

TALE OF TWO POLICYHOLDERS



By: **LAWRENCE J. RYBKA, JD, CFP®**, Chairman & CEO, *Valmark Financial Group*

In 2012, when I was shopping for an additional life insurance policy to fund a buy-sell agreement at Valmark, I had two choices. I could purchase either a Guaranteed Universal Life (GUL) policy or a Hybrid Variable Universal Life policy (HVUL). Both policies had the same amount of death benefit and guaranteed duration. However, the GUL's annual premium was slightly less expensive (about 3.5% lower) than the HVUL's. In the simplest terms, this was my choice based upon the illustrations I was presented:

I opted to buy the HVUL policy even though it “cost more”, because there is so much more to it than just the cost of the annual premium. Not only did the HVUL policy have the prospect of cash value, it also included a feature whereby the death benefit guarantees could be improved with favorable market performance on the cash value.

Product Type	Annual Premium	Premium Duration	Death Benefit Guarantee Duration
GUL	\$144,500	Age 100	Age 117
HVUL	\$149,500	Age 100	Age 117

MY REALITY OF OWNING AN HVUL WITH A DEATH-BENEFIT GUARANTEE

Now that I'm nine premiums into my HVUL policy, I thought I'd share my reality of owning this type of product from a supplemental report that I receive as part of my annual policy review from the Valmark's Policy Management Company.*

PREMIUM – My annual premium amount is still guaranteed at the original amount, but, due to favorable market performance, I now have an option to lower my annual premiums and keep the death benefit and coverage age guarantees.**

SAFETY – The product was issued by a highly-rated carrier who continues to have high financial strength ratings today. I also have almost \$900,000 in a separate account that gives me additional security. Imagine what my safety would look like today in a general account product (i.e. GUL) which was issued by a much less highly-rated carrier that sold its life business to a private equity company?

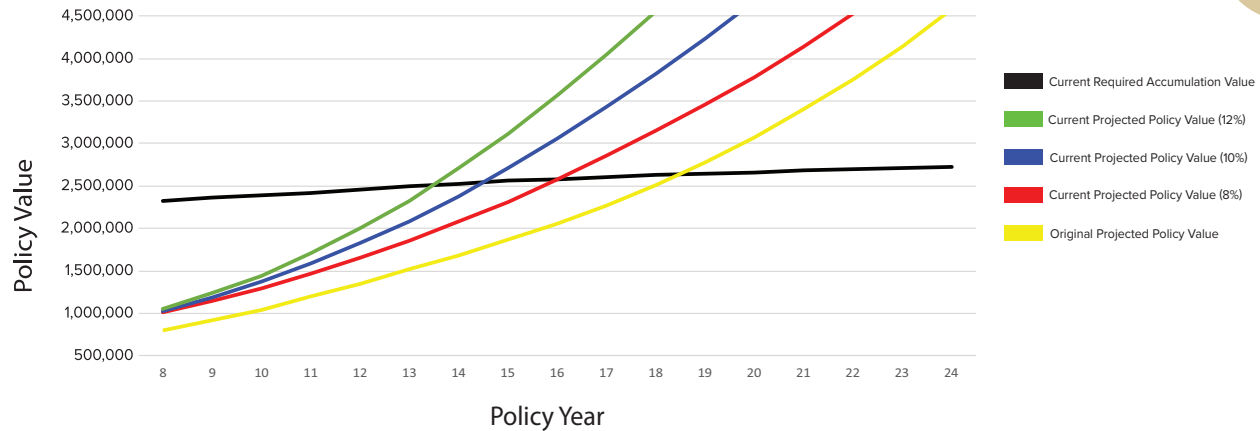
CERTAINTY – My death benefit guarantee is intact, providing certainty of premiums and benefits, but thanks to favorable market performance the guaranteed coverage duration has gotten better.** With the GUL, my best case would be getting what was on the original illustration and the only way to get that would be by paying the premium every year on time.

EQUITY – Thanks to favorable market performance, the HVUL's cash value growth has outpaced my original 8% assumptions cumulatively by over 26% and has grown to almost \$900,000. Had I purchased the GUL, I would have \$0 cash value at this point in time. Essentially, by spending an extra \$45,000 in cumulative premiums, I have nearly \$900,000 more in cash surrender value than I would have if I purchased the GUL policy.

FLEXIBILITY – This is where my HVUL policy really shines:

- If I surrendered my policy today, I would get back about 65% of my cumulative premiums paid by virtue of the policy's cash value. Compare that to the GUL where, if I surrendered today, I would get back nothing because that policy has no cash value.
- Due to favorable cash value growth, I can now choose to reduce my annual premiums by \$5,900 while maintaining the original death benefit and its guaranteed duration.** I wouldn't have had this option if I had purchased the GUL policy.
- If I needed to skip an annual premium payment, the HVUL policy's cash value could support the policy's underlying charges.*** Skipping a premium payment would impact the policy's guaranteed coverage duration, but without the cash value I wouldn't even have this choice. This gives me significant ability to adapt to unexpected cash flow interruptions.
- If the HVUL policy's cash value continues to grow, I may be able to further reduce my annual premium or even stop paying premiums earlier than I had originally planned. In fact, if the policy's cash value continues to grow at 8%, I will have a paid-up policy at age 93, and if it grew at 10%, I will be paid up at age 91 which would result in my paying more than a million dollars LESS premium than the GUL policy.
- If cash value continues to grow, the death benefit could be substantially more than \$3,000,000.

PROJECTED POLICY PERFORMANCE AND OPTIONS AS OF 12.30.2019



CURRENT PROJECTED	
RATE OF RETURN	PAID-UP AGE
Original - 8%	95
8%	93
10%	91
12%	90

POLICY OPTIONS				
	ORIGINAL	CURRENT	OPTION 1	OPTION 2
Improvement	—	Extend Guarantee Coverage Age	Reduce Annual Premium \$5,920	Reduce Premium Duration 2 Years
Premium Amount	\$149,500	\$149,500	\$143,580	\$149,500
Premium Duration	To Age 100	To Age 100	To Age 100	To Age 98
Guaranteed Coverage	To Age 117	To Age 126	To Age 118	To Age 117
Cash Value	\$686,806	\$870,204**	—	—

CLOSING THOUGHTS

While individual results may vary, this true-life story illustrates the power of the Hybrid Variable Universal Life product. It provides peace of mind through strong guarantees. As long as premiums are paid, the death benefit is guaranteed regardless of market performance. It also offers the same protection as the GUL but with additional benefits such as potential cash value growth, flexibility to adapt to changes in the future, and a competitive premium.

Advisors that do not have access to this product type cannot offer their clients some of the most attractive solutions in today's low interest rate environment and simply may not be in position to make a recommendation that is in the client's best interest.

Variable Life insurance products are sold by prospectus. Investors should read the prospectus and consider their investment objectives and tolerance for risk along with the charges and expenses of the product before investing. Guarantees are subject to the financial strength of the issuer. Policy values will fluctuate and are subject to market risk. Any hypothetical/future investment performance data contained within this document is included for illustrative and informational purposes only. Actual results will vary from those illustrated.

* Valmark's Policy Management Company is a separately-capitalized company dedicated to providing life insurance policy management and monitoring services to Valmark member offices and their clients' in-force life insurance policies. For more information on the Policy Management Company, visit www.valmarkpmc.com.

** Assumes 8% cash value growth.

*** Charges include the cost of Insurance, Administrative Expenses and Mortality & Expense charges.