



## Design Matters:

# Accelerated Death Benefits ... What's the Real Story?

One of several riders that Columbus Life prides itself on is the Life *Plus* Accelerated Death Benefit Rider®. While it's common for life insurance products to have accelerated death benefit riders, finding a carrier that utilizes the **lien method** is not. Not only is this method transparent to the client, but it also allows for a remaining death benefit after an advance has been paid.

Another method used to calculate the amount of an accelerated death benefit is the discounted death benefit and, while quite popular, this method doesn't always provide a clear look at what the advance might be. At a time when your clients could be experiencing a terminal, chronic or critical illness, it is helpful to show them a dollar amount that they might expect to help them and their loved ones in their time of need.

Inside of Columbus Life's illustration system, you can easily see what an advance would look like depending on the trigger. For carriers that use the discounted death benefit method, a report like this may be more difficult to come by because of how the advance amount needs to be calculated. At Columbus Life a simple document like the **Lifetime Benefits** report can illustrate these values in a client friendly format!

DETERMINING THE ADVANCE AMOUNT				
Year	Cash Value	Chronic Illness <sup>1</sup>	Specified Medical Condition <sup>1</sup>	Terminal Illness <sup>1</sup>
1	\$2,513	\$187,322	\$25,600	\$233,933
5	\$71,758	\$254,839	\$93,156	\$301,489
10	\$159,158	\$340,058	\$178,424	\$385,757
15	\$258,647	\$438,298	\$276,724	\$485,057

ADBR for Indexed Explorer *Plus*® values based on a 45-year-old male, PF non-tobacco \$500,000 policy in the state of OH. Annual premium of \$20,000, death benefit option 2. Values can be accessed via the Lifetime Benefits Report.

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<sup>1</sup> This rider is added at no additional premium; however, we may charge a fee of up to \$250.00 (state variations may apply) for an advance payment. An advance is treated as a lien secured by the death benefit of the policy. The advance will accrue interest each year. The rate of interest will depend on the cash value of the policy and may vary as required by the laws of your state. The lien may be increased if necessary to keep this policy in effect.

## DETERMINING THE REMAINING DEATH BENEFIT

	Columbus Life Universal Life	American National Universal Life
Initial Death Benefit	\$100,000	\$100,000
Cash Surrender Value	\$30,000	\$30,000
Maximum Acceleration	\$58,000	\$57,799
<b>Remaining Death Benefit at Acceleration</b>	<b>\$42,000</b>	<b>\$0.00</b>

Example based on a 35 year old male, ST non-tobacco, \$100,000 Face Amount and becomes chronically ill at age 70.

Another caveat of the discounted death benefit — typically there is **no** remaining death benefit after an advance has been paid. In an event when an accelerated death benefit is needed, it can be settling for your clients to know that their beneficiaries will still receive a benefit after they have passed.

In this example comparing universal life products from Columbus Life and American National, you can see that in the same scenario — same death benefit, same cash surrender value and same advance — the Columbus Life product is still able to produce a death benefit after an advance has been paid out.

At a time when your clients may be looking for certainty and stability, Columbus Life's *Life Plus* accelerated Death Benefit Rider can help. With our easy to understand and easy to explain formula, your clients can know the advance amount they are going to receive should they need it. They can also have the extra peace of mind knowing that their beneficiaries will be entitled to an income tax-free death benefit upon their passing.

**Interested in learning more about Columbus Life's *Life Plus* Accelerated Death Benefit Rider? Talk to your Regional Vice President or call the Sales Desk at 800.677.9696, option 4.**

Living benefits are accessed through an advance of the policy's death benefit, provided the insured meets eligibility requirements under the applicable rider. An advance is treated as a lien against the policy and will reduce the Death Benefit payable if not repaid. The advance will accrue interest each year. The lien may be increased if necessary to keep your policy in effect. We may charge a fee of up to \$250.00 for an advance payment. The accelerated death benefit will terminate with the policy.

Life insurance proceeds paid in the form of an accelerated death benefit when the insured has become chronically or terminally ill, and is otherwise eligible for benefits, are intended to receive favorable tax treatment under Section 101(g) of the Internal Revenue Code (26 U.S.C. Sec. 101(g)). There may be tax consequences in some situations in accepting an accelerated benefit payment amount. Consult your tax advisor before taking an advance.

**This is a life insurance benefit that also gives you the option to accelerate some or all of the death benefit in the event that you meet the criteria for a qualifying event described in the policy. This policy does not provide long-term care insurance subject to California long-term care insurance law. This policy is not a California Partnership for Long-Term Care program policy. This policy is not a Medicare Supplement policy.**

Product features differ between long-term care insurance and life insurance accelerated death benefit riders. Accelerated death benefit riders pay an unrestricted advance of a portion of the life insurance death benefit when the insured experiences terminal or chronic illness as defined in the rider. You do not have to show incurred care expenses associated with an accelerated death benefit. The maximum benefit payable is based on the policy's cash value and face amount. Any advance paid will reduce the death benefit of the policy. Long-term care policies or riders, on the other hand, pay benefits based on expenses incurred by the policyholder for long-term care. The total benefits available for long-term care insurance are selected by the policyholder at issue. Long-term care insurance is a stand-alone insurance policy or a rider designed to pay for the cost of long-term care services. Long-term care insurance may include coverage for such qualifying events as institutional care, care in a nursing home or skilled nursing facility, home care coverage, hospice care, respite care, or community care.

IUL is a Universal Life policy. It has insurance related costs. Premiums paid must produce sufficient cash value to pay insurance charges. Indexed returns do not protect against lapse if premiums and returns do not provide sufficient cash value to cover loan interest and insurance costs. Your clients must understand that loan risk means loans may well not be zero cost. Such loan risk and interest costs will reduce account value and will contribute to a risk of policy lapse if account value becomes insufficient to cover charges.

**Life insurance products are not bank products, are not a deposit, are not insured by the FDIC, nor any other federal entity, have no bank guarantee, and may lose value.** Payment of the benefits of Columbus Life Insurance Company life insurance products is backed by the full financial strength of Columbus Life Insurance Company, Cincinnati, Ohio. Guarantees are based on the claims-paying ability of the insurer. Payment of Accelerated Death Benefits, if not repaid, will reduce the Death Benefit and affect the other policy values.

Earnings and pre-tax payments are subject to ordinary income tax at withdrawal. Neither Columbus Life nor its agents offer tax advice. Please advise your customer to contact their tax or legal advisor regarding their situation. Interest rates are declared by the insurance company at annual effective rates, taking into account daily compounding of interest. Product and feature availability, as well as benefit provisions, vary by state. Life Plus Accelerated Death Benefit Rider and Indexed Explorer Plus Flexible Premium Universal Life Policy may not be available in all states. Benefits vary by state. Check the approved state variation. Accelerated Death Benefit Rider series CLR-202 1409 and Flexible Premium Adjustable Life Policy with Indexed Options ICC17 CL88 1708. Columbus Life Insurance Company is licensed in the District of Columbia and all states except New York.

Competitor information is obtained from sources believed to be reliable, but its accuracy or completeness is not guaranteed. This data is for informational purposes. Premium rates and underwriting classes may vary by company.

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