

A Benefit Made for the Times
Presenting the case for cash value group life insurance



The new reality in benefits design

In the first three parts of the Get More series, we talked about how rising health care premiums, as well as current economics, are forcing corporations to slash costs and seek the most value for their benefit dollar. Employees, in turn, are demanding more from benefits packages, especially now that they are footing a larger portion of the bill. Progressive companies, those that thrive even in difficult times, constantly seek new ways to give employees more without breaking the benefits bank.

Enter voluntary benefits — those that cost the employer little or nothing, and offer the employee more options for coverage. Options that he or she controls. Now that's empowerment!

The stage is set for intermediaries to “be the hero” for clients by recommending enhanced group life insurance programs. These products are uniquely poised to help employees attain a more secure financial future without costing their employers additional benefit dollars. You can show them how cash value group life insurance can meet employees' needs while helping your clients stay on the cutting edge of benefits design to attract and retain a talented workforce.

Employee benefits: the new reality

Employees are reeling from changes to their lives they never could have predicted. Surfing the crest of the internet wave, riding high on the burgeoning technology of e-mail and cell phones, carrying inflated expectations of the stock market, they built their American dream — how could they know it wouldn't last?

Companies, too, were caught short when the stock market stopped performing the way it had for years. They had to cut back — hard. And that meant benefits that were once a given were now often employees' responsibility to manage. At the same time, health care needs and costs continued to rise. Companies had no choice but to pass some of the cost on to their employees. The result: the portion of the family budget spent on higher insurance co-pays, deductibles and premiums has escalated.

At the same time, as the labor market tightens, employers need to retain the talent they have. To do that, they need to offset the perceived benefit take-aways. One way to do that is to shed light on “invisible benefits,” like life insurance, and show employees the value it has for their lives — today.

The last thing on employees' minds

Put yourself in an employee's shoes:

Your workload has increased and the number of people doing the work has decreased. You're working harder and longer hours for the same paycheck and fewer benefits. Sometimes just getting from one week to the next takes all the energy you can muster. You're living paycheck to paycheck, just covering your expenses and possibly racking up more debt than you can easily pay. Throw in a health crisis or an extra mouth to feed and you might be one step away from panic. By the way, your company just discontinued contributions to your 401(k) — how are you going to take up the slack?

Mentally distracted and physically exhausted, today's worker has all he or she can do to keep up with the workload until Friday — much less worry about their future financial position. The irony is today's workers can't afford not to be thinking about the future and how to protect the lifestyle they're working so hard to achieve.

An "invisible" benefit takes center stage

When you work with employers to offer cash value life insurance products, you help them give employees a product that meets their need for both current protection and future financial stability. But, as with frazzled employees, overworked benefits managers may not have thought about life insurance in awhile. They need your help in getting up to speed. Here's a quick primer on cash value group life insurance and its many advantages.

First things first: provide a much-needed safety net

Group life insurance is more important than ever as an employee benefit. Here are a few enlightening statistics. Almost half of all American households (48 million people) either don't own life insurance or feel they need more coverage.¹ Fifty-six percent of parents believe they lack adequate coverage to cover the financial needs of their family if a loss occurs.² And adults today are most likely to only have group life insurance through their employer.³

Employers provide a much needed safety net by offering basic amounts of life insurance protection augmented by supplemental, employee-paid plans. But group life insurance has moved well beyond the simple burial benefit it once was. Today's plans offer high amounts of guaranteed coverage, simplified underwriting and coverage for dependents, in addition to the long-time advantage of life insurance passing income-tax free to beneficiaries.

Unlike most other benefits, the cost of group life insurance is going down as mortality rates continue to improve. The convenience of payroll deduction makes it even easier to obtain this affordable coverage.

The best news yet — group universal life coverage follows employees from one company to the next. No matter how many times they change jobs, employees can keep their portable life insurance protection. And, in those cases where an employee does spend their whole career with one employer, the benefit can be continued into retirement at group rates.

More important than ever

Cash value group life insurance is more important than ever for today's employees:

- One-third of American adults do not have any life insurance.
- Generation Y is twice as likely to purchase life insurance at work as the baby boomer generation.⁴
- Relying on a single-type of product, such as a 401(k), is generally not the best retirement income option because of the need for flexibility over an uncertain retirement period.⁵

A benefit for tomorrow: help them build future security

By offering cash value life insurance as part of a competitive benefits package, employers give employees the opportunity to “get more” out of life. Most importantly, employees need life insurance to protect their family's lifestyle or estate — but they also want savings and investment options beyond what a pension plan or 401(k) can offer. Though most people think of life insurance only as a legacy — something left behind after they die — if saving for the long-term is the goal, a group life insurance policy can be a vehicle for accumulating cash to use during one's lifetime — to pay medical expenses, higher education or to supplement retirement income through a loan or withdrawal. Outstanding loans and withdrawals will reduce both the policy's cash value and death benefit.

Group Universal Life (GUL) and Variable Group Universal Life (VGUL) products offer a combination of pure protection and an optional cash value component. In GUL, premium contributions to the cash value account earn a guaranteed rate of return. With VGUL, the employee can designate and control the investment of premium contributions into a fixed account and/or more than 20 investment subaccounts representing a range of risk and return objectives. The variable investment options are subject to market risk,

including the loss of principal. The guarantees available in life insurance are based on the financial strength and claims-paying ability of the issuing insurance company, which are important; however, they do not have any bearing on the performance of the investment options.

Accumulating cash value in a life insurance contract has special tax advantages. Any earnings on the after-tax dollars contributed to GUL-VGUL cash values grow tax deferred. All money put into the policy, whether to pay the cost of insurance or as an investment, creates a cost basis. Distributions from cash value during an employee's lifetime are generally tax-advantaged when taken as withdrawals up to the cost basis and then as policy loans. At death, the beneficiary receives an income tax-free death benefit, and if the policy is properly structured in an irrevocable life insurance trust, the death benefit is also free from estate taxes.

Unlike qualified retirement plans, withdrawals from GUL-VGUL can be made at any time, for any reason, without penalty. And, transfers of investment funds within a VGUL policy aren't a taxable event. What's more, employees can transfer funds, check account values, run illustrations — as well as manage their life insurance coverage — through our self-service web site.

Keep in mind, that since GUL and VGUL are primarily insurance products, they may contain fees such as management fees, fund expenses, distribution fees and mortality and expense charges.

Complementary services sweeten the deal

If you or your clients thought there was nothing new under the sun about group life insurance, take a second look. More and more, extra services are becoming part of the package, often without a separate charge. Group life insurance carriers, partnering with other benefits service providers, are offering such value-added services as will preparation, tuition fulfillment, travel assistance, identity theft protection and beneficiary financial counseling, to name just a few.

Bottom line, the story of cash value group life insurance is a compelling one to share with employers who not only need a cost-effective way to meet the rising demand for voluntary benefits, but also want a benefits strategy that helps them attract and retain a talented workforce.

Giving Employees the Power

Employers win in the battle of balance

Why should employers consider GUL and VGUL? Let us list the ways:

- **Win with the impact of perceived value.** Enhancing employee-paid supplemental life insurance programs is an excellent way to balance cutbacks or higher out-of-pocket costs in other benefits.
- **Win by providing a first-rate bargain.** Unlike other benefits that keep rising in cost, group life insurance is an excellent buy.
- **Win by enhancing employees' financial lives.** Employers offering GUL-VGUL are forward-thinking companies looking to help employees manage their finances, not just hand out a paycheck.
- **Win employee loyalty.** Features like portability demonstrate employers' concern for workers beyond the employment contract.
- **Win by shoring up employee retirement benefits.** Cash value life insurance can be used as a funding vehicle for retiree benefits — another critical priority.
- **Win with easy administration.** We have developed premier support systems to administer group and variable group universal life plans and take the burden off HR staffs.

More about the current state of employee savings

If you need more ammunition to convince a client they need to be taking a second look at group life insurance as a supplement to traditional savings plans, read on.

According to Deloitte's 2008 401(k) Benchmarking Survey, less than one in five employees believes "most employees" will be financially prepared for retirement. The study also revealed that only 18 percent of individuals ages 25 – 34 are confident they will have enough money for retirement — down from 31 percent in the previous year for the same age group. Twenty-two percent of workers and 28 percent of retirees say they have no retirement savings of any kind.⁶

Even so, workers aren't paying attention to their savings in the retirement plans sponsored by their employers. Despite the tax advantages of 401(k) contributions, one-quarter of workers eligible for 401(k) plans do not participate at all, even if the employer matches a portion of their contributions. These workers are effectively giving up a pay raise. Among those who do contribute, many save just a little.

But just because American workers aren't adequately prepared for retirement doesn't mean they aren't worried about it. Nearly half of consumers are emotionally concerned over planning and saving for retirement. The top three concerns these consumers describe are:

- Not sure about how to best prepare financially for retirement,
- Don't know how much savings to have at retirement,
- Fearful of making a mistake with their retirement savings.

The majority of these consumers also feel they will need to work for pay during retirement.

Cash value products do double duty

Cash value group life products can give employees a greater sense of financial stability. They address an unmet need for insurance protection and bridge the chasm that exists between employees' expectations of a worry-free retirement and the reality of what they're actually putting aside to make it happen.

Group Universal Life (GUL) and Variable Group Universal Life (VGUL) help employers "get more out of life." Using these products separately or in tandem, we will work with you and your clients to custom-design a group life insurance program as a cost-effective option that can be partially or wholly employee funded. What's more, as pioneers in creating, enrolling and administering cash value group life insurance, we'll delight your clients with service so creative and flexible that, as one of our clients put it, "I will fight to not have to switch to another carrier."

Up next:

Rising benefits costs and demands create ever greater pressure for effective plan management and administration. Benefits managers are pushing to get more out of their benefits technology and automation and, at the same time, employee expectations for online self-service have increased. In part five of the Get More series, we'll discuss how employers can utilize technology to enhance their benefits offerings and help HR staffs operate at optimal efficiency.

For more information

To learn more, contact the group sales manager in your region or call our national sales office at 1-800-606-LIFE (5433) or visit www.lifebenefits.com.

Sources:

¹ "Facts About Life 2006," *Life Insurance Marketing Research Association International*, September 2006.

² "Facts About Life 2007," *Life Insurance Marketing Research Association International*, September 2007.

³ "Facts About Life 2008," *Life Insurance Marketing Research Association International*, September 2008.

⁴ *Ibid.*

⁵ "A Process-Centered Approach to Retirement Income," *FundQuest*, March 2007.

⁶ "2008 Retirement Confidence Survey," *Employee Benefit Research Institute and Matthew Greenwald Associates*, April 2008.

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F62382-11 Rev 3-2009
A00653-0209

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