AMW GROUP

EDUCATIONAL GUIDE · LIFE INSURANCE

Universal Life (UL) Is It Right for You?

How UL works, what sets it apart, and the client profile it serves best, so you can decide with confidence.

AT A GLANCE

UL in Plain Terms

Universal life (UL) is permanent life insurance with flexible premiums and cash value that earns a rate set by the insurer, with a guaranteed minimum. It works best for people who want lifelong coverage, steady growth and room to adjust premiums as life changes.

Each premium goes into your policy's cash value. Every month the insurer deducts the cost of insurance and other charges, then credits interest at its current declared rate. That rate can change, but it never drops below the guaranteed minimum. As long as the cash value covers the charges, your coverage stays in force.

PROTECT

A permanent death benefit that, in most cases, passes income-tax-free to your beneficiaries.

POSITION

Flexible premiums and an adjustable death benefit that can change as your life does.

GROW

Cash value that grows tax-deferred at a declared rate, never below the guaranteed minimum.

HOW IT WORKS

Key Characteristics

Declared rates, guaranteed minimums and charges vary by carrier, product and state.

FEATURE	HOW IT WORKS	WHY IT MATTERS TO YOU
Death benefit	Level: lower cost; your cash value counts toward it. Increasing: cash value is added on top, for a higher cost.	Generally passes income-tax-free to your beneficiaries.
Flexible premiums	Pay more, pay less or skip a payment, within limits, as long as cash value covers the charges.	Flexibility, but underfunding can cause a lapse.
Adjustable death benefit	Lower your coverage, or raise it with new underwriting, as your needs change.	Coverage can follow your life stages.
Cash value	Premiums, less monthly charges, plus interest.	You can access it through withdrawals or loans.
Declared rate	Interest set by the insurer, usually reviewed each year.	Steadier than market-linked growth, but it can go down.

FEATURE	HOW IT WORKS	WHY IT MATTERS TO YOU
Guaranteed minimum	A floor rate written into the contract.	Your cash value always earns at least this rate.
Cost of insurance	A monthly charge that rises with age; insurers can raise it up to a guaranteed maximum.	Rising charges can drain cash value later in life.
Guaranteed UL	A no-lapse guarantee keeps the death benefit in force to a set age if premiums are paid as scheduled. Cash value is often small.	Lifelong coverage at a lower cost when a legacy is the goal.
Tax treatment	Tax-deferred growth. Policy loans are generally not taxed while the policy stays in force and is not a modified endowment contract (MEC).	Can supplement retirement income.
Policy loans	Borrow against cash value at a rate set by the insurer.	Loans compound and add lapse risk if not managed.
Surrender charges	Apply if you end the policy early, for a period that varies by carrier and product.	A poor fit if you may need the money soon.

HYPOTHETICAL EXAMPLE

The Declared Rate and Its Floor

The insurer sets the rate it credits to your cash value and can change it over time, often as interest rates in the wider economy move. In this example the declared rate drifts lower for several years, but it never falls below the guaranteed minimum written into the contract.



For illustration only; not a projection of any product. No specific rates are assumed and values are not to scale. Policy charges, which reduce cash value, are not shown.

REAL-WORLD USES

Where UL Shines

Flexible lifelong coverage

Permanent protection with premiums you can adjust if your income rises, falls or a big expense comes up.

Estate liquidity

A generally income-tax-free death benefit gives heirs cash for estate costs, so no home or business has to be sold in a rush.

A second look at older policies

Many UL policies bought when interest rates were higher are now underfunded. We review whether yours is still on track and what it takes to keep it.

Cost-efficient legacy

Guaranteed UL designs can lock in a death benefit to an advanced age, often for less than whole life.

IDEAL CLIENT PROFILE

Who UL Fits Best

The strongest candidates match most of these traits, not just one.

TRAIT	IDEAL PROFILE	WHY IT MATTERS
Insurance need	A lasting need for permanent coverage: estate liquidity, a legacy, a special-needs dependent or business succession.	Term insurance costs less for temporary needs.
Priorities	Lifelong coverage with flexibility and steady, rate-based growth.	UL sits between whole life's guarantees and IUL's market link.
Income	Solid but uneven, as for business owners or commission earners.	Flexible premiums can absorb lean years.
Other savings	Retirement savings on track and an emergency fund in place.	UL adds to a plan; it doesn't replace one.
Time horizon	15–20 years or more.	Early charges and surrender periods need time to be absorbed.
Age and health	Buying younger and in good health.	Lower insurance costs leave more money for cash value.
Engagement	You'll review your policy every year or two.	Rates and charges change, so funding may need adjusting.

CONSIDER ALTERNATIVES

When UL Isn't the Fit

- You mainly need affordable income replacement for a set period; term insurance usually costs less.
- You aren't yet saving for retirement, lack an emergency fund, or carry high-interest debt.
- You want fully guaranteed premiums and cash value; whole life offers more certainty.
- You want growth tied to the stock market; UL credits a declared rate instead.
- You may need the money within about 10 years.
- You'd rather not review your policy; UL needs regular check-ups to stay on track.

KNOW BEFORE YOU COMMIT

Risks We Help You Manage

Every UL policy carries real risks. Here is how we help you stay ahead of each one.

THE RISK	HOW WE HELP
Falling declared rates. Lower rates slow cash value growth and can require higher premiums.	We show you illustrations at the guaranteed minimum, not just the current rate.
Rising cost of insurance. Charges grow with age, and insurers can raise them up to the contract maximum.	We plan funding with later costs in mind and track charges at each review.
Underfunding. Paying only the minimum can leave too little cash value to cover charges.	We set a target premium with you and flag any shortfall early.
Lapse late in life. A policy can end just when it's needed most if the cash value runs out.	We review updated illustrations regularly and adjust funding before problems grow.
Loan risk. Loans compound. If the policy lapses, gains can become taxable in one year.	We plan loans conservatively and monitor balances each year.
MEC status. Funding past IRS limits makes loans and withdrawals taxable, with a possible 10% penalty before age 59½.	We set premiums within IRS limits and track them as you fund the policy.
Guarantee conditions. A no-lapse guarantee usually depends on paying on time and as scheduled; late or reduced payments can shorten or end it.	We set up payments to protect the guarantee and check it at each review.

WEIGH THE ALTERNATIVES

Compare Your Options

	TERM LIFE	WHOLE LIFE	IUL	UNIVERSAL LIFE
Coverage length	A set term of years	Lifetime, while premiums are paid	Lifetime, while the policy stays funded	Lifetime, while the policy stays funded
Premiums	Lowest to start; usually level for the term	Higher; fixed and level	Flexible, within limits	Flexible, within limits
Cash value	None	Guaranteed, steady growth; may earn dividends	Credited from index gains, within a cap and floor	Earns a declared rate, with a guaranteed minimum
Guarantees	Death benefit and premium for the term	Strongest: premium, cash value and death benefit	Fewer; results depend on funding, caps and charges	Minimum rate; some versions guarantee the death benefit
Attention needed	Low; review before the term ends	Low to moderate	Higher; needs a yearly review	Moderate; needs periodic review
Best for	Affordable protection for a set period	Lifelong coverage with certainty and predictability	Lifelong coverage plus flexible, market-linked cash value	Flexible lifelong coverage with rate-based growth

COME PREPARED

Before You Buy

Questions to ask

1. What happens to my policy if the declared rate falls to the guaranteed minimum?
2. What premium keeps my policy on track, and what happens if I pay less?
3. How can my cost of insurance change, and what is the maximum?
4. What are the surrender charges, and how long do they last?
5. Is my policy designed for cash value or a guaranteed death benefit?
6. What could shorten or end any guarantee in my policy?

HOW WE HELP

Let's Connect— We're Here to Help!

We help you weigh universal life against term, whole life and IUL, and we show you illustrations at the guaranteed minimum rate so you see the full picture. Already own a UL policy? We'll review whether it's still on track.

Needs assessment

We review your income, family, savings and goals to confirm whether permanent coverage fits.

Product recommendation

We compare UL with the alternatives and design any policy for your priorities.

Policy management

We review your policy regularly so rates, charges and funding stay on track.

SUITABILITY CHECKLIST

- ☐ A clear need for permanent coverage
- ☐ Retirement savings on track
- ☐ 6+ months of expenses saved
- ☐ No high-interest debt
- ☐ Can fund the target premium for 15+ years
- ☐ Comfortable with a declared rate
- ☐ Illustrations reviewed at the minimum rate
- ☐ Reviewed with your tax or legal advisor

YOUR NEXT STEP

Schedule your life insurance needs assessment with AMW Group.

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PROTECT. POSITION. GROW.

This guide is general educational information, not individual financial, tax or legal advice. Declared rates, charges and guarantees vary by carrier, product and state, and current rates can change. Policy guarantees depend on the claims-paying ability of the issuing insurer. Review any specific policy with a licensed professional before you buy.

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