

## COMPLIANCE BULLETIN

# Important guidelines for presenting life insurance as a source of supplemental income

For many years, life insurance professionals have promoted the value and versatility of permanent, cash value life insurance. As we all know, life insurance has unique characteristics that make it ideally suited to meet a variety of needs and be responsive to various life events. In addition to providing financial protection in the event of a premature death, life insurance can be effectively portrayed as a tax-efficient means of accumulating and distributing supplemental retirement income.

However, over the years, the life insurance industry has witnessed instances of life insurance being portrayed as a retirement income vehicle without adequate explanation and disclosure. This has resulted in misunderstanding by policy owners and has sometimes led to unintended consequences, including regulatory inquiries and legal actions.

When developing marketing/sales materials that present life insurance as a source of supplemental retirement income, it's important to keep the following guidelines in mind. Also, remember to pay close attention to the Global Atlantic Advertising Guidelines and their associated submission requirements.

Here are some of the parameters that you should be aware of:

- Evaluate each individual's financial needs and objectives.
- Clearly identify life insurance as life insurance.
- Position life insurance as a valuable and versatile source of supplemental retirement income, only after reinforcing the importance of the death benefit provided by the policy.
- Position life insurance as a complement to, not a substitute for, other sources of retirement income.
- Carefully distinguish between guaranteed and non-guaranteed rates and values.
- When contrasting the characteristics of life insurance with qualified accounts such as IRAs, 401(k)s and other qualified retirement plans, make sure that any comparisons with the characteristics of such accounts are complete and accurate. Give adequate recognition to the future value associated with the pre-tax nature of contributions to such plans.
- Point out to the customer that the use of life insurance as a supplemental source of retirement income requires significant commitment and discipline on the part of the policy owner. Remind them that accessing cash value for any purpose, including as supplemental retirement income, will reduce the policy's death benefit and may increase the potential for a policy to lapse.
- Apply the Global Atlantic Advertising Guidelines to any marketing material that you may create that promotes life insurance as a supplemental retirement vehicle, and use only Global Atlantic approved materials to promote this concept.

Please pay strict attention to the following:

- Do not refer to life insurance as a “Personal Protected Retirement Plan,” “Private Pension Plan,” or any similar phrase.
- Do not mischaracterize a projected interest crediting rate on a life insurance policy to be a “rate of return” on premium. Such a characterization fails to recognize the costs and charges associated with life insurance products.
- Do not fail to clearly indicate that projected values and income streams are not guaranteed.
- Do not portray or promote life insurance as a replacement for existing retirement plans.
- Do not disparage traditional retirement savings vehicles such as pension and profit sharing plans, 401(k)s or IRAs.
- Do not portray insurance products as “principal protected.” However, it is acceptable for you to make the point that the policy and its account value are protected from direct downside market risk to distinguish it from variable products.

Permanent life insurance products are designed to provide long-term value and versatility for your clients. When presenting such products as a potential source of supplemental retirement income, make sure that the customer fully understands the conditions and limitations, as well as the benefits, of the products you sell. Reinforce the importance of monitoring the policy’s performance through annual statements and in-force illustrations. Most importantly, be available to answer any questions they may have about their policies so they can maintain a fundamental level of understanding of the product they purchased.

If you have questions on these matters, please contact Global Atlantic’s Compliance Department at [gary.frank@gafg.com](mailto:gary.frank@gafg.com)