

A photograph of two men sitting and talking. The man on the left is wearing a pink button-down shirt and is smiling broadly, looking towards the man on the right. The man on the right is wearing a blue button-down shirt and is also smiling, looking towards the man on the left. The background is a bright, indoor setting with a window and some framed pictures on the wall.

**Life Insurance in
College Planning**

Foresters 
Financial



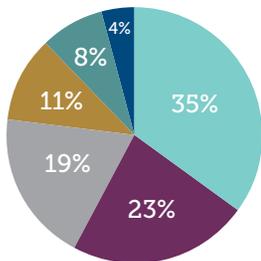
Life Insurance in College Planning

Situation

Nearly nine in 10 families know that their child will go to college, but fewer than four in 10 create a plan to pay for it².

Though scholarships and grants play a role in the funding of college, the largest percentage of resources comes from parents and students via savings, income and loans.

How many of your clients currently have a savings plan in place to cover the cost of their children's education?



The Strategy

Life Insurance in College Planning is a strategy designed to help your clients fund the cost of their children's college education. This plan:

- Provides built-in protection with an income tax-free³ death benefit to support their children's college education in the event of the client's death
- Provides the opportunity to build cash value with:
 - > tax-deferred cash value growth
 - > the ability to take tax-advantaged loans⁴ when income is needed
- Provides for accelerated death benefit⁵ for chronic, critical or terminal illness

- After college is paid for, clients have the ability to repurpose the certificate, potentially using the cash value for supplemental retirement income

An effective Life Insurance in College Planning strategy provides:

- Income tax-free death benefit proceeds
- Income tax-deferred accumulation growth
- Potential flexibility with contributions
- Tax-preferred distributions when income is needed
- No requirement to report insurance or cash value on the Free Application for Federal Student Aid (FAFSA)
- Complete control of the insurance coverage
- Control of funds (if the child receives a full scholarship or decides not to attend college, the cash value may be used for other purposes)
- Diversification

Life Insurance in College Planning

How Life Insurance in College Planning Works Case Study

- Walter (32) and Melissa (31) are married and have a newborn baby
- Walter is the primary income earner
- Couple currently have retirement accounts, savings accounts, a sufficient emergency fund and enough life insurance to cover their mortgage balance

- Their goal: Create a college funding plan as soon as possible using life insurance for their newborn child that provides assets to pay for college in the event of death or major illness or from the cash accumulation.



STEP 1

Walter and Melissa meet with their insurance producer to discuss creating a college funding plan for their newborn that covers college in the event of death, major illness or from the cash value accumulation.



STEP 2

With their producer assistance, they determine that they want a vehicle that's tax-deferred, offers a safer growth potential than the stock market, doesn't hurt the child's ability to secure grants and scholarships, and one that covers the family in the event of death. Based on this information, Walter decides to purchase a Foresters Advantage Plus II Whole Life⁶ with Foresters Financial.TM



STEP 3

Their producer designs the product using a budget of \$250 per month. Walter decides to apply for Advantage Plus II with \$271,463 of initial death benefit coverage, with Waiver of Premium Rider⁶ and any declared dividends⁷ purchasing paid-up additions. Walter applies for and is approved Preferred Plus Non-Tobacco.



STEP 4

When their child is ready for their post-secondary education, they'll have the opportunity to apply for Foresters Competitive Scholarships as a result of Walter being a Foresters Member.⁸



STEP 5

It's college time and Walter's child was accepted to attend their state university. After grants and scholarships are received, Walter can use the cash value of his life insurance by surrendering Paid-Up Additions and also by taking out certificate loans⁹ to cover a portion of the tuition.



STEP 6

After college, Walter has a decision to make regarding his certificate. Does he continue the coverage without repaying the outstanding loans? Does he start repaying the outstanding loans to rebuild the cash value and death benefit? Or, does he surrender the certificate and pay taxes due from all of its growth? At this point, he meets with his insurance producer to weigh his options based on his needs.

Life Insurance in College Planning Fact Finder

Date | MM / DD / YY

1 Personal Information	Client Name _____			Date of birth _____		
	State of Residence _____		Smoker <u>Y</u> <u>N</u>	Underwriting Class (Preferred, Standard, Etc.) _____		
	Spouse Name _____			Date of birth _____		
	State of Residence _____		Smoker <u>Y</u> <u>N</u>	Underwriting Class (Preferred, Standard, Etc.) _____		
	Children (#) together _____					
2 Financial Information	\$ _____	\$ _____	\$ _____	\$ _____		
	Client's Annual Salary	Client's Other Income	Spouse's Annual Salary	Spouse's Other Income		
	\$ _____	% _____	Client: \$ _____	Spouse: \$ _____		
Total Adjusted Gross Income	Income Tax Bracket	Amount of Life Insurance				
3 College Information	\$ _____	_____	_____	Spouse's Retirement Age _____		
	Estimated Tuition Cost	Year To Start Paying Tuition	Year To End Paying Tuition			
	\$ _____	% _____	\$ _____	\$ _____		
Annual Income Goal	Inflation Rate To Assume	Current Amount Saved For College	Monthly contribution			
4 Insurance Information	Client: \$ _____	Spouse: \$ _____	Client: \$ _____	Spouse: \$ _____		
	Death Benefit Needed		Insurance Premium Affordable			
	Frequency (M,Q,S,A) _____	# Of Years To Fund Insurance _____	State of Purchase _____			
	Do You Want:	<input type="checkbox"/> SMART UL	<input type="checkbox"/> Advantage Plus II Whole Life			

¹ Source: Sallie Mae at <https://www.salliemae.com/research/how-america-pays-for-college>

² Source: Sallie Mae Infographic https://www.salliemae.com/assets/Research/HAP/HAP2017_infographic.pdf.

³ Foresters, their employees and life insurance representatives, do not provide, on Foresters behalf, legal or tax advice. The information given here is merely a summary of our understanding of current laws and regulations. Advise your clients and prospective purchasers to consult their tax or legal advisor.

⁴ Access to tax-advantaged loans assumes the policy stays inforce until death. If the certificate lapses, there may be tax consequences on any cash value above the cost basis. A life insurance contract can become a Modified Endowment Contract (MEC) when premiums paid exceed certain limits as outlined in the tax code. Withdrawals or loans will reduce death benefit and cash values and may affect how long the insurance contract is in effect. Dividends are not guaranteed. Past dividends are not an indicator of future dividend performance.

⁵ Accelerated Death Benefit Rider is not available in CA. The payment, due to diagnosis of an eligible illness, may be less than the acceleration amount which may be subject to a fee, an actuarial discount amount and other applicable deductions. Payment will decrease certificate values and benefits. (If applicable) **this product is a life insurance policy that accelerates the death benefit on account of chronic illness and is not a health insurance certificate providing long term care insurance subject to the minimum requirements of New York Law, does not qualify for the New York State Long Term Care Partnership Program and is not a Medicare supplement certificate.** Receipt of the accelerated death benefits may affect eligibility for public assistance programs. Receipt of the accelerated death benefits may be taxable.

⁶ Foresters Advantage Plus II Whole Life insurance and applicable riders may not be available or approved in all states and are subject to eligibility requirements, underwriting approval, limitations, contract terms and conditions and state variations. Refer to the applicable Foresters Producer Guide and the insurance contract for your state for these terms and conditions. Underwritten by The Independent Order of Foresters.

⁷ Dividends are not guaranteed and vary depending on factors such as gender, band, smoker, preferred/standard, and premium-pay period.

⁸ Member benefits are non-contractual, subject to benefit specific eligibility requirements, definitions and limitations and may be changed or canceled without notice.

⁹ Can be taken if the certificate is in effect and has a positive cash surrender value. Interest is charged daily at current Foresters US variable loan rates. Death benefit payable is net of the outstanding certificate loan amount(s) (including accrued interest). If the loan amount exceeds the cash value plus the present value of PUAs and dividends on deposit amount the certificate will terminate.