Indexed Universal Life Insurance Loans

Borrow against your IUL insurance policy while keeping upside potential.

The primary reason to purchase life insurance is death benefit protection. But with a permanent life insurance policy, you can also grow the cash value of your policy, tax deferred. Once you have sufficient cash surrender value to use as collateral, you can borrow against your policy at any time.[1]

Taking a life insurance loan

A life insurance loan provides access to cash surrender value, income tax-free.[2] In addition, benefits include:

- Guaranteed approval if you have enough cash surrender value.
- Financial flexibility. You can use the borrowed money for any purpose, for example to buy a new car, remodel your home, or fund educational expenses.
- With a participating loan, your accumulated value may keep earning interest credits, because you are borrowing against it, not withdrawing from your policy.
- Competitive loan interest rates.
- You can repay the loan, in full or in part, on your own timeline.
- You don't have to pay the life insurance loan back if you don't want to. You will need to pay sufficient premiums to keep the policy inforce and your benefits will be reduced by outstanding loans at death.

Products issued by

National Life Insurance Company® | Life Insurance Company of the Southwest®

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Choosing a loan type

With an Indexed Universal Life policy, you can choose between four loan types.[3] There is no one loan type that is best.

Loan Type	Characteristics
Participating Declared Loan*	Loan collateral stays in indexed strategies, where it can continue to earn indexed credits. The declared loan interest rate is set by National Life Group.
Participating Variable Loan	Loan collateral stays in indexed strategies, where it can continue to earn indexed credits. The loan interest rate is variable, based on an external index.
Participating Fixed Loan	Collateral is moved to a dedicated index strategy, where it can continue to earn indexed credits. The loan interest rate is fixed at policy issue.
Standard Loan	Collateral is moved to a loan collateral account. The collateral is no longer in an indexing strategy and does not continue to earn indexed credits. Loaned amounts will be credited with the Loan Interest Rate minus 0.50% in year 1 through 10, and the Loan Interest Rate in year 11+.**

*Depending on state availability **May vary by product

With a participating loan, you earn more on collateral amounts than you are charged on the loan amounts when indexed interest credits exceed loan interest charged. The opposite condition, being upside down, can be very harmful to the insurance policy. Loans should be managed carefully.

Loan interest accrues daily and is charged at the policy anniversary. You will receive a bill for the interest amount. You can pay the loan interest due or have the loan amount be increased by the interest charge (if there is sufficient cash surrender value in your policy).

If you request to change the loan type, the change will take effect on the next policy anniversary.

Important

- Insurance deductions continue. You need to make sure there's enough cash surrender value left in your policy to cover these costs. That might mean you must pay more premiums to keep your coverage. **Failure to do so could lead to policy lapse**, resulting in the loss of the policy and coverage. If that happens, there may be negative tax consequences for the loan amounts received.
- A policy loan reduces the death benefit and the cash surrender value of your policy. The cash surrender value is the amount you receive if you cancel your permanent life insurance policy.
- Amounts meant for loan repayment should be clearly designated as such. Otherwise, they will be considered premium payments.


Life insurance loans provide **financial flexibility**

Bridge a gap

You can borrow against your permanent life insurance policy to fill a temporary income gap. For example, when you're waiting for disability, unemployment, pension, or Social Security payments to begin, and you need cash.

Avoid more expensive loan options

Life insurance loans have competitive interest rates and can be a better option than other common types of loans, such as car loans, home equity loans, personal loans, or credit card debt.

Pay off debt with higher interest rates

If you have significant cash surrender value in your life insurance policy, you could borrow against your policy to pay off debt with a higher interest rate (such as a student loan or credit card debt).

Get supplemental retirement income

Many people struggle to make their retirement savings last. Taking tax-free loans from your life insurance policy can help supplement your income during retirement and make your savings last longer.

Get capital as a small business owner

For small business owners, having cash on hand can be beneficial. It can help seize growth opportunities or bridge income shortfalls. By borrowing against your life insurance policy, you can avoid the need to apply for a bank loan.

Avoid tapping into investment or retirement savings

If your investment accounts just experienced a big loss, they might not be the best place from which to borrow. You might need the money to help grow back, and you might trigger a tax bill. A tax-free loan from your life insurance policy, which is not invested in the market, could be a more favorable alternative.

How are policy withdrawals different from loans?

When you take a life insurance loan, you borrow against the collateral in your policy, but the loan amount can continue to contribute to the accumulated value growth of your policy (for participating loans). Life insurance loans are tax free (if the policy is not a Modified Endowment Contract) and you can pay back the amount you borrow.

Withdrawals are permanent and may not be paid back. The death benefit is reduced and the amount you withdraw may be taxable. When you withdraw money from your life insurance policy, the death benefit is reduced.

Work with your agent or a financial/tax professional to find out what is best for you and your unique situation.

Build up cash value

Loans are available at any time after the first policy year (and may be available earlier if there is sufficient cash surrender value). However, it can take many years to build up significant cash surrender value in a permanent life insurance policy. In the early years of the policy, there may be little value, if any, to borrow against.

The more you fund your policy, the earlier you can take a loan.

Get access to funds, quickly

When you have built up enough cash surrender value, you don't need to go through an approval process to take a loan.

The quickest way to initiate a life insurance loan (up to $50,000) is using the National Life Group mobile app, or the online customer portal at NationalLife.com/customer. It may take up to 3-5 business days to process your request once we have all necessary information.

With the app and portal, you can easily and securely manage your policy at any time. View policy details, make payments, take loans, manage your personal information, and more.

Scan the QR code or visit NationalLife.com/customer to get started with the mobile app or online customer portal.

1 Loans may not be available in the first year of your policy and may vary by state. Check with our Customer Experience Center to see if loans are available in the first year for your policy.

2 Requires the policy to stay inforce. Taking a life insurance loan will reduce the accumulated value of your policy upon surrender, and reduces the death benefit upon death. Except in the case of a Modified Endowment Contract (MEC), withdrawals up to the basis paid into the contract and loans thereafter will not create an immediate taxable event, but substantial tax ramifications could result upon contract lapse or surrender. For MECs, contract loans and withdrawals are considered taxable income.

3 Depending on the product, not all loan types may be available.