National Life Group®

Whole Life Insurance

BORROW AGAINST YOUR POLICY WITH EASE

One of the biggest advantages of owning permanent life insurance is the ability to build cash value that you can access when you need it. Every policyowner has the right to borrow money from the insurance company by using his or her policy cash value as collateral for the loan.* Other than having sufficient policy cash value to use as collateral, there is no condition on being able to borrow money from the insurance company.

The primary reason you purchased life insurance is for the death benefit protection, but it can also be used to protect you, your family and your business while you are living.

Why take a loan against your insurance policy?

- Access to cash value on a tax-free basis[1]
- Low interest rates and guaranteed approval if you have enough cash value
- You control the repayment timeline
- You are borrowing against, not from, your policy. That means your money is still working for you during the loan repayment.

Products issued by:

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

*Loans taken in the first year of your policy may vary by state. Always check with our customer service center to see if loans are available in the first year in your policy.

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Guarantees are dependent upon the claims-paying ability of the issuing company.

Cat No 105128(0420)

When might you take a loan?

You need to bridge a gap:

Many clients take a loan against their life insurance policies to fill a temporary income gap. For example, maybe you are waiting for unemployment, disability, pension or Social Security payments to begin, and need cash to hold you over. Borrowing from your life insurance policy can help you from dipping into other savings that may trigger surrender charges or tax bills.

You want to pay off debt:

High interest debt can kill your monthly budget. If you have significant cash value in your life insurance policy, you could borrow against it at a low rate to pay off higher interest debt, such as student loans or credit card debt.

You don't want to borrow from your investment or retirement accounts:

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

You are a small business owner and need capital:

Whether it is to cover income gaps, or to capitalize on an opportunity to expand in a low cost market, borrowing against cash in a life insurance policy means not having to apply for a bank loan.

How Do These Loans Work?

Loans are available to you at any time after the first policy year. The amount available for a loan on any given date, brought forward with loan interest, would equal the cash value of the policy on the date to which premiums are paid, or the next policy anniversary for policies in-force as paid-up insurance.

There are a couple of things to remember about policy loans:

1. If your loans exceed the cash value of the policy, it may lapse.
2. Policy loan amounts reduce cash values and policy death benefits.
3. Loans can be repaid; amounts meant for loan repayment should be clearly designated as such otherwise they will be considered premium payments.

Remember, it can take many years to build up any significant cash value in a permanent life insurance policy. In the early years of the policy, there may be little value, if any, to borrow against.

How are policy withdrawals different from loans?

When you take a loan, you use the cash value as collateral in your policy. When you take a withdrawal, you are actually taking cash surrender value from the policy.

Withdrawals can be taken as long as the minimum face amount of the policy is maintained. Both ordinary and paid-up insurance will count towards the minimum, and if you have paid-up insurance, you will be able to access a portion of your cash value. Once the minimum has been reached, and you would like to access your cash value you must surrender the entire policy.

Paid-Up Additional Insurance:

Important Things to Remember

With whole life insurance, you have the option to purchase additional insurance using the policy's dividends or electing the option to purchase additional paid up insurance as an additional rider. In addition to increasing your death and living benefit values, paid-up additional insurance has immediate cash value, and doesn't take as much time to accumulate like ordinary cash value. Your policy may also have the option to pay excess premium to pay-up portions of your base policy over time. This becomes important when taking withdrawals from a whole life policy.

You have the following withdrawal options with your policy:

1. You can convert paid-up additional insurance to ordinary insurance. Under this option, the withdrawal will reduce the total death benefit and the total cash value by the amount of the withdrawal. While this option will minimize the reduction in your death benefit, it will also increase the required premium needed to keep the policy in-force. This option is only available on LifeBuilder and TotalSecure.
2. You can surrender the paid-up additional insurance. Under this option, you can surrender any portion of your paid-up insurance and receive the cash surrender value. This option does not increase the required premium, however it will produce a larger decrease in death benefit.

Withdrawals may be taxable. You can work with your financial professional and tax professional to find out what's best for you and your unique situation.

As always, our secure website and mobile app make it safe and easy to manage your policy 24/7. View your policy details, make payments, manage your personal information, and more. If you haven't set up your account, we encourage you to do so by registering at nationallife.com/register or downloading the mobile app from the Apple AppStore or Google Play Store today.

1 Contract loans and withdrawals reduce the policy's cash value and death benefit and may result in a taxable event. 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.