



## ROP Term & Divorce Planning

Marriage is not always “Till Death Do Us Part.” Divorce happens. Statistics tell us it happens a lot - more in some demographics and less in others. A *New York Times* article published April 19, 2005, suggests, “it’s not as high as you think” and that the commonly used “one in two” statistic is misleading.

It really doesn’t matter if the statistic for the general population is one in two or one in fifty. If divorce happens to your client, the statistic suddenly becomes one in one.

Once divorce occurs, there will be a number of issues to resolve. When minor children are involved, the non-custodial parent is often required to maintain life insurance for the benefit of the custodial parent and/or children for a period.

If you would like to offer your non-custodial divorced client the opportunity to fulfill this life insurance support obligation and get a full refund of all premiums paid – subject to certain conditions as noted below – consider our Return of Premium Term.

**Facts:** John and Melissa were high school friends and college sweethearts. They were married during the summer following their senior year – just before John started medical school. The twins were born a year later. Times were tough, and love conquered most of their troubles – until John’s residency assignment.

Then John’s dream job clear across the country became Melissa’s nightmare. Their marriage struggled briefly, then failed. Melissa filed for divorce and received custody of the children. John’s support obligations included the requirement that he maintain a substantial life insurance policy for Melissa’s benefit.

John calls you for some life insurance recommendations. He fully intends to fulfill his obligations, although he is not exactly thrilled about paying life insurance premiums. He prefers the most painless arrangement possible and asks if you have any ideas.

It turns out you DO have an idea for John – PruLife Return of Premium Term from Pruco Life Insurance Company.

This training material has been prepared to assist our licensed financial professionals. It is designed to provide general information in regard to the subject matter covered. It should be used with the understanding that Prudential is not rendering legal, accounting or tax advice. Such services should be provided by the client’s own advisors.

PruLife® Return of Premium Term is issued by Pruco Life Insurance Company in all states except New York and New Jersey, where it is issued by Pruco Life Insurance Company of New Jersey. Both are Prudential Financial companies located in Newark, NJ, and each is solely responsible for its financial condition and contractual obligations. All guarantees are based on the claims-paying ability of the issuing company.

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**Solution:** PruLife Return of Premium (ROP) Term may be just the solution. John applies for and owns \$1,500,000 face amount of 20-Year ROP term and names Melissa as the beneficiary pursuant to the divorce agreement. The ROP Term policy includes a waiver of premium benefit that waives the premium payment if John suffers a disability and cannot pay the premium.

If John is alive at the end of the 20-year level-term period, he gets a tax-free refund of all premiums he paid including the cost of the waiver of premium benefit – a real “win-win” solution!<sup>1</sup>

### Benefits of the Arrangement

- Melissa has the protection of life insurance on John’s life that she needs.
- John fulfills his life insurance support obligation, and, if alive, he gets all the premiums back after 20 years!
- In the event John becomes disabled and is eligible, the Waiver of Premium benefit waives the life insurance premiums and the insurance will stay in force.
- John can elect to use loans to pay premiums after the tenth year, and he still gets \$14,740.88 returned after 20 years. Note that the death benefit is reduced by an amount equal to the outstanding loan (including interest).

### Summary of Premiums and Benefits

Assumptions:

- Male 29 (age last birthday)
- \$1,500,000 – 20-Year ROP Term – WP
- Preferred Non-Tobacco class
- Annual Premium = \$3,385.20
- 20 Year Total Premiums Paid = \$67,704
- Premiums returned after 20 years = \$67,704

<sup>1</sup> **Not all premiums may be returned if the policy is surrendered before the end of the level payment period. The insured must be alive at the end of the level premium period to receive the return of premiums. Premiums paid under the waiver of premium are not returned. Any outstanding loans, inclusive of loan interest, will be subtracted from the amount returned to the client.**

QUESTIONS? CALL ADVANCED MARKETING

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