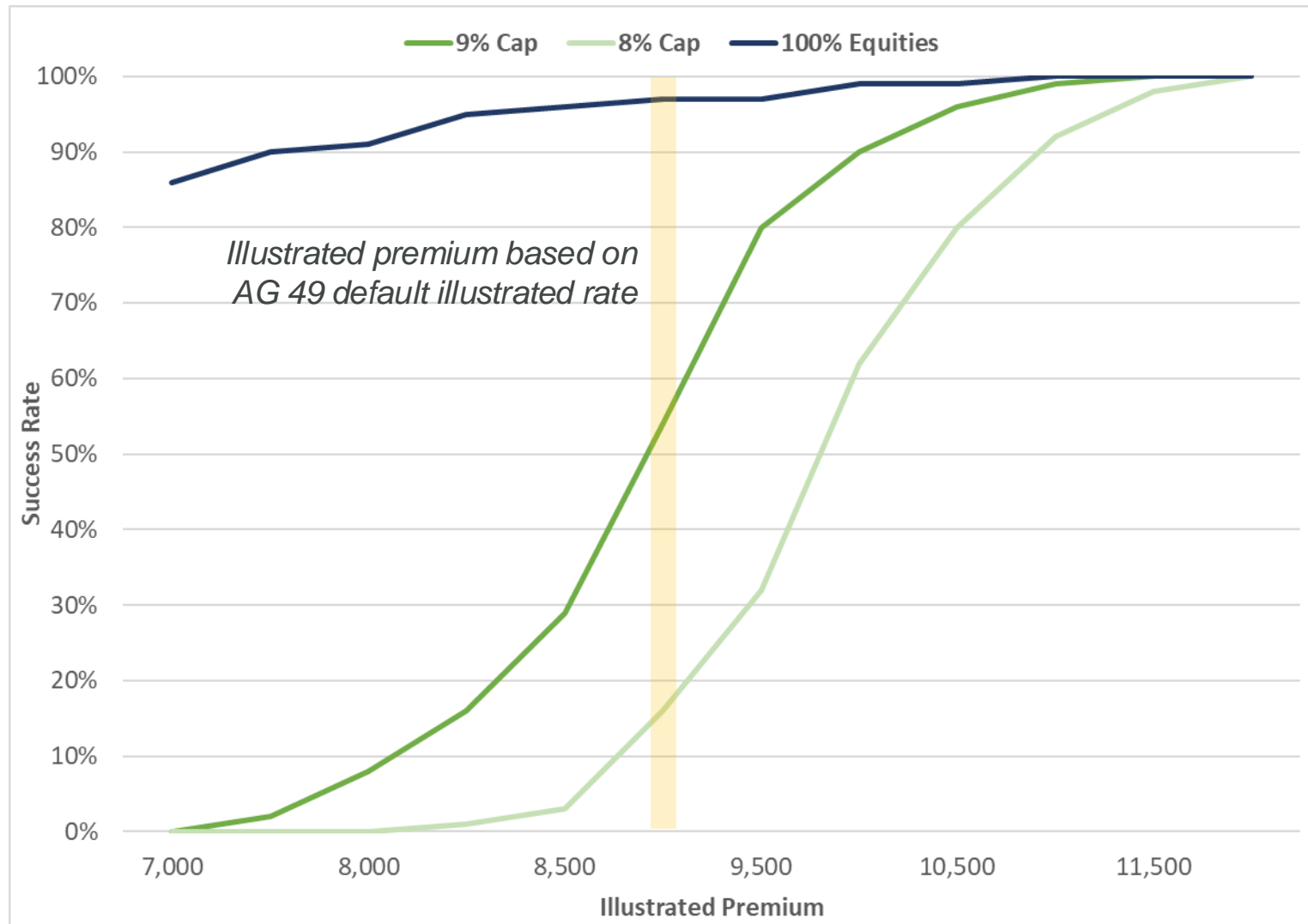
	Blend	Growth	Value	Core
US Large Cap	Vanguard (2) American Funds Dimensional NVIT	Fidelity (3) Vanguard (2) Rydex (2) Alger Capital American Funds ClearBridge T. Rowe Price	Vanguard (2) Alliance Bernstein American Funds Dimensional Invesco Rydex T. Rowe Price	
US Mid Cap	NVIT Vanguard	Federated Kaufmann Fidelity Janus Henderson Rydex Wells Fargo	Janus Henderson Pioneer Rydex	
US Small Cap	NVIT	ClearBridge MFS Rydex	Alliance Bernstein Dimensional Rydex	Fidelity Guggenheim Royce
International	First Eagle NVIT Vanguard Dimensional	American Funds Fidelity Invesco Vanguard	Dimensional	American Funds Invesco iShares

Focus	Funds
Sector Equity	Rydex (13) Columbia
Managed Futures	Guggenheim JP Morgan
Convertibles	MainStay
Diversified Emerging Markets	American Funds JHVIT Lazard VanEck
Health	T. Rowe Price

Focus	Funds
High Yield Bonds	BlackRock PIMCO Vanguard Rydex
Inflation- Protected Bonds	Dimensional PIMCO
Intermediate Term	American Funds BlackRock DoubleLine Fidelity Guggenheim Invesco Janus Henderson iShares NVIT PIMCO Pioneer Putnam Vanguard
World Bonds	Dimensional PIMCO Templeton Vanguard
Short-Term	PIMCO Vanguard
Ultra-Short	Dimensional PIMCO NVIT

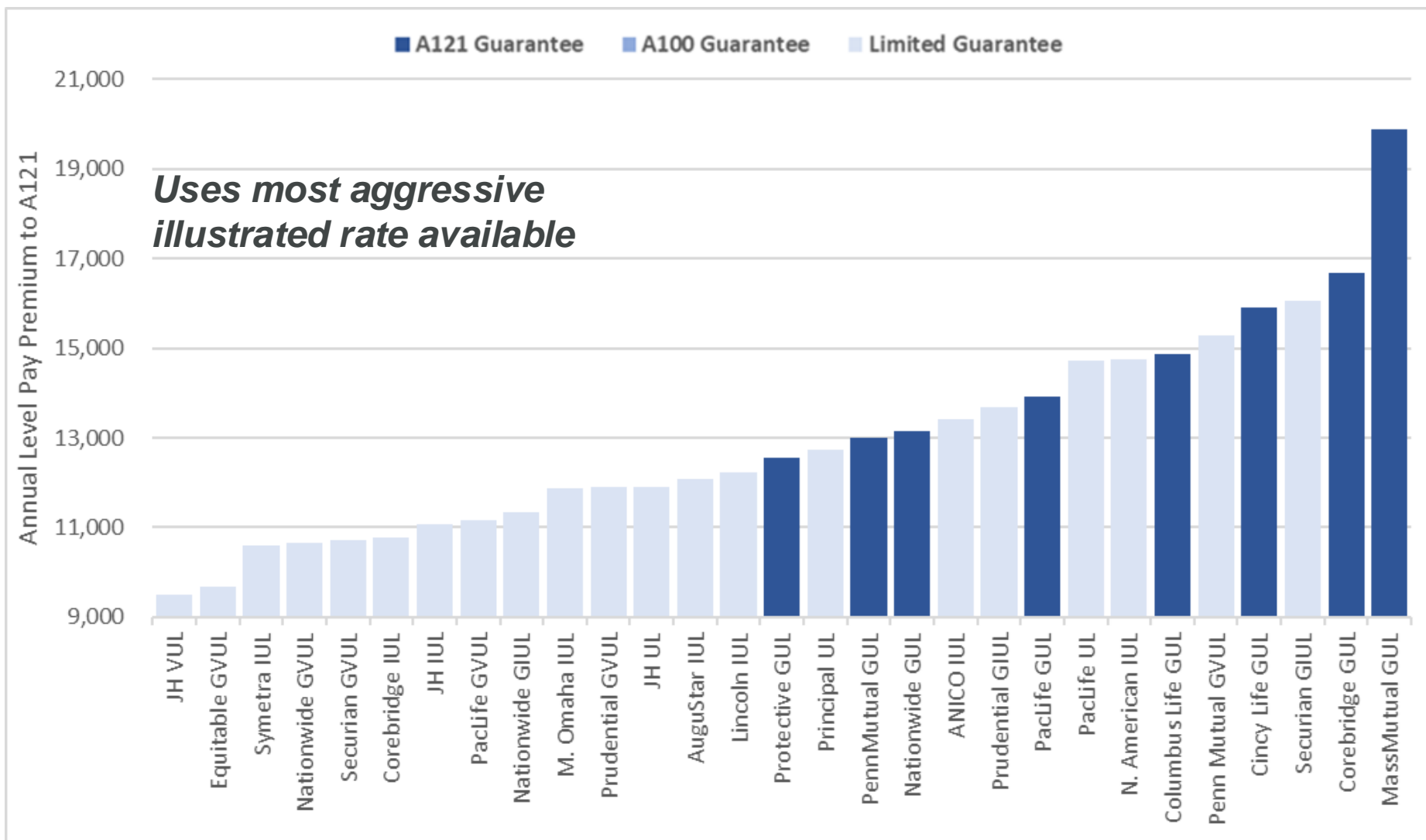
**106 Total Available
Separate Account Funds**

REAL WORLD PROBABILITIES FOR VUL



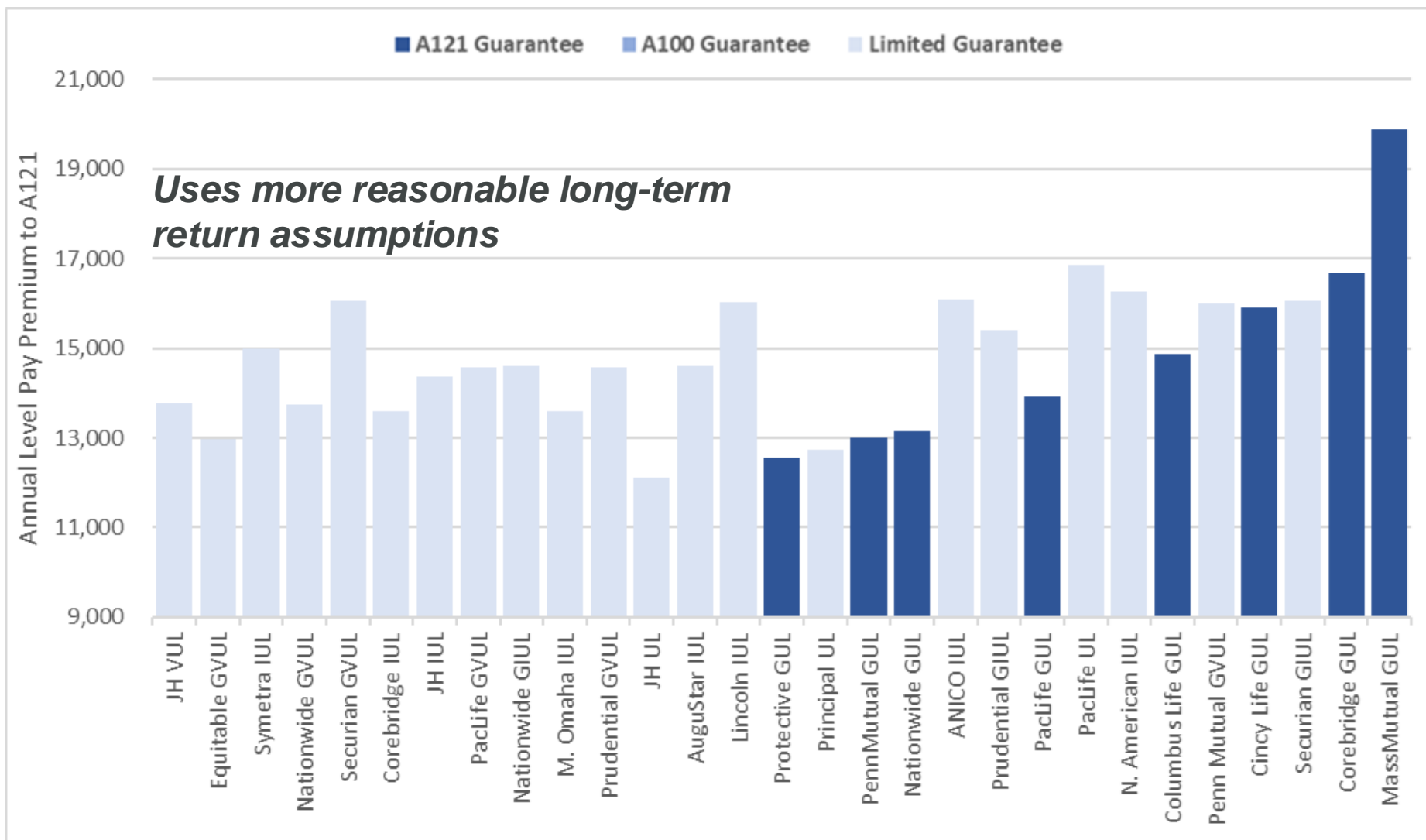
- In the long-run, equity risk is more than compensated by equity returns, **assuming historical returns**
- When adequately funded, the Variable Life policy can withstand annual variability without a failing
- Premiums that would have 0% likelihood of success in Indexed UL are >80% likely for Variable UL
- Completely mitigating all return risk for Variable UL requires high funding on par with Indexed UL
- Variable UL risk/return profile can be adjusted via subaccount selections

WHAT ABOUT SECONDARY GUARANTEES?



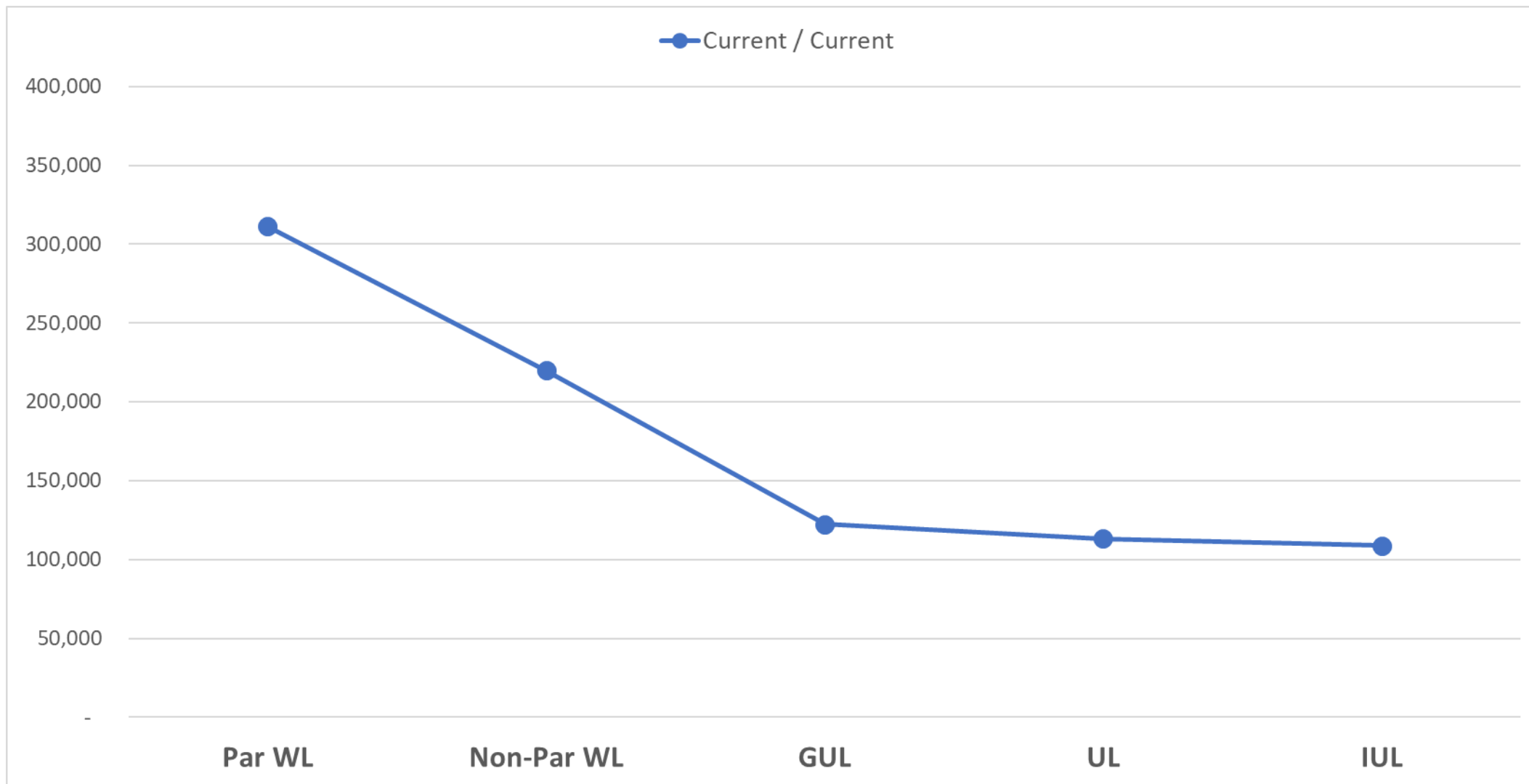
Secondary Guarantees are available, but generally at a higher price than non-guaranteed products

WHAT ABOUT SECONDARY GUARANTEES?

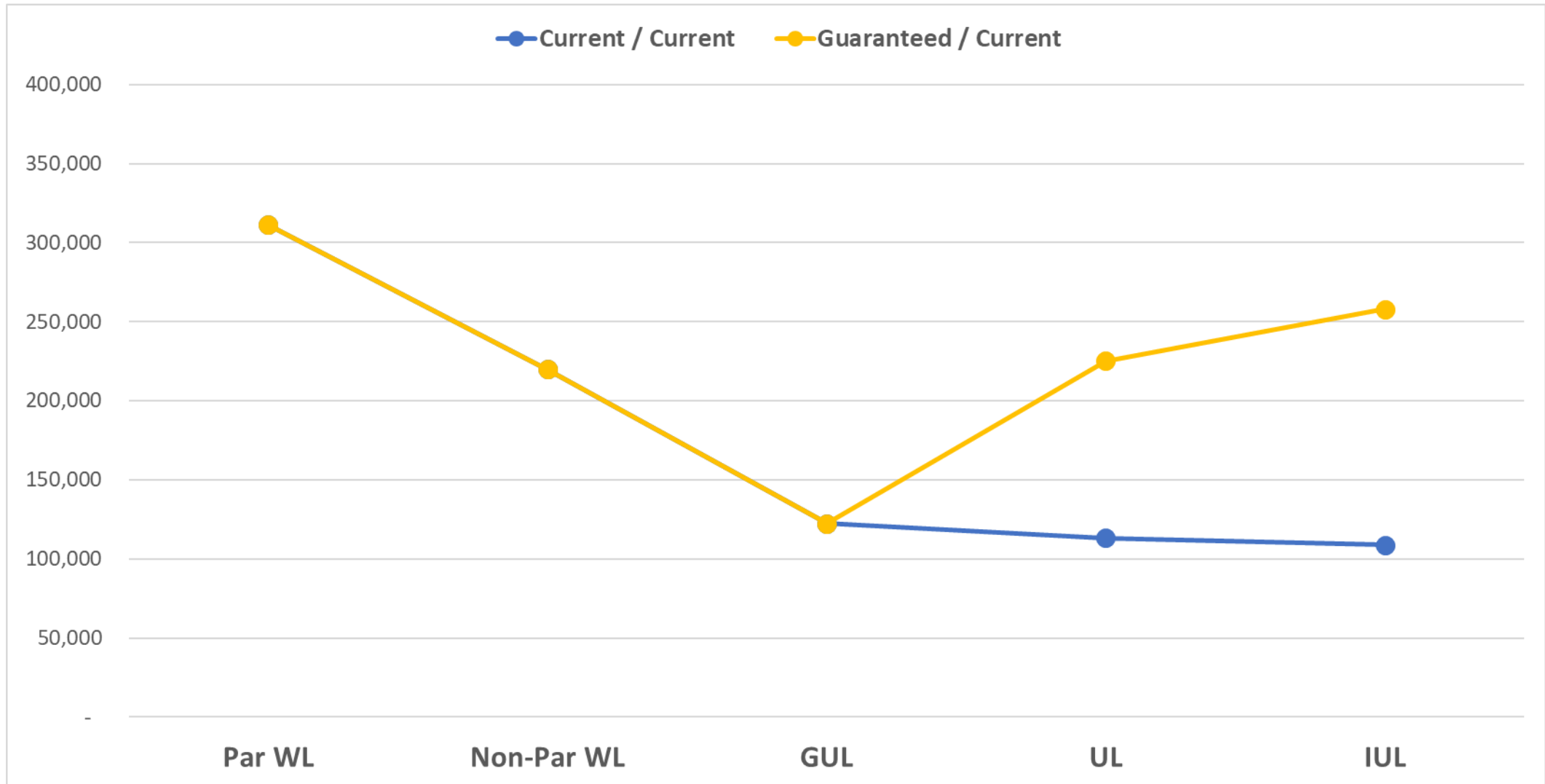


Secondary Guarantees are available, but generally at a higher price than non-guaranteed products

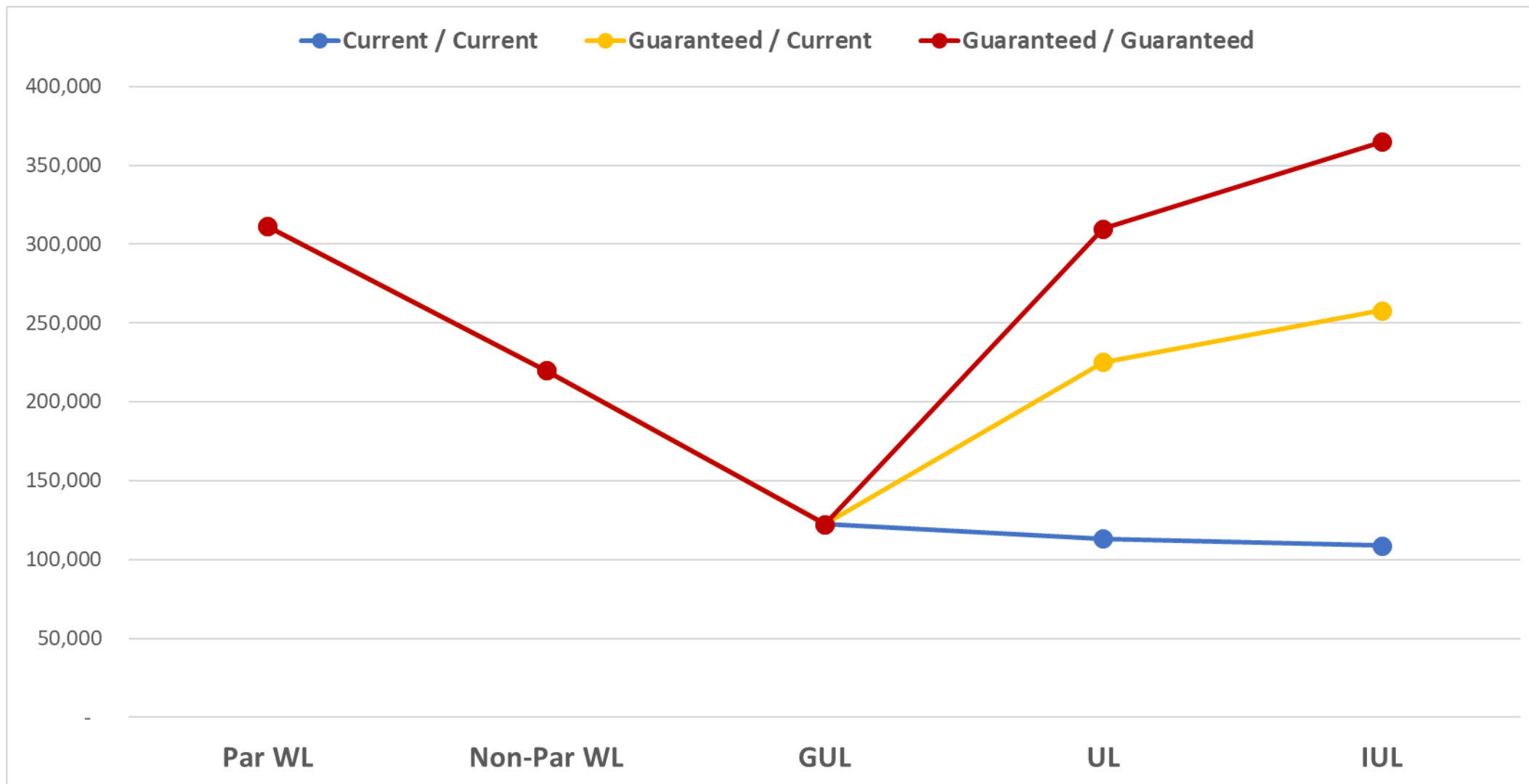
RISK AND REWARD IN PROTECTION SALES



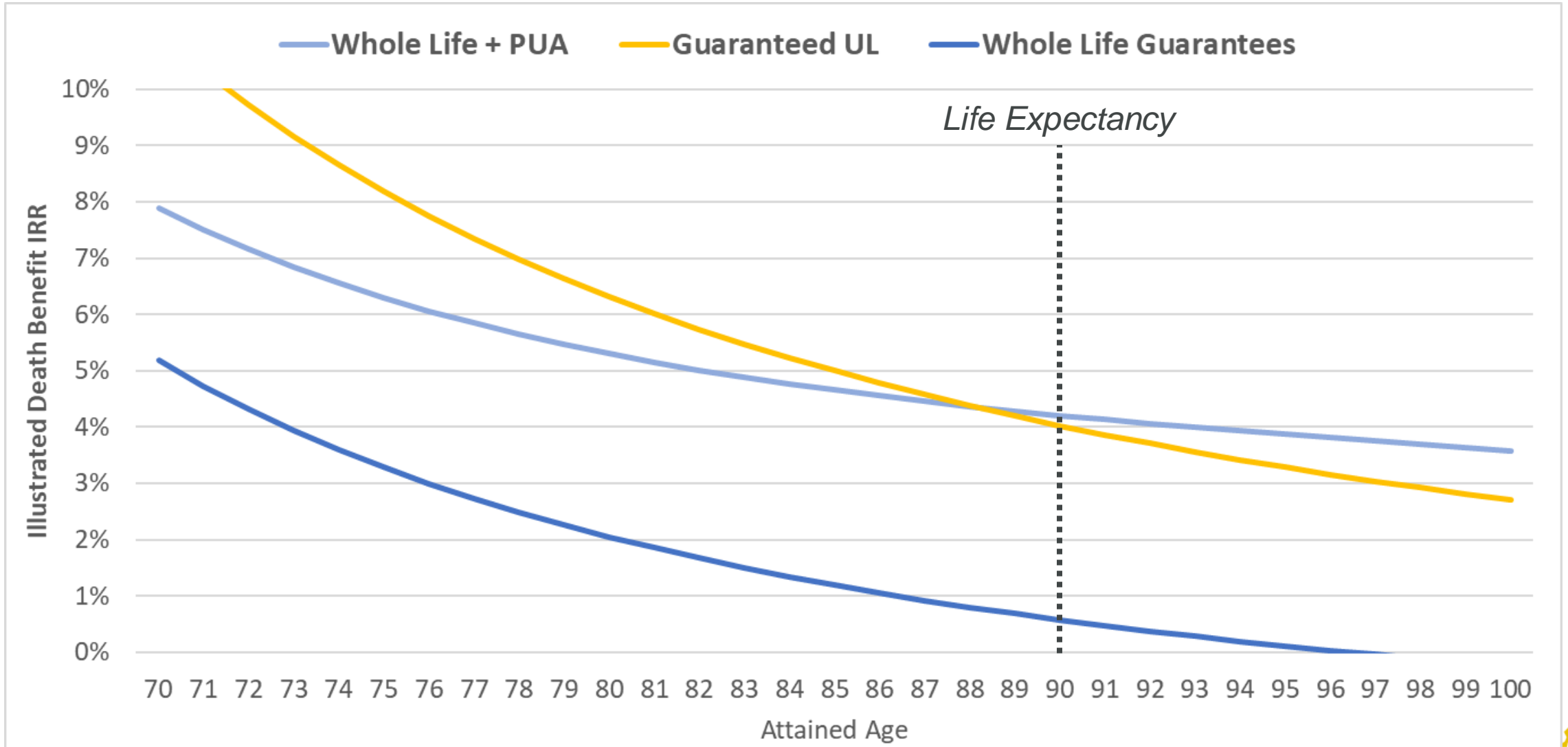
RISK AND REWARD IN PROTECTION SALES



RISK AND REWARD IN PROTECTION SALES



THE LONG TERM VIEW – WHOLE LIFE VS GUL



RULES OF THUMB FOR PROTECTION DESIGNS

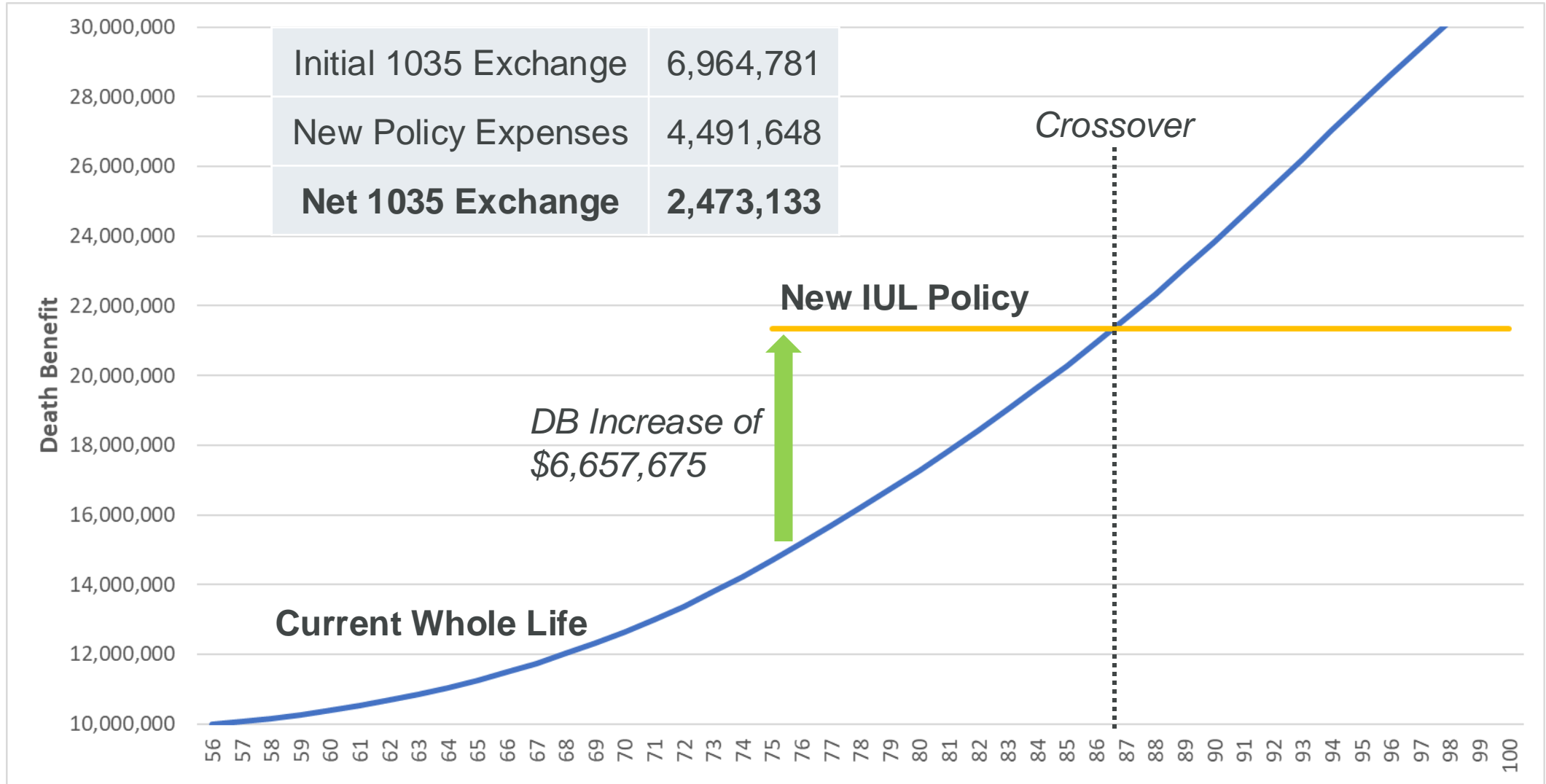
Illustrate
conservatively

Manage
aggressively

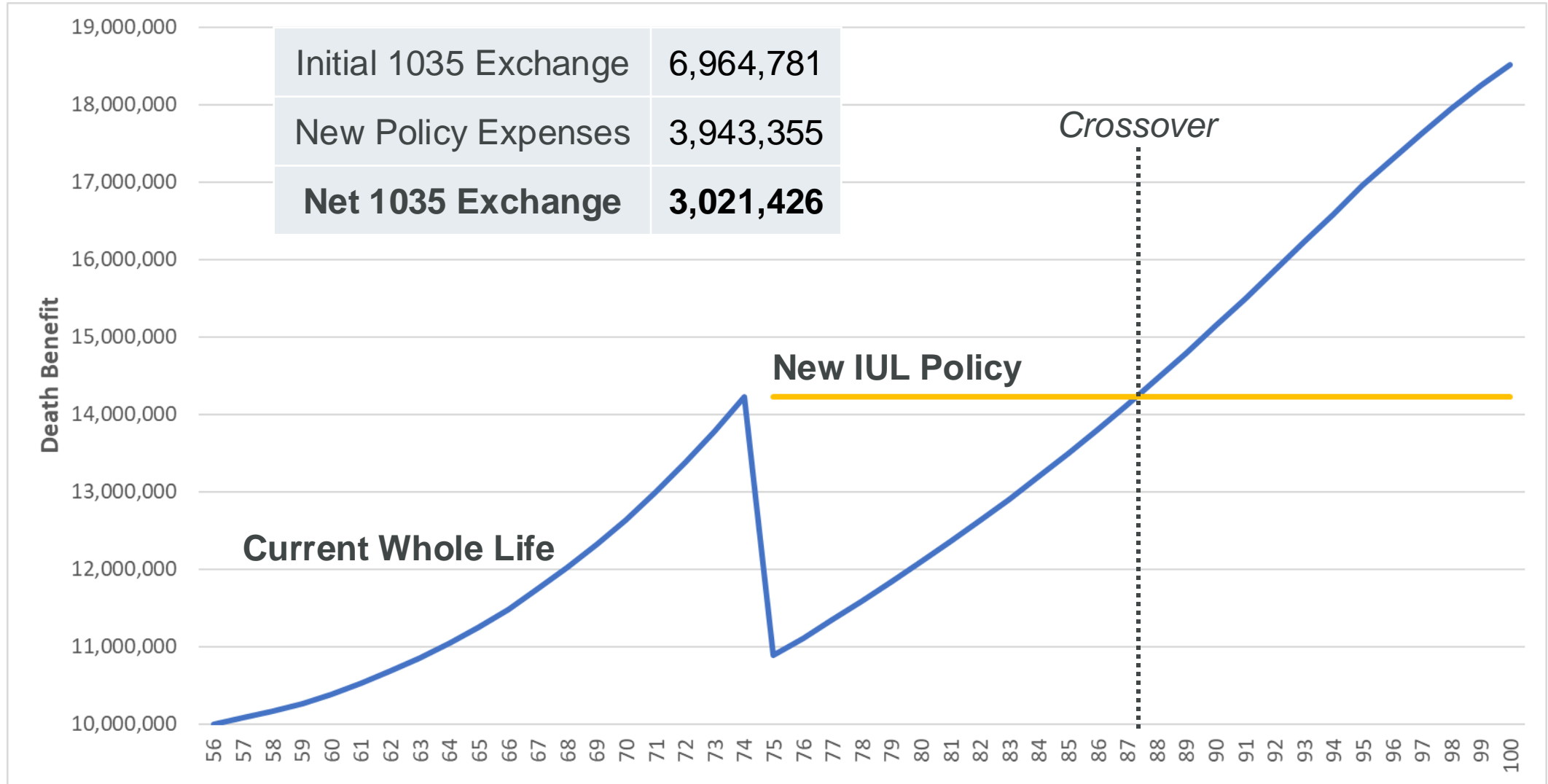
Focus on risk
transfer

If it looks too
good to be
true...

A QUICK WORD ABOUT EXCHANGES



A QUICK WORD ABOUT EXCHANGES



KEY QUESTIONS FOR LATE-AGE EXCHANGES

- Is there a benefit crossover in the future?
- Are the illustration assumptions comparable?
- Is the product risk comparable?
- Is the cash value profile comparable?
- Is the carrier credit quality comparable?
- Have all options in current policy been evaluated?
- **Are you sure you want to make this exchange?**

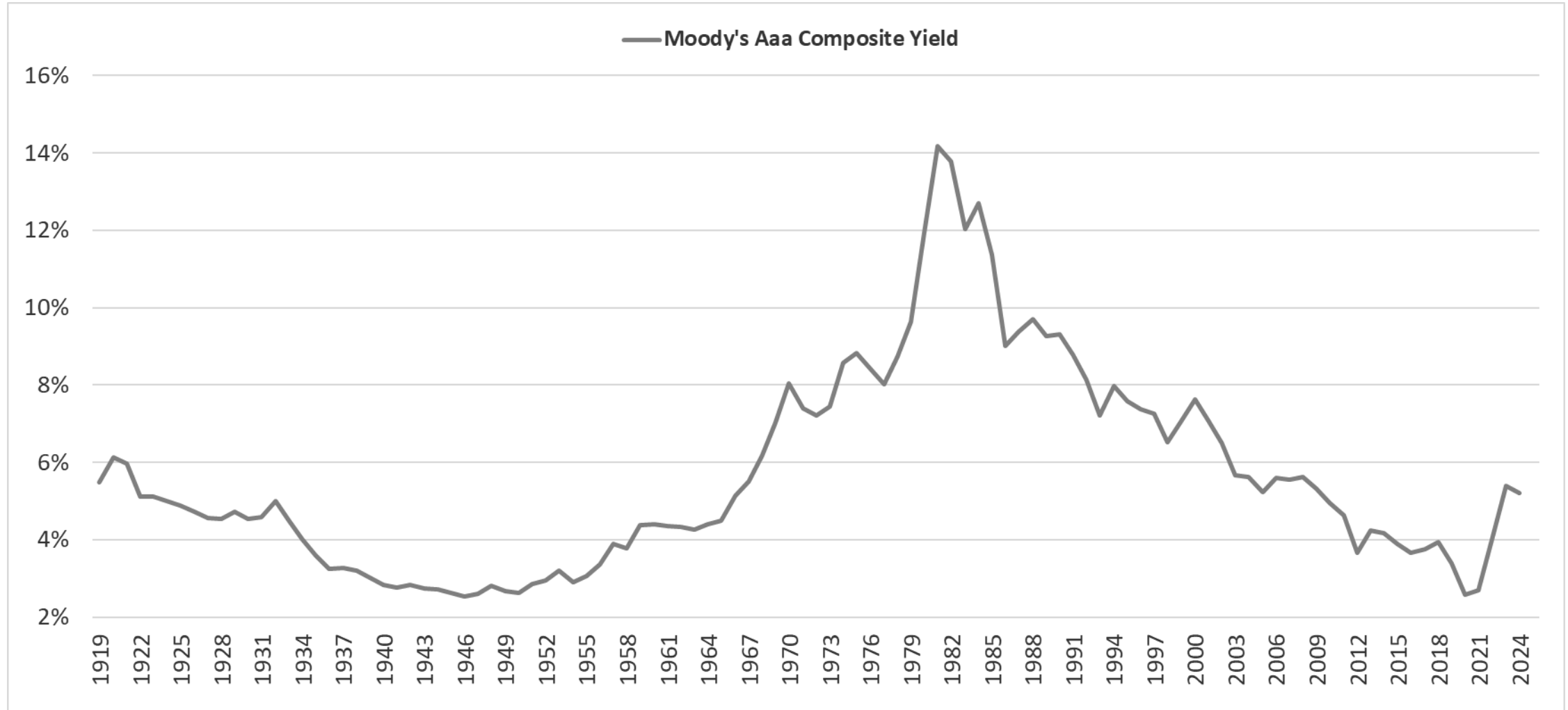
THE TRINITY OF LIFE INSURANCE

Protection

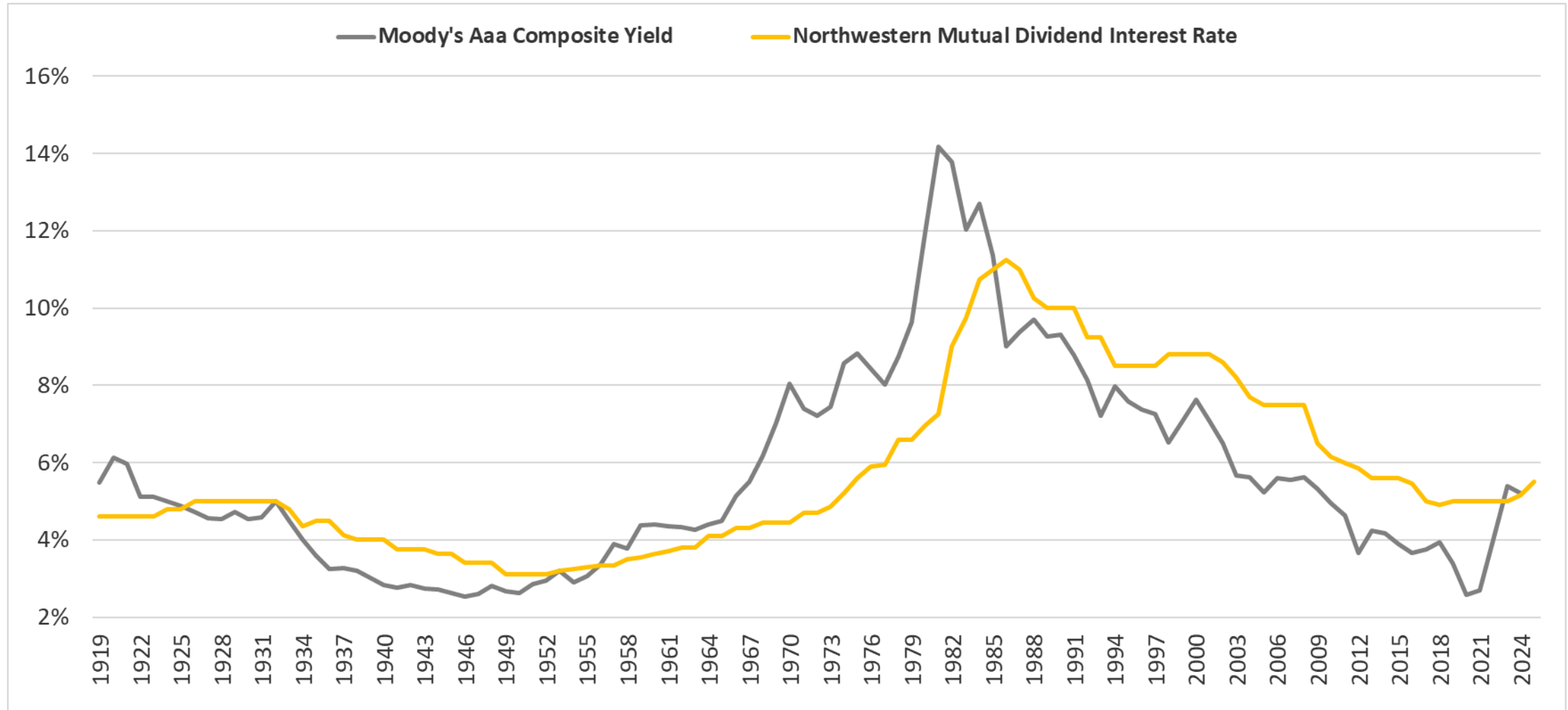
Accumulation

Taxation

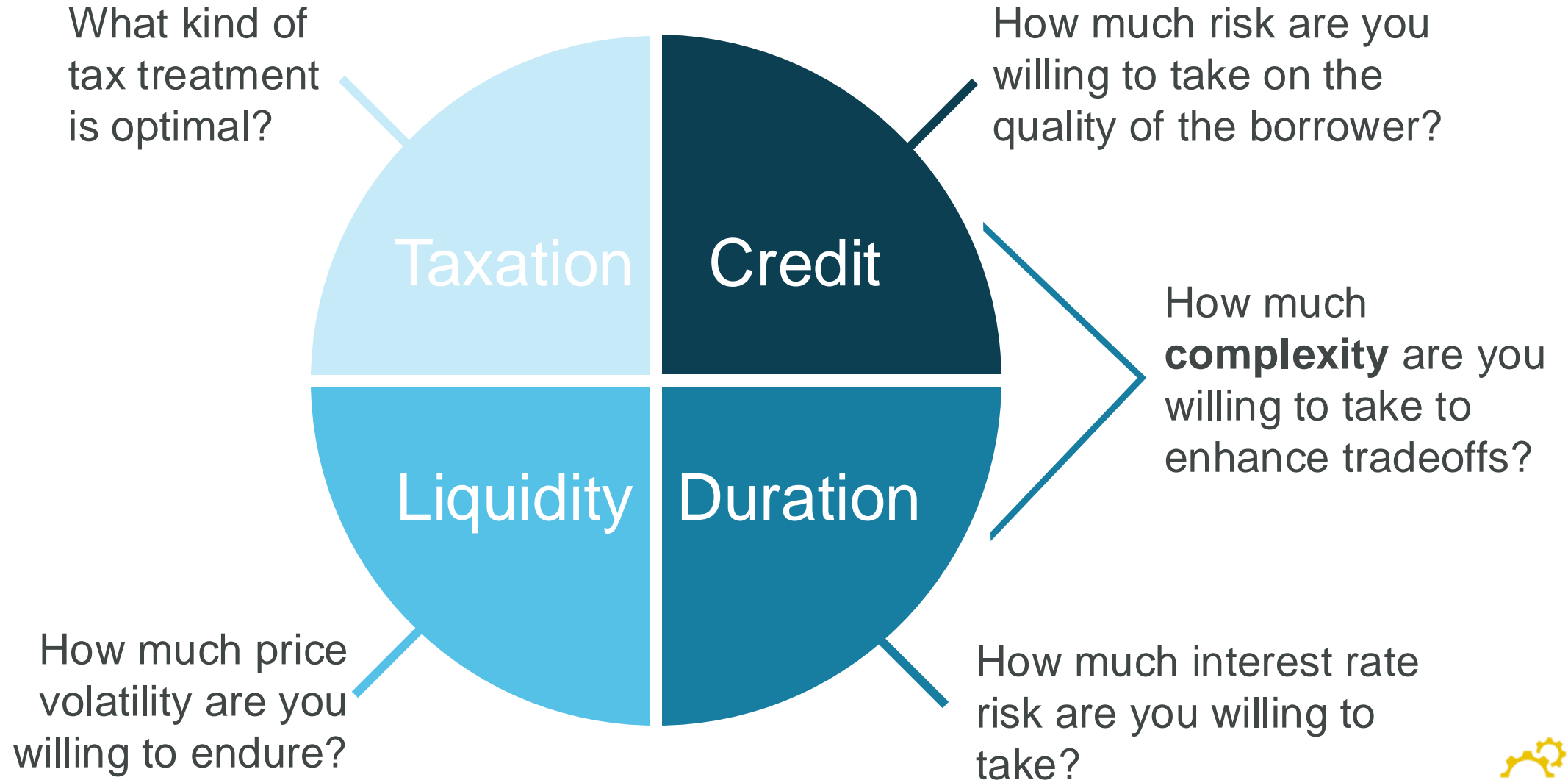
CORPORATE BOND RATES OVER TIME



CORPORATE BONDS VS. DIVIDEND INTEREST RATE



THE MAKINGS OF A FIXED INCOME PORTFOLIO



WHAT ABOUT OTHER INCOME STRATEGIES?

Commercial
Mortgage
Backed
Securities
(CMBS)

Residential
Mortgage
Backed
Securities
(RMBS)

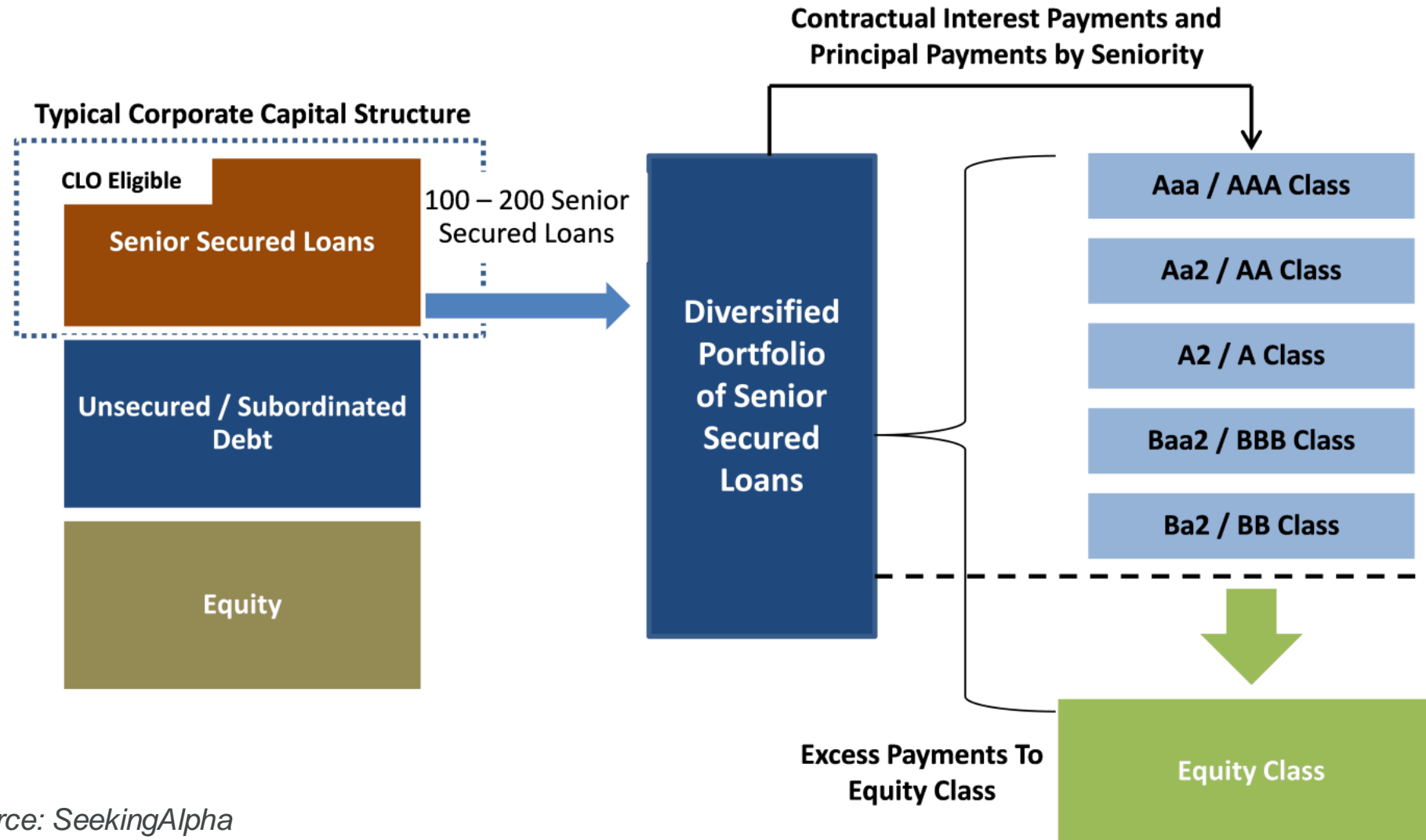
Real Estate
Investment
Trusts
(REITs)

Master
Limited
Partnerships
(MLPs)

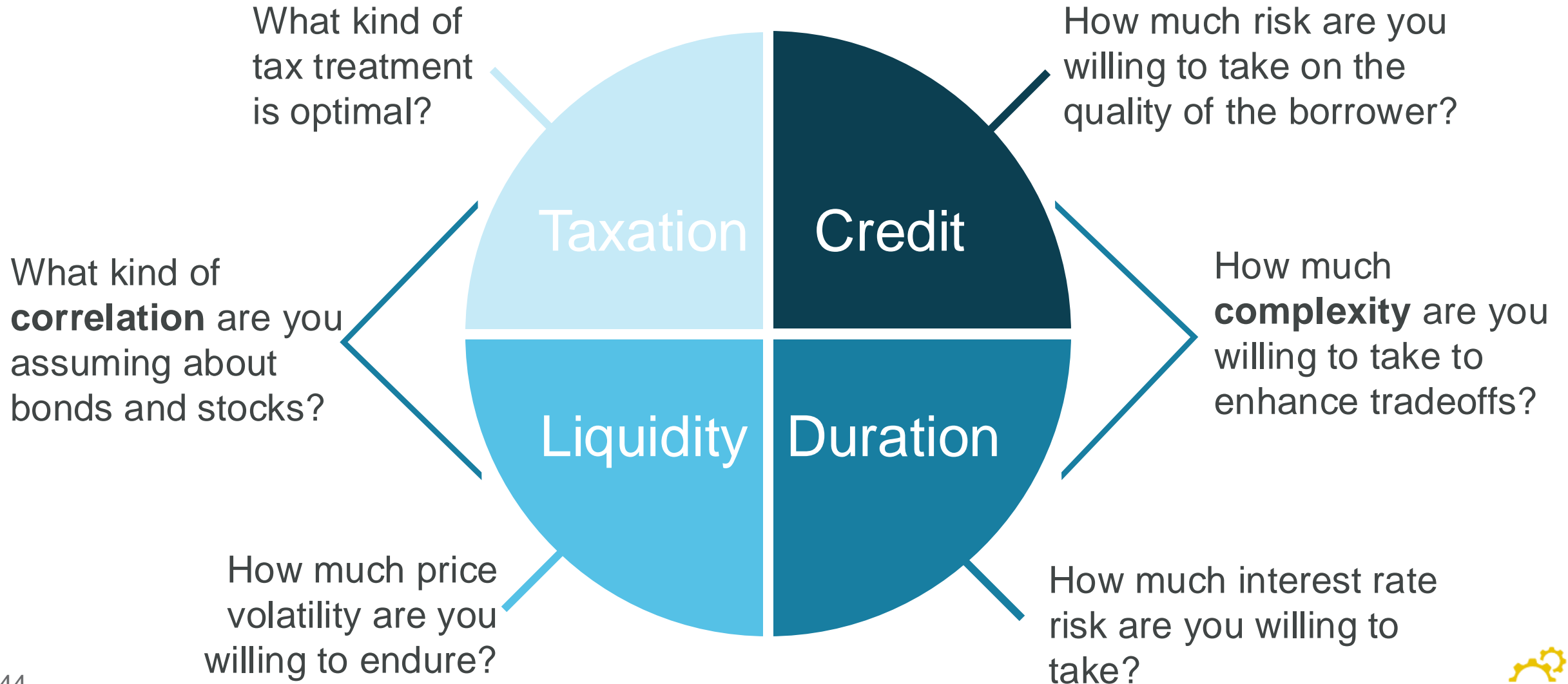
Collateralized
Loan
Obligations
(CLOs)

Specialty
credit and
direct
lending

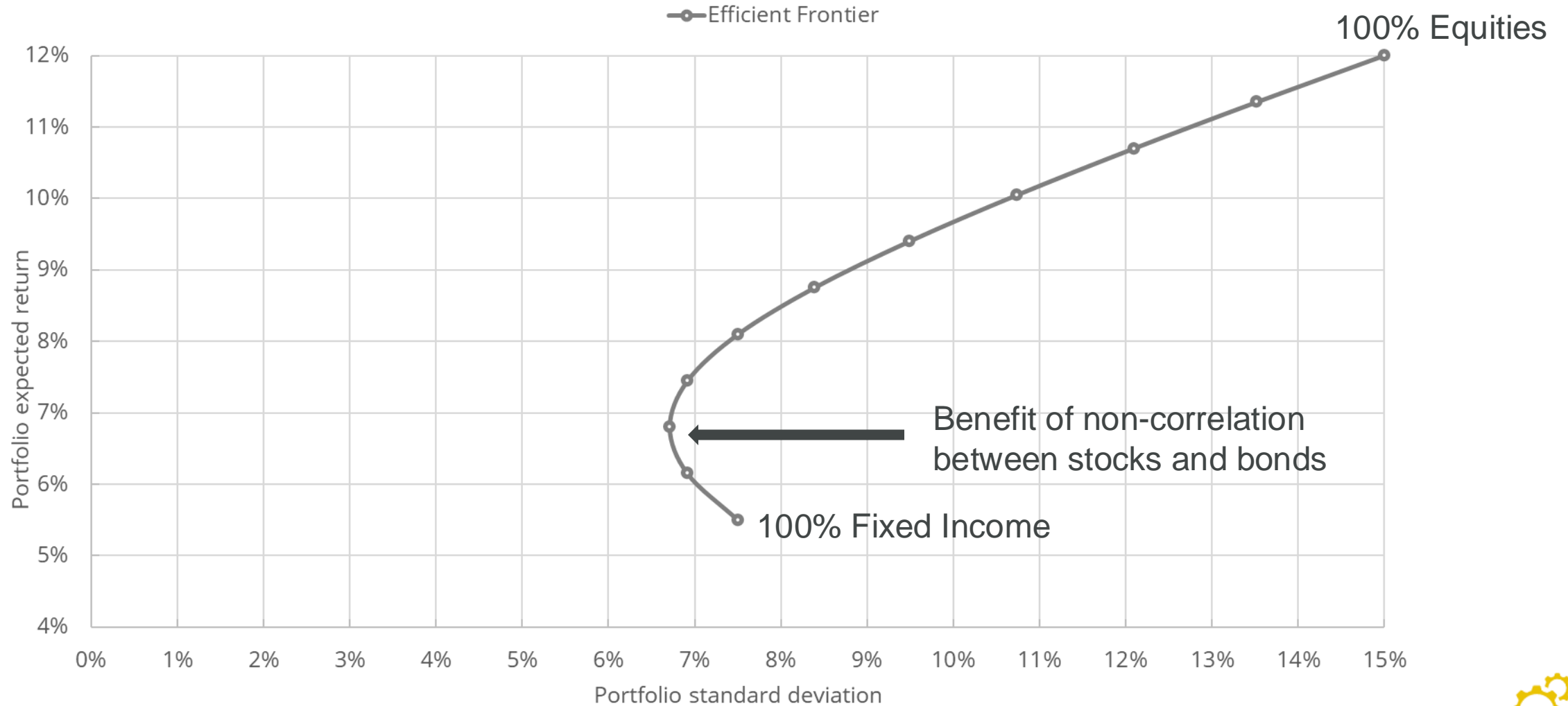
THE COMPLEXITY PREMIUM FOR CLOS



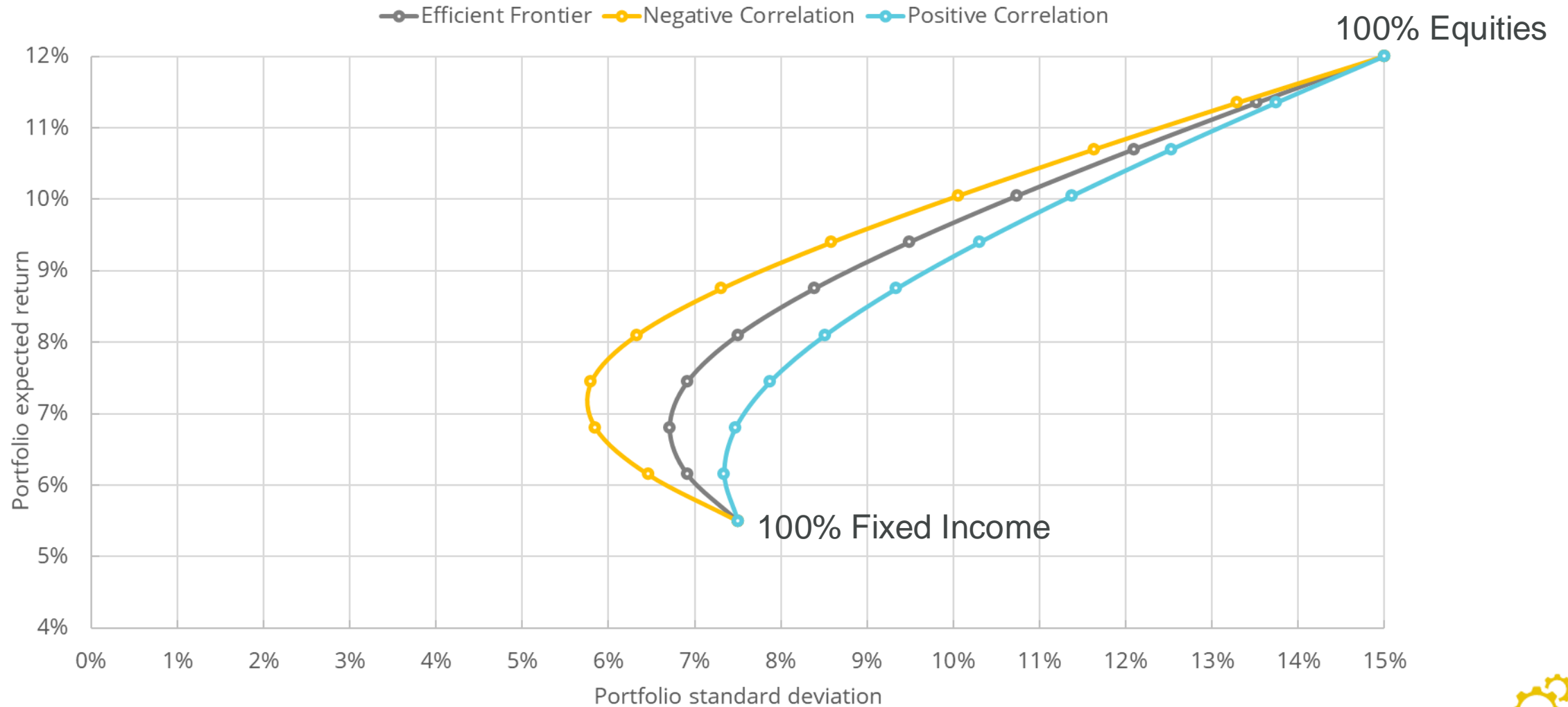
THE MAKINGS OF A FIXED INCOME PORTFOLIO



MODERN PORTFOLIO THEORY & LIFE INSURANCE



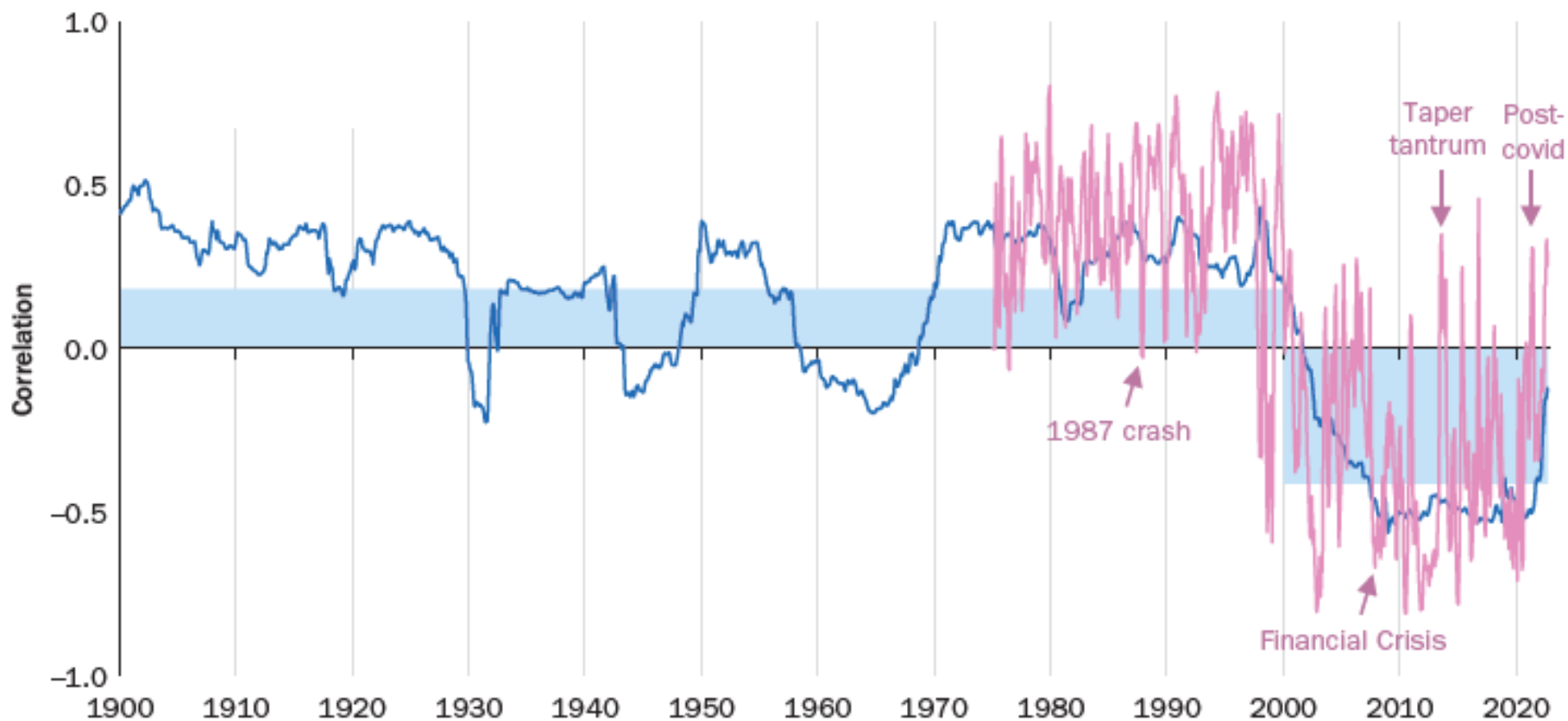
MODERN PORTFOLIO THEORY & LIFE INSURANCE



MODERN PORTFOLIO THEORY & LIFE INSURANCE

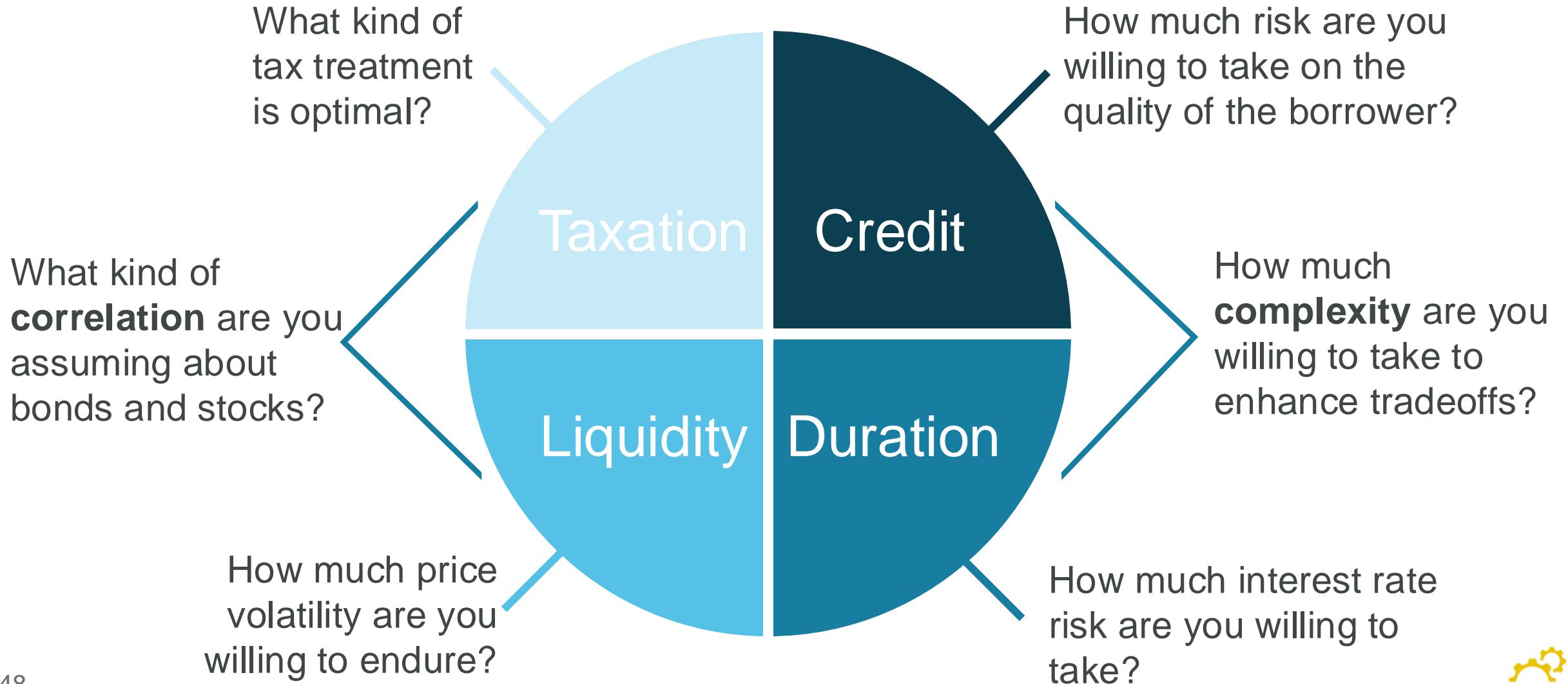
EXHIBIT 1

Rolling Correlation between US Equity and US Treasury Returns, January 1, 1900–September 30, 2022

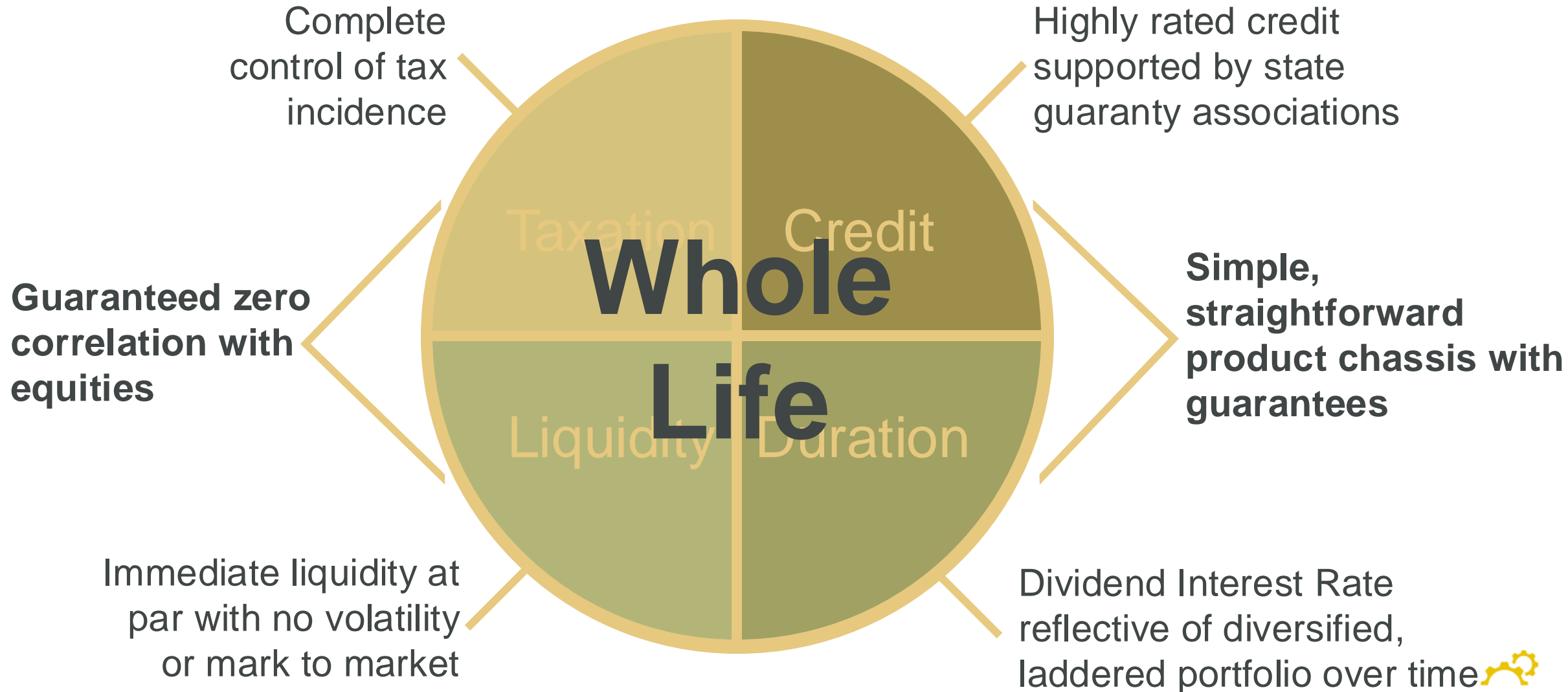


NOTES: Rolling 10-year series based on overlapping three-month returns at monthly frequency. Rolling three-month series based on overlapping three-day returns at daily frequency. Shading shows average correlations in the 20th and 21st centuries.

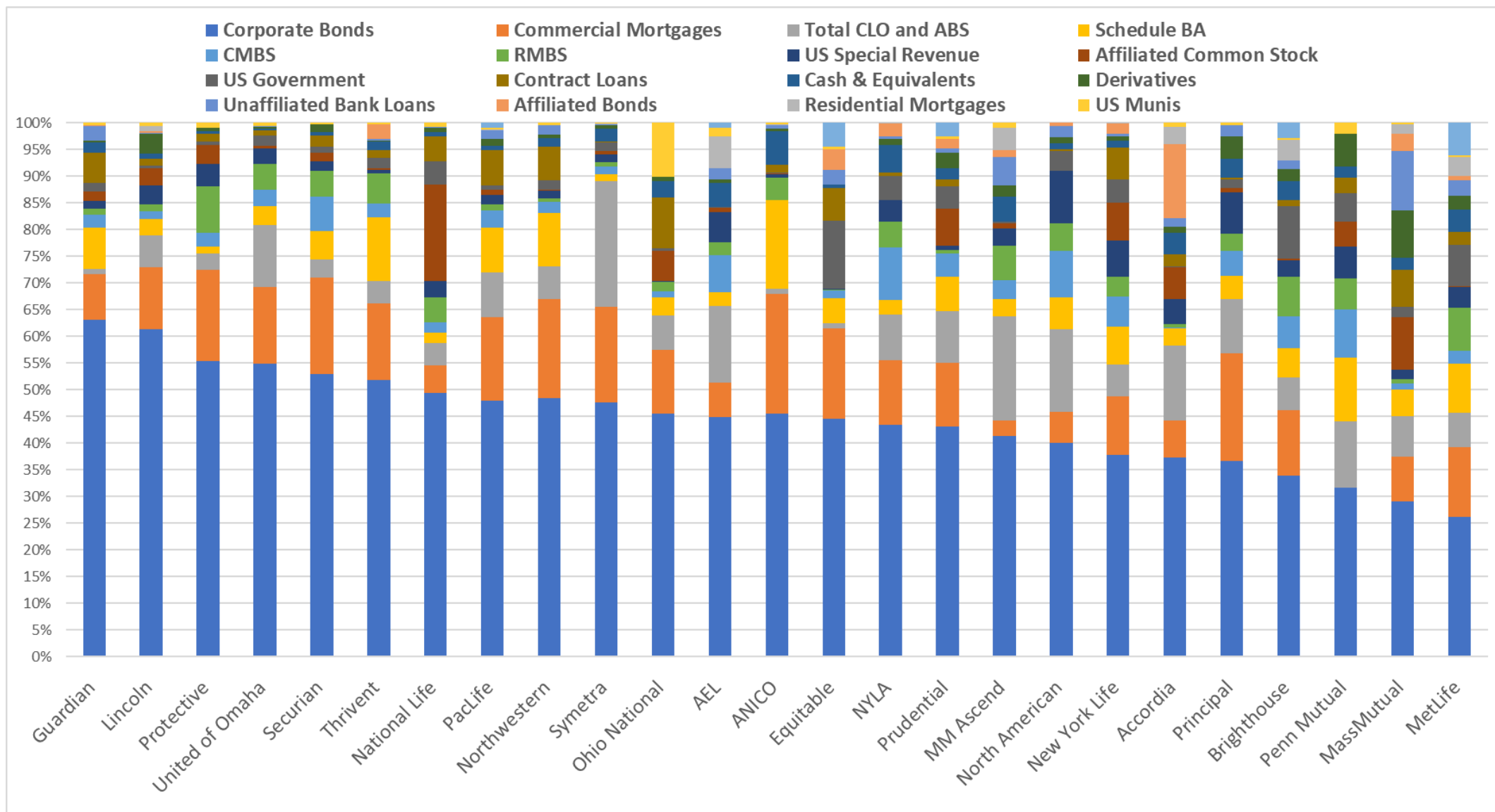
THE MAKINGS OF A FIXED INCOME PORTFOLIO



THE WHOLE LIFE ALTERNATIVE



PORTFOLIO COMPARISON



THE WHOLE LIFE QUICK PITCH

Corporate
Bond
Returns*

Better-than-
Muni Tax
Treatment

Money
Market
Liquidity

WHOLE LIFE CASH VALUE IRR OVER TIME

	Whole Life 10 Pay	Whole Life 20 Pay	Whole Life Pay to 100	Whole Life HECV
Year 1	-63.01%	-68.93%	-100.00%	-20.18%
Year 10	1.18%	-1.04%	-3.72%	-0.04%
Year 20	4.10%	3.17%	2.41%	2.45%
Year 30	4.69%	4.26%	3.72%	3.76%
Year 40	4.87%	4.53%	4.08%	4.16%
Year 50	4.85%	4.48%	3.98%	4.11%

WHOLE LIFE DEATH BENEFIT IRR OVER TIME

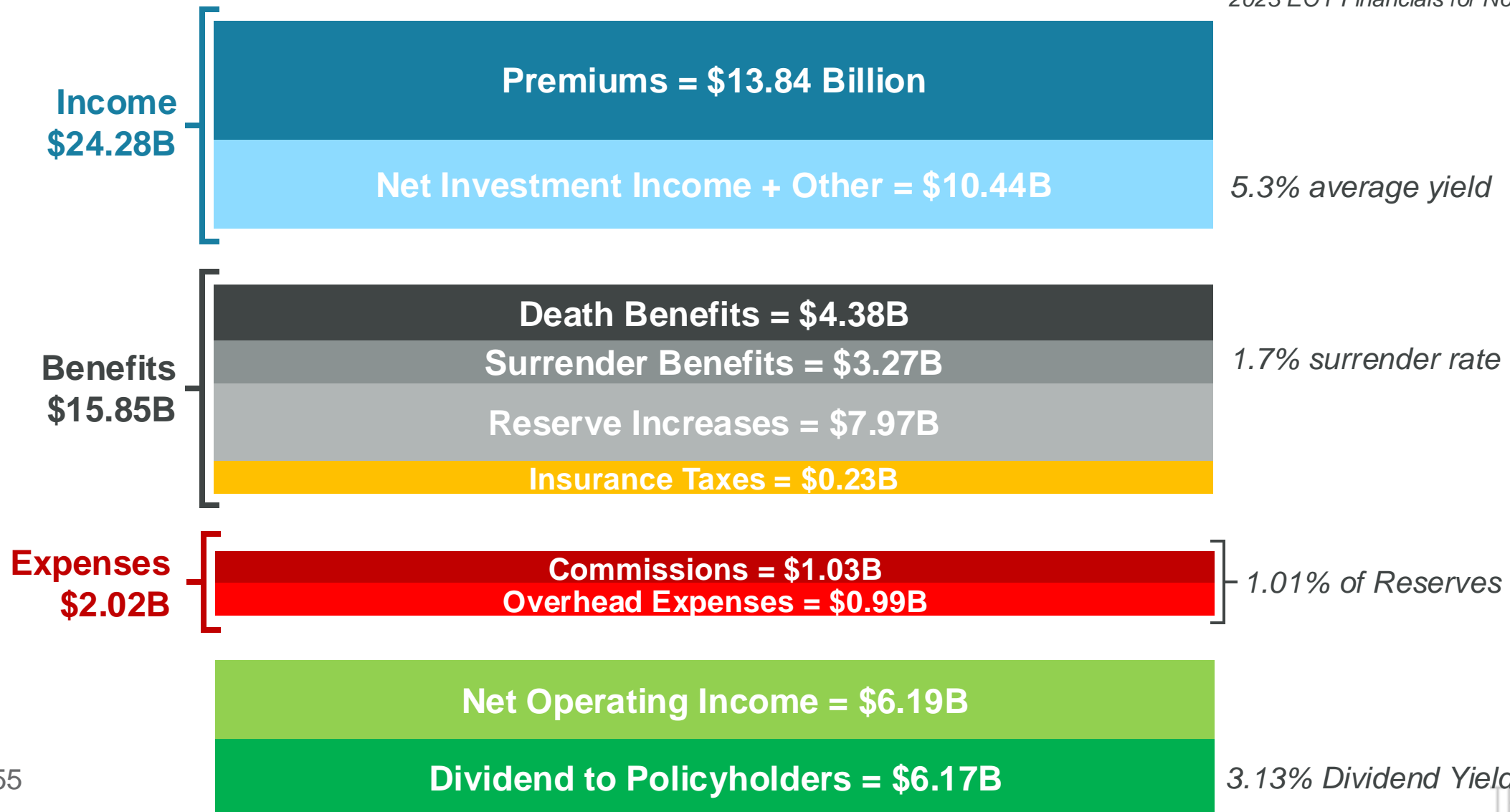
	Whole Life 10 Pay	Whole Life 20 Pay	Whole Life Pay to 100	Whole Life HECV
Year 1	1309%	3028%	5049%	4497%
Year 10	10.56%	22.31%	30.25%	28.39%
Year 20	6.52%	7.78%	10.83%	9.77%
Year 30	5.60%	5.81%	6.60%	6.10%
Year 40	5.21%	5.08%	5.07%	4.83%
Year 50	4.97%	4.67%	4.31%	4.33%

WHOLE LIFE AFTER TAX DB IRR OVER TIME

	Whole Life 10 Pay	Whole Life 20 Pay	Whole Life Pay to 100	Whole Life HECV
Year 1	2249%	5113%	8482%	7562%
Year 10	19.44%	31.19%	39.24%	37.35%
Year 20	9.94%	11.95%	14.90%	13.87%
Year 30	7.69%	8.22%	9.25%	8.78%
Year 40	6.71%	6.75%	7.03%	6.80%
Year 50	6.14%	5.95%	5.85%	5.79%

PROOF, PUDDING – NORTHWESTERN MUTUAL

2023 EOY Financials for Northwestern Mutual



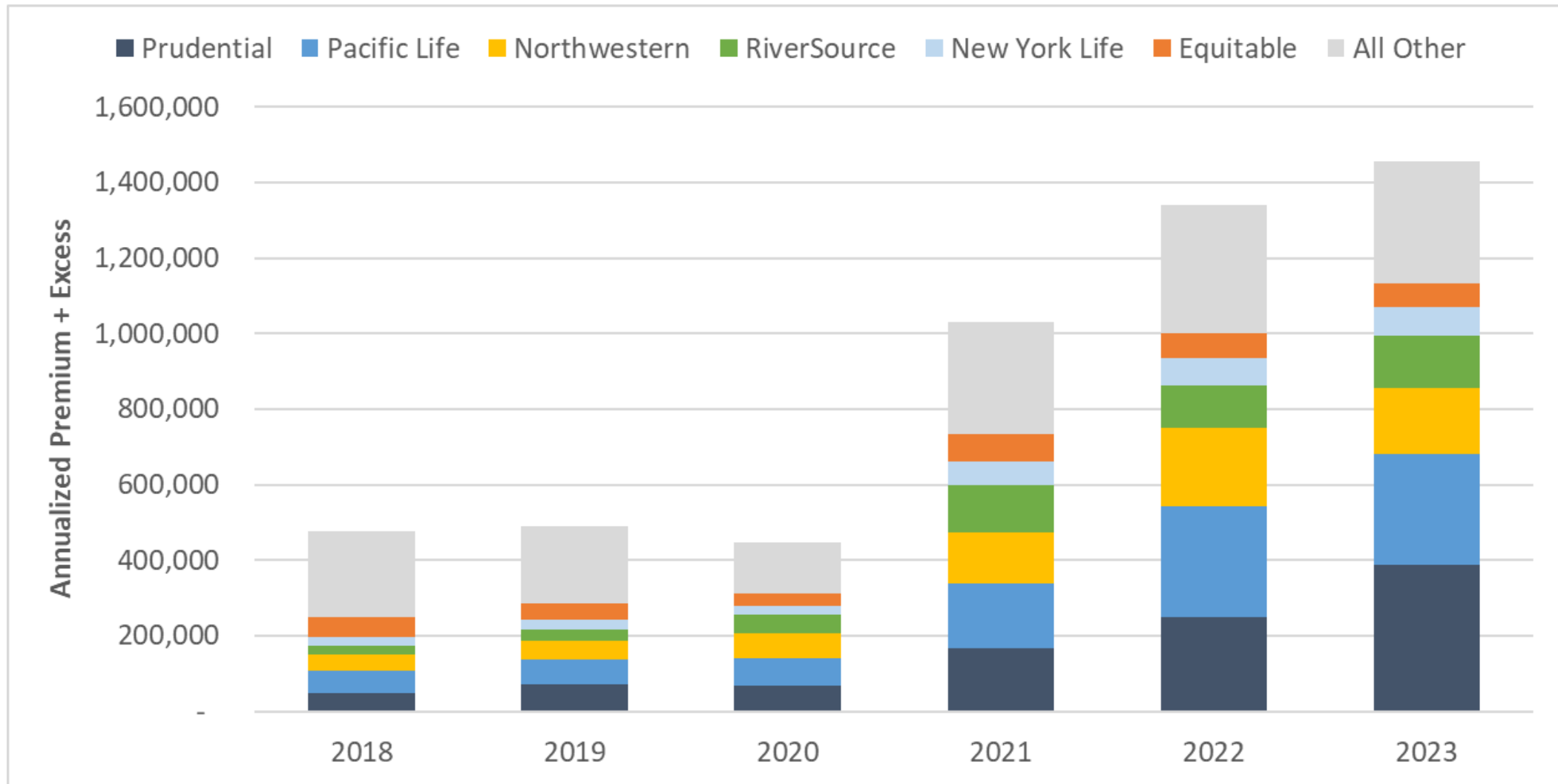
THE TRINITY OF LIFE INSURANCE

Protection

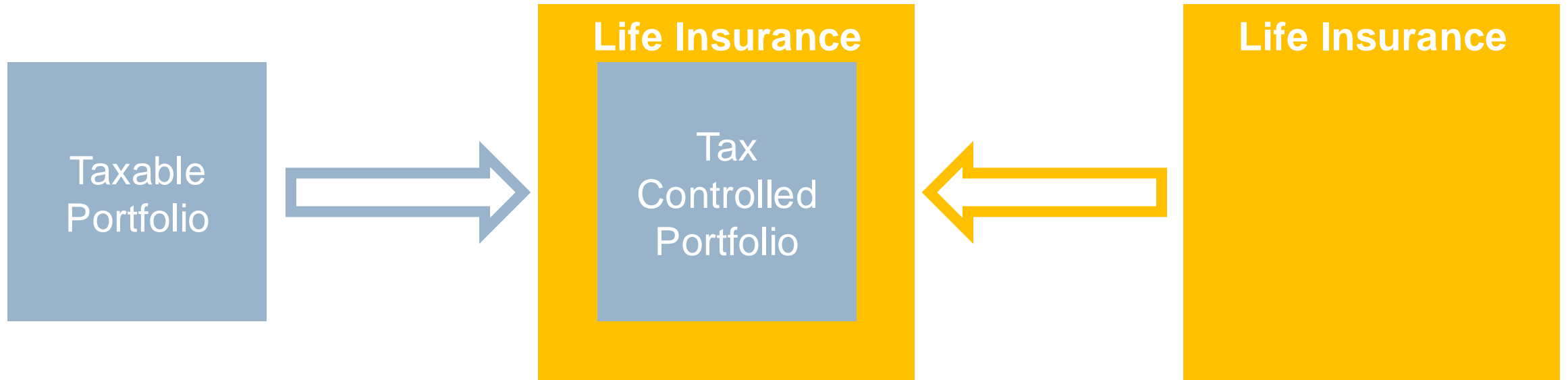
Accumulation

Taxation

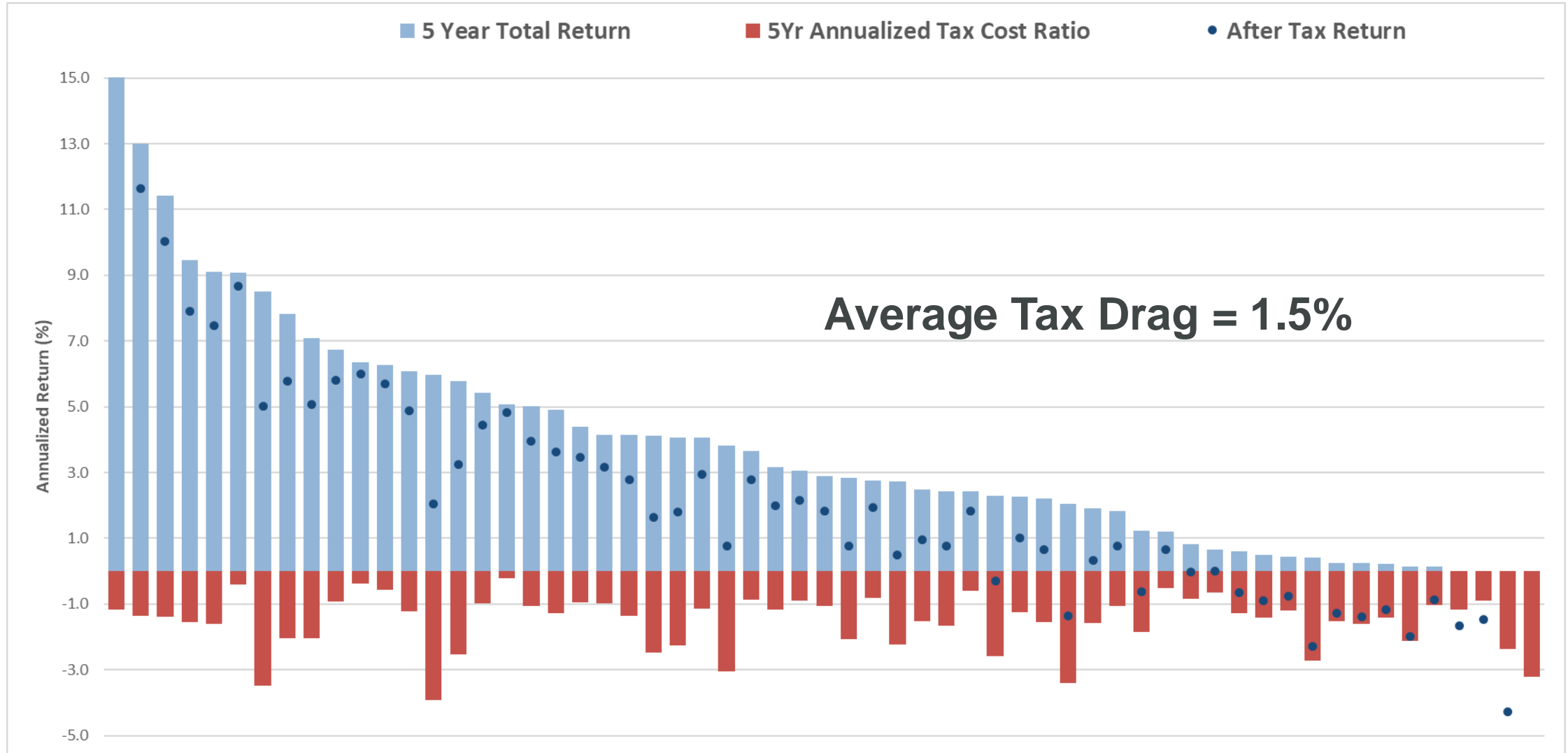
ACCUMULATION VUL SALES OVER TIME



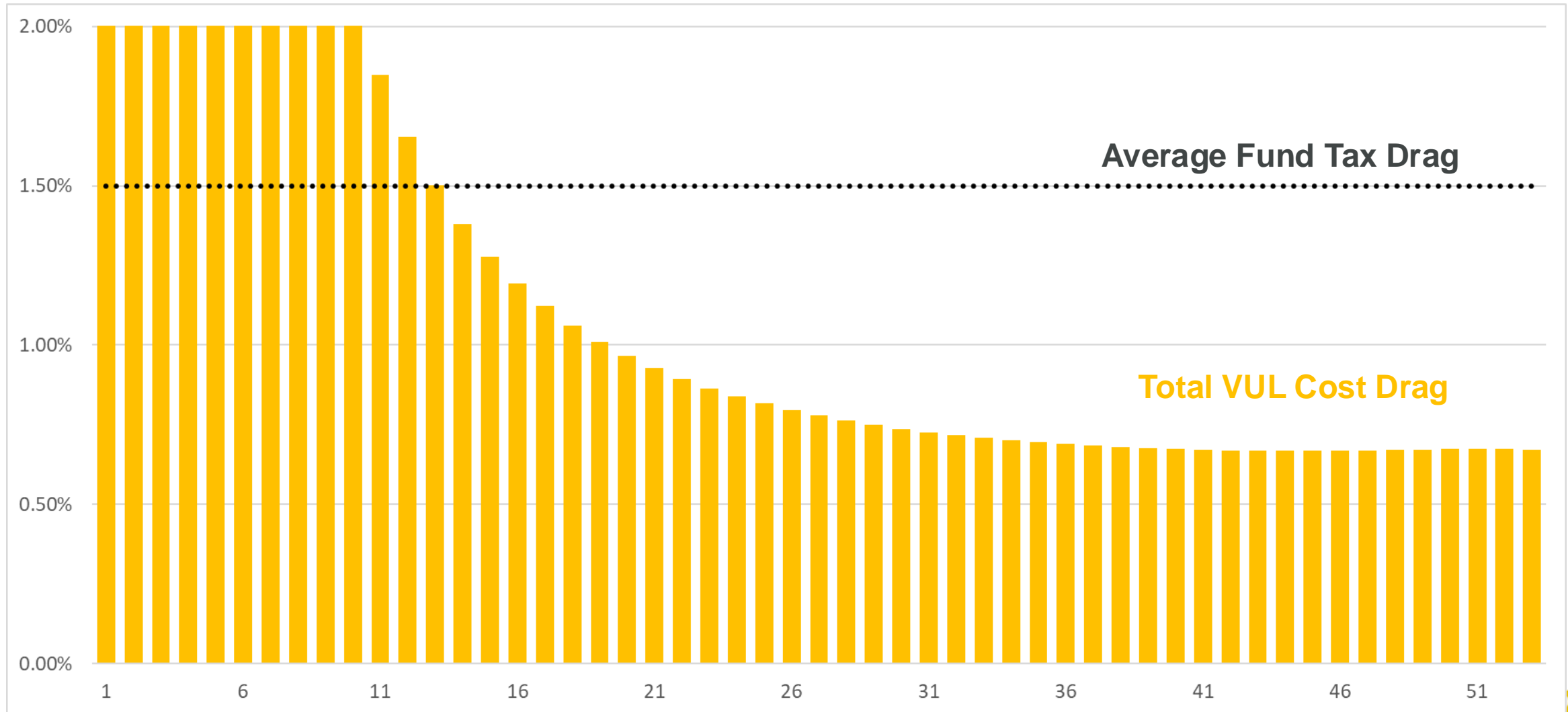
ACCUMULATION VUL FOR TAX CONTROL



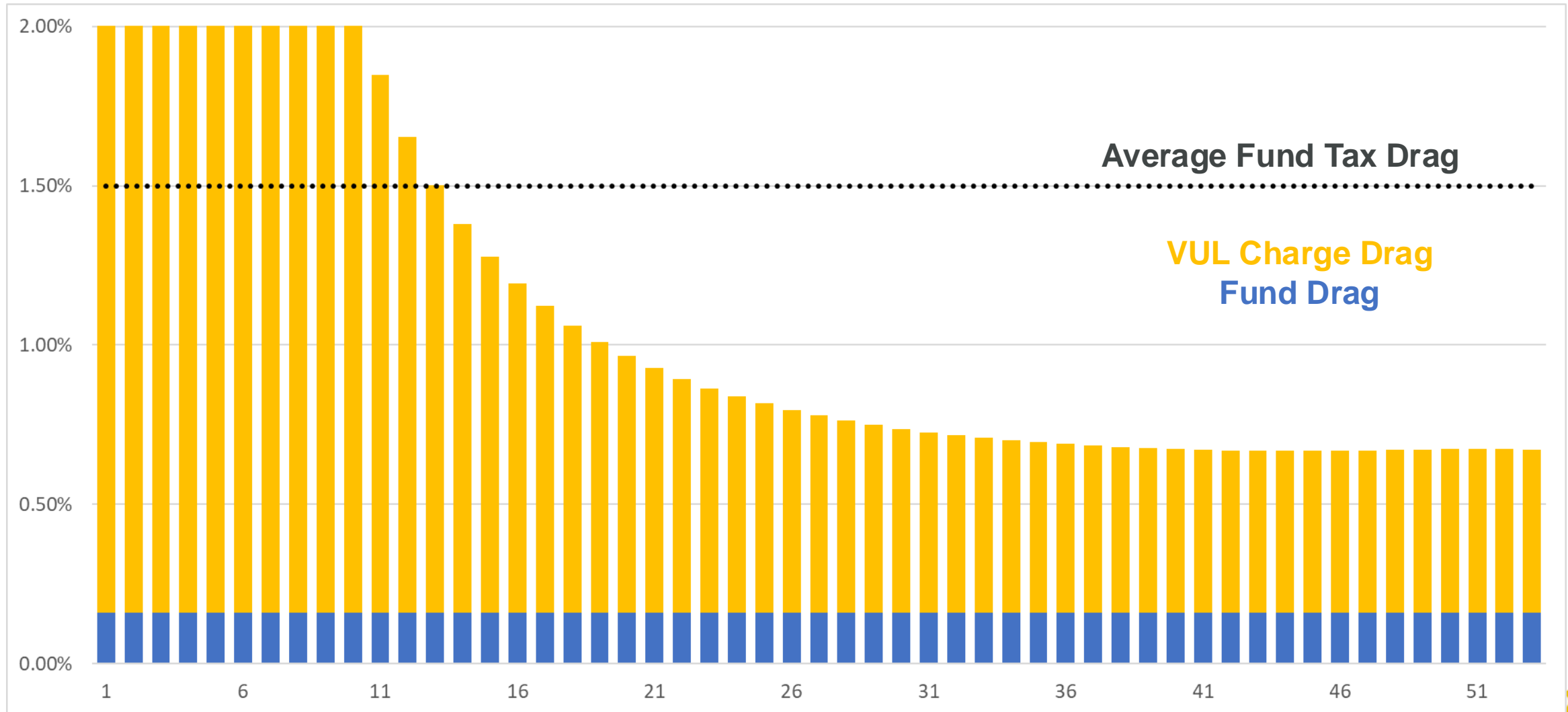
MORNINGSTAR TAX DRAG SAMPLE



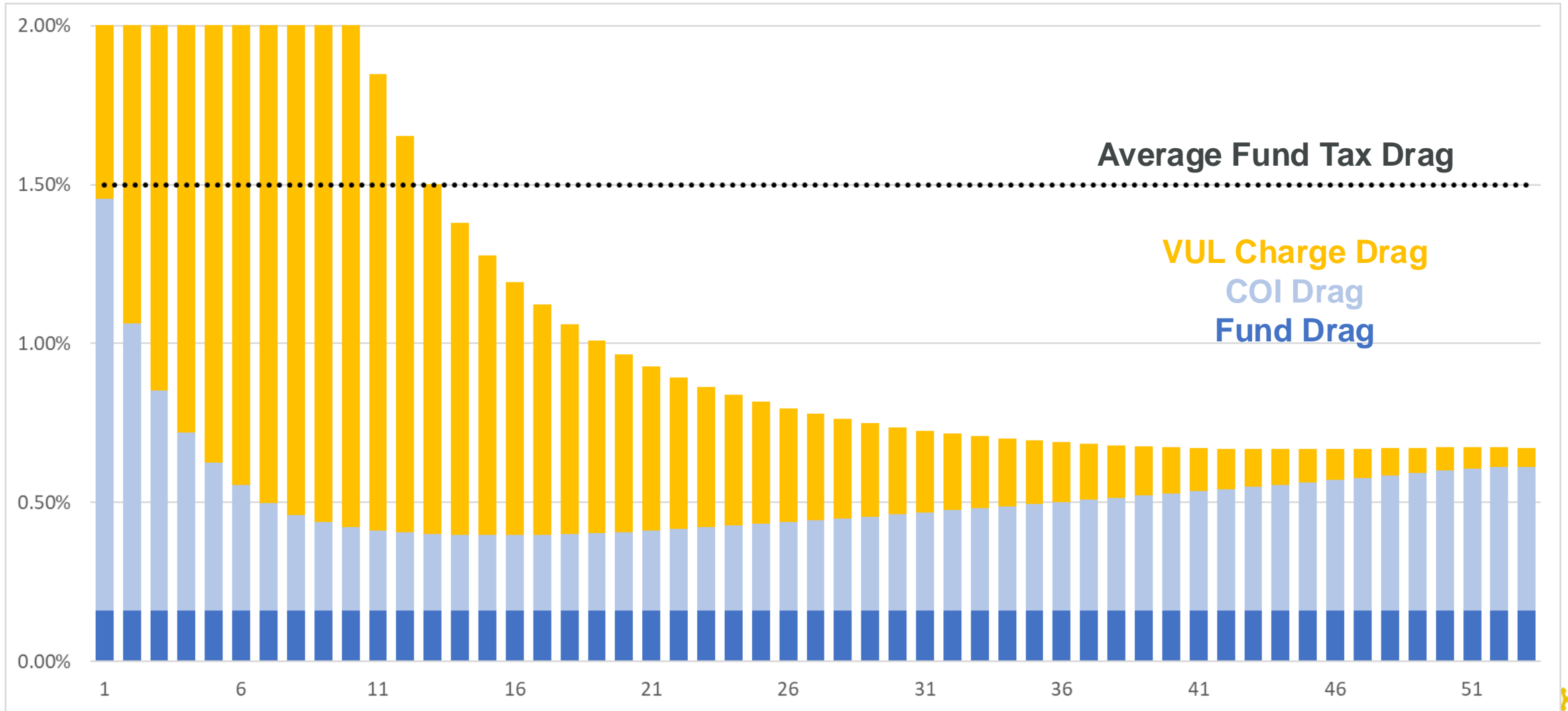
ACCUMULATION VUL EFFICIENCY



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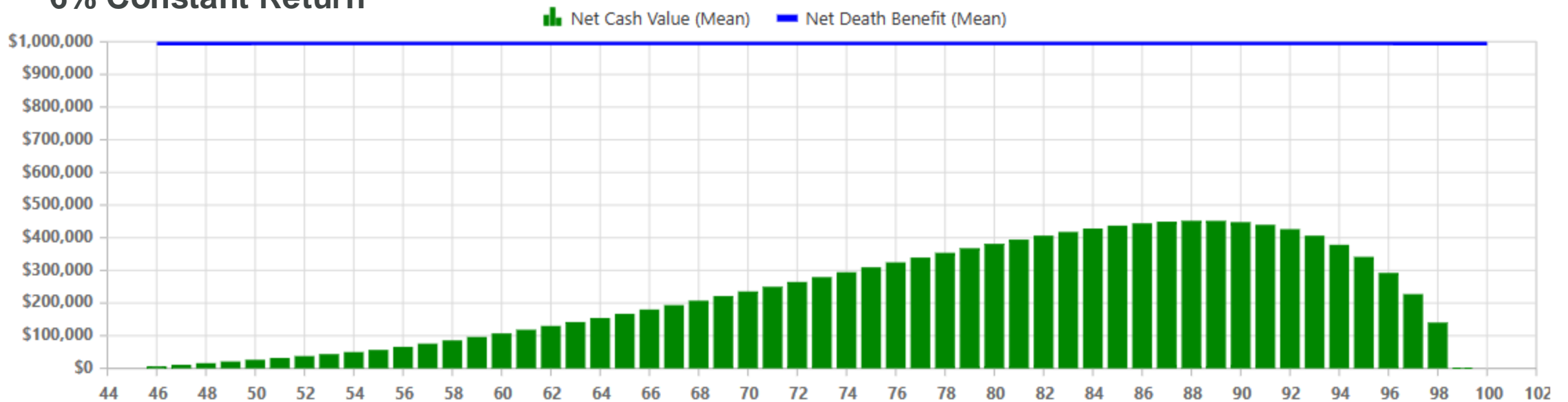


Sample VUL, Male, 45, Preferred, \$1M DB, Option 1, CVAT, 7 Pay Maximum non-MEC funding, 6% gross rate

SAMPLE VUL POLICY PERFORMANCE OVER TIME

\$9,368 Premium
6% Constant Return

Estimated Net Cash Value and Net Death Benefit



Illustrated Success Rate = 100%

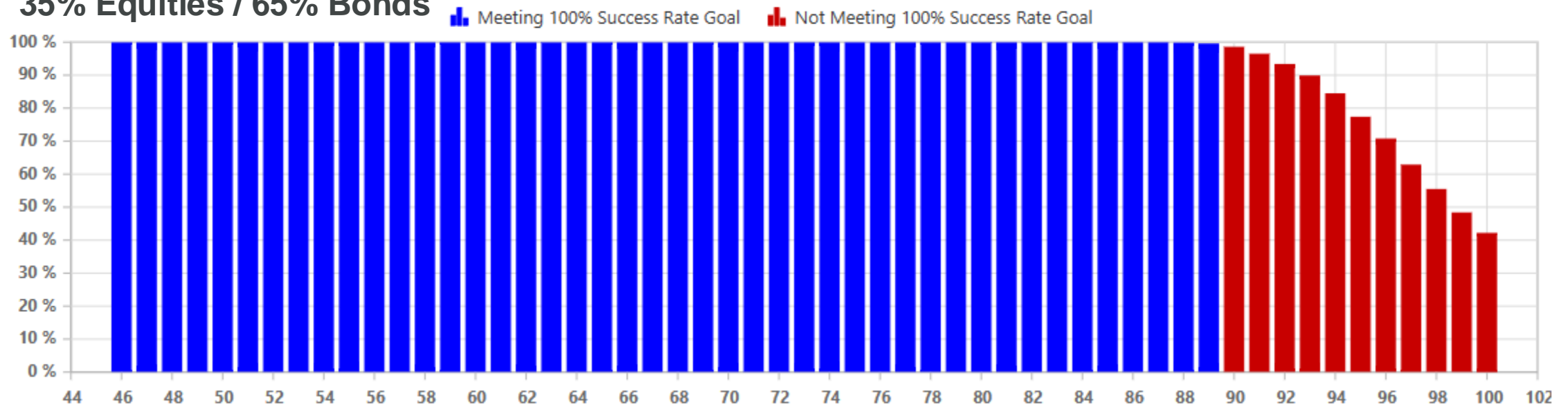
VUL RETURNS UNDER STOCHASTIC MODELING

\$9,368 Premium

6% Stochastic Returns

35% Equities / 65% Bonds

Probability of Success by Age



**Stochastic Success Rate =
42%**

OVERFUNDED VUL WITH STOCHASTIC MODELING

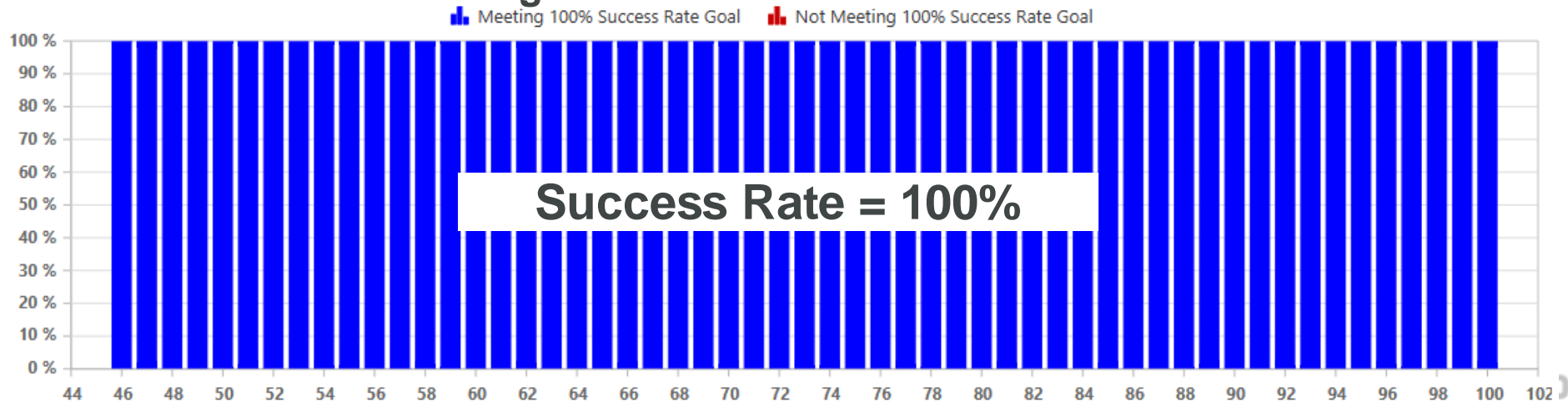
100% Equities – 11% Average

Probability of Success by Age



100% Bonds – 3.5% Average

Probability of Success by Age



Male
Age 45
Preferred
CVAT

Maximum non-
MEC Funding

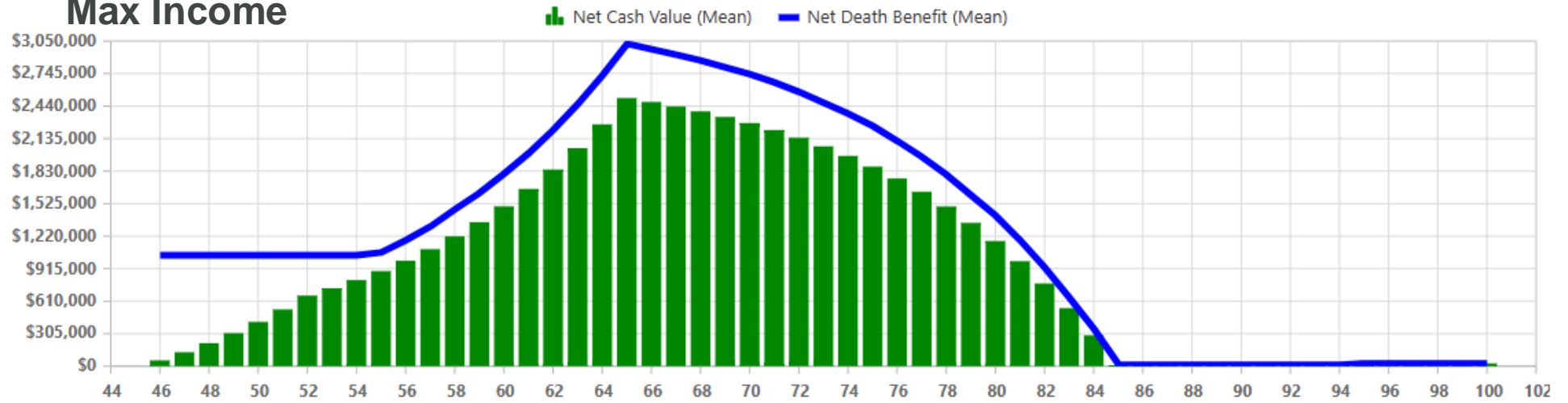
Source:
Life Insurance
Sustainability Analytics



THE REAL RISK IN VUL – INCOME

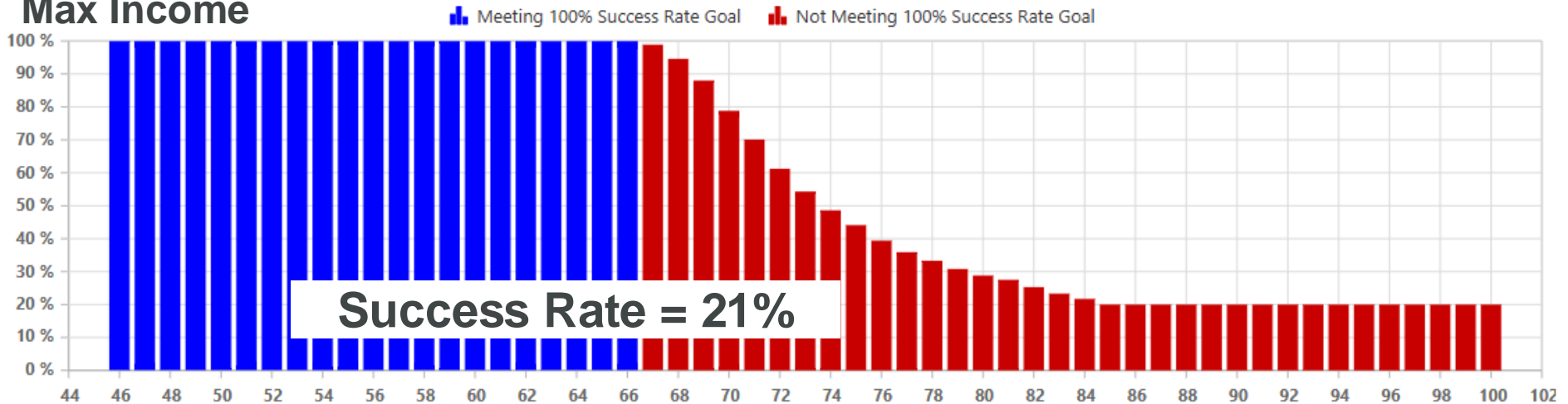
100% Equities – 11%
Max Income

Estimated Net Cash Value and Net Death Benefit



100% Equities – Stochastic
Max Income

Probability of Success by Age



Male
Age 45
Preferred
CVAT

Maximum non-
MEC Funding

Source:
Life Insurance
Sustainability Analytics

THE TRINITY OF LIFE INSURANCE

Protection

There is no substitute for permanent death benefit coverage

Accumulation

Life insurance has unique asset qualities that deserve consideration

Taxation

No other financial instrument offers as much tax control