



PHOENIX

# Loan Rescue Opportunities

Using Phoenix Accumulator UL<sup>®</sup>

## Importance of Policy Review

Help your clients determine if their current policies are adequate and suitable for amount, type, duration and funding levels. A common problem for policies that have been in force for a number of years is the accumulation of loans, often times significant.

### Concerns:

- High loan rates can affect current policy value/death benefit. It is not uncommon to have a loan spread of 2% on existing policies.
- Current interest rates may have declined to unacceptable levels.
- Client out-of-pocket costs may become burdensome due to loan interest and premium requirements.
- Paying off the loan may not be feasible because of the larger cash outlay required.
- If policy lapses, the client may be subjected to a potentially large tax burden.

## Existing Policy Funding Options

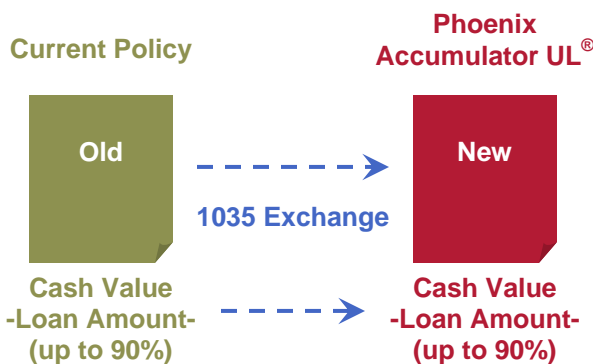
The concept of Loan Rescue, to improve an existing policy while preventing a current tax burden, is fairly simple. Take a look at some common options for an existing policy with a large loan:

- Keep current “under-performing” policy without any change in current funding  
*May lead to policy lapse and tax burden*
- Pay current loan interest on outstanding loans  
*Can be expensive and prohibitive to even pay*
- Make additional premium payments  
*May also be burdensome*
- Combination of the above

## Potential Solution – Phoenix Accumulator UL<sup>®</sup>

Exchange the current policy, continuing to be subject to any outstanding loans, for a new Phoenix Accumulator UL<sup>®</sup> policy:

- Competitive current assumption performance.
- Potentially more favorable loan provisions compared to current policy.
- Credited rate for interest on the loaned policy value equals the loan interest rate charged – for 1035 loans at issue only.
- Accepts up to a 90% of the account value as loan.
- Potential to improve existing policy status by lowering overall cash outlays, improving cash value performance and/or improving death benefit performance.



**Loans assumed by the new company in a 1035 exchange are currently not considered a taxable event as long as certain requirements are met.**  
**For more information, please call 800-417-4769, or visit us at phoenixwm.com**

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Gains in excess of basis are taxable in the event of a surrender, lapse or policy maturity. If the policy is classified as a Modified Endowment Contract (MEC), policy loans, withdrawals or other distributions of income (gains) will be taxed as ordinary income and distributed first, followed by basis in the contract. Distributions of income (gains) prior to age 59<sup>1/2</sup> may be subject to a 10% tax penalty, in addition to ordinary income tax. Surrender charges may also apply. Policy loans and withdrawals will reduce cash value and are subjected from the death benefit upon payment.

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