North American Company
for Life and Health Insurance
Since 1886

Using Life Insurance To Help Pay for College

Gain Death Benefit Protection & Help with Tuition Costs

Client Brochure

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Achieve financial protection and help pay for the increasing costs of college tuition.

The primary purpose of life insurance is to provide a death benefit to beneficiaries. The death benefit protection can make life insurance an attractive choice for creating a self-completing plan to help fund a college education.

While many people are aware that the cost of a college education has been on the rise, many underestimate just how large this cost has grown. According to the 2012 Trends in College Pricing published by The College Board, over the decade 2002–03 to 2012–13, the published in-state tuition and fees for four-year public colleges and universities grew at an average rate of 5.2% per year beyond the rate of inflation.* At the same time, many families lack life insurance protection, which many consider to be the cornerstone of financial protection. Recent studies show that four in ten U.S. households have no life insurance coverage at all.** This lack of life insurance leaves many families vulnerable should the primary breadwinner die unexpectedly. What many people may not realize is that with the right life insurance policy, you can secure needed death benefit protection while gaining a way to help pay for college education.

* Trends in College Pricing. © 2012 The College Board. www.collegeboard.com.

** Life Insurance and Market Research Association (LIMRA) Person-Level Trends in U.S. Life Insurance Ownership, 2011.

KEY QUESTIONS	ITEMS DISCUSSED
Why life insurance?	Learn how life insurance can meet death benefit protection needs and help pay for college education.
Who can benefit?	Explore whether using life insurance to help fund college tuition costs is right for you.
How does it work?	Discover the steps to financially protect what's important while fulfilling the desire to help pay for college.

Why life insurance?

Your personal savings should be the primary source for college funding. However, that comes with a challenge: if the family's primary breadwinner dies prematurely, the personal savings plan typically comes to an abrupt end. In this situation, a life insurance policy can help. The policy's death benefit could be used to help pay college tuition costs.

Another key benefit of permanent life insurance, that doesn't involve death, is that it has the potential to accumulate cash value on a tax-deferred basis.[1] Those funds can then be accessed to help pay for college costs.

Some of the advantages of a permanent life insurance policy include:

- **Parental stewardship.** The policyowner has control of the policy's potential accumulated cash value. Should plans change, the accumulated cash value can be used for other purposes without tax consequences.[2]
- **Tax-deferred growth.** Cash values within a life insurance policy generally grow tax-deferred.[1]
- **Policy loan options.** Different loan options are available to help you access the potential cash values within your policy.[3]

Who can benefit?

There are a few items to consider before using life insurance for death benefit protection and a way to help pay for tuition costs:

- Are you in need of life insurance protection to help ensure your family is financially protected?
- Do you have a child or children between the ages of zero and 13 years old?
- Are you concerned about college tuition costs?
- Are you possibly looking to help supplement income in your retirement years?

It's important to explore your options and to work with your life insurance representative to gain a clear picture of your needs. There are costs with life insurance. Permanent life insurance policies require monthly deductions to pay the policy's charges and expenses, some of which will increase as you get older. These deductions may reduce the cash value of the policy.

How does it work?

After a thorough needs-based discussion with your life insurance representative, you select a life insurance policy that matches your needs. The basic steps typically include:

- Purchase of a permanent life insurance policy. The policy provides death benefit protection and a way to help accumulate cash value on a tax-deferred basis.[1]
- If the unexpected happens and you die prematurely, the life insurance death benefit would be paid generally income tax-free[2] to heirs.
- Without an unexpected death, when it comes time for you to pay tuition costs, you may access the policy's potential cash values through generally tax-free loans or withdrawals.[3]
- After helping to pay tuition costs, you may reposition the policy for other possible needs, like helping to supplement retirement income when you retire.

Get started today. Contact your North American representative and financially protect what's important now, while helping to fund college education.

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Life

North American Company for Life and Health Insurance has been providing quality life insurance products since 1886. As one of the leading life insurance companies in the U.S., we'll make it as easy as possible for you to become one of our insureds. Please visit our Website at www.NorthAmericanCompany.com to find out more about our company.

1 The tax-deferred feature of universal life or indexed universal life insurance is not necessary for a tax-qualified plan. In such instances, you should consider whether other features, such as the death benefit and optional riders make the policy appropriate for your needs. Before purchasing a policy, you should obtain competent tax advice both as to the tax treatment of the policy and the suitability of the product.

2 Neither North American Company nor its agents give legal or tax advice. Please consult with and rely on a qualified legal or tax advisor before entering into or paying additional premiums with respect to such arrangements. IRS CIRCULAR 230 NOTICE Any U.S. tax information included in this written or electronic communication, including any attachments, is not intended as tax advice, was not intended or written to be used, and it cannot be used by you or any taxpayer, (i) for the purpose of avoiding any penalties that may be imposed on you or any other person under the Internal Revenue Code or applicable state or local tax law provisions, or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.

3 Policy loans from life insurance policies generally are not subject to income tax, provided the contract is not a Modified Endowment Contract, as defined by Section 7702A of the Internal Revenue Code. A policy loan or withdrawal from a life insurance policy that is a Modified Endowment Contract is taxable upon receipt to the extent cash value of the contract exceeds premium paid. A policy loan or withdrawal from a life insurance policy that is a MEC is taxable upon receipt to the extent cash value of the contract exceeds premium paid. Distributions from MECs are subject to federal income tax to the extent of the gain in the policy and taxable distributions are subject to a 10% additional tax prior to age 59½, with certain exceptions. Policy loans and withdrawals will reduce cash value and death benefit. Policy loans are subject to interest charges. Consult with and rely on your tax advisor or attorney on your specific situation. Income and growth on accumulated cash values is generally taxable only upon withdrawal. Adverse tax consequences may result if withdrawals exceed premiums paid into the policy. Withdrawals or surrenders made during a Surrender Charge period will be subject to surrender charges and may reduce the ultimate death benefit and cash value. Surrender charges vary by product, issue age, sex, underwriting class, and policy year.

The primary purpose of life insurance is to provide a death benefit to beneficiaries. Because of the uncertainty surrounding all funding options except savings, it is critical to make personal savings the cornerstone of your college funding program. However, even a well-conceived savings plan can be vulnerable. Should you die prematurely, your savings plan could come to an abrupt end.

To protect against this unexpected event, life insurance may be the only vehicle that can help assure the completion of a funding plan. In addition to the financial protection aspect of insurance, the tax-deferred buildup of cash values can be part of your college savings plan. Generally, if the policy is not a Modified Endowment Contract then tax-free withdrawals can be made up to the contract's cost basis. Moreover, if the policy is not a Modified Endowment Contract, then loans in excess of the cost basis are also tax free as long as the policy remains in force.