



**SELECT PORTFOLIO
MANAGEMENT, INC.**
Integrated Wealth Management
A Registered Investment Advisor

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Securities offered through Securities Equity Group Member FINRA, SIPC, MSRB

Variable Universal Life Insurance

Summary

Variable universal life insurance is among the most flexible products on the market today. It is permanent insurance that provides guaranteed lifetime protection, combining the adjustable premium and adjustable coverage of universal life with the growth potential of variable life. (Guarantees are subject to the claims-paying ability of the insurer.) You control nearly every aspect of the policy, including when and how much you pay in premiums (within limits), the amount of the death benefit, and the way your money within the policy is invested.

How a variable universal life policy works

There is no fixed, required premium that must be paid on a variable universal life policy. Instead, you must simply pay in enough money to cover the insurance company's expenses and the cost of the pure insurance, known as the mortality cost. Generally, however, you'll instruct the company to send you a premium notice for a planned premium, which you can pay, skip, or increase, depending on the policy values at the time.

Each time you make a payment, the insurance company deducts its sales and administrative expenses related to your policy. The remainder of the money is credited to a cash value account, from which the company deducts its monthly cost for insuring your life. You'll need

to monitor your cash value to make sure you have enough money in the policy to pay this monthly cost, or the policy will expire (lapse). If you pay in more than is needed to keep the policy in force, the excess remains in the cash value account and is invested in subaccounts, separate from the insurance company's general account.

The separate account

Unlike the cash value in other types of policies, money in a variable insurance policy, including variable universal life, is controlled by the policyowner. Your cash value is placed into an account separate from the insurance company's general account. You choose from a variety of accounts known as subaccounts, including stock funds, bond funds, and money market accounts, into which to invest your cash value. You may generally allocate your money to as many subaccounts at any time without charge, up to certain limits.

Because these subaccounts are securities-based, they have the potential to grow faster than the cash value accounts contained in nonvariable insurance policies. But, of course, with this potential for rapid growth comes greater volatility and the possibility of loss. Growth is not guaranteed, and your cash value will fluctuate on a daily basis. You'll need to pay close attention to the performance of your subaccounts and may want to consult an investment professional. Also, because the cash

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value of your variable universal life insurance policy is regulated as an investment product by the Securities and Exchange Commission, you should receive a prospectus. The prospectus contains detailed information about investment objectives, risks, charges, and expenses, so read it carefully before purchasing a policy.

Adjustable death benefit

You may change the amount of your policy's death benefit to adjust to your changing financial situation, subject to the insurance company's guidelines. For instance, if you pay off your mortgage, your need for insurance might be reduced. But keep in mind that if you want to raise the amount of your coverage, you must again go through the underwriting process, which may include a medical exam. Also, when your policy is issued, you may have the opportunity to choose between a level or enhanced death benefit option, which you may later switch.

Option 1 (or option A) calls for a level benefit. If your cash value grows, the amount you are charged for ongoing insurance coverage is reduced by an equal amount. For example, if your \$200,000 policy has \$50,000 of cash value, you will be paying the cost for \$150,000 of pure insurance coverage. Your premium requirement is less than if you have no cash value and are paying for the full \$200,000 of coverage. Your beneficiary still receives \$200,000 at your death.

With option 2 (or option B), your cash value is added to the amount of the death benefit. For example, if you have a \$200,000 policy with \$50,000 of cash value at the time of your death, your beneficiary receives the combined total of

\$250,000. But this additional amount is not free. Throughout the life of the policy, you'll pay for \$200,000 of insurance coverage, no matter how high your cash value grows.

Partial withdrawals and policy loans

As with most permanent life insurance, your cash value can be used as collateral to secure (generally) tax-free loans from your insurance company. You will be charged a fixed or fluctuating interest rate on the outstanding balance of any loan. If you do take out a loan, that portion of your cash value designated as collateral is transferred to the company's fixed interest account. This is because the chance exists that the balance of your variable subaccounts may fall below the amount of your loan due to market fluctuations. The company charges interest on loans at a rate a few percentage points higher than the return you receive in the fixed account. Consequently, loans have a permanent effect on the performance of the subaccount investment return.

If you have an outstanding loan on the books when you die, the death benefit paid to your beneficiary will be reduced by the amount of the loan plus accumulated interest. Another method of accessing the money in your variable universal life policy is through a partial withdrawal (partial surrender). Since this is not a loan, you're charged no interest for such a withdrawal, but your death benefit will be permanently reduced. Also, a partial withdrawal could trigger a taxable event if the policy is a modified endowment contract or if the

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withdrawn proceeds exceed the premiums you have paid into the policy.

Sales charges and other fees

With most variable universal life policies, a sales charge is imposed on every premium payment. This charge is generally not sufficient for the insurance company to pay all of the insurance costs incurred in the acquisition of the policy. Over time, the insurance company will recover these costs out of the profits it earns on the policy. However, if you surrender (cancel) your policy before all of these costs are recovered, a surrender charge is imposed against your cash value. In addition, the fund managers of your variable subaccounts will deduct their fees as they would with any mutual fund.

Disclosures – Important – Please Review

This material does not constitute the rendering of investment, legal, tax or insurance advice or services. It is intended for informational use only and is not a substitute for investment, legal, tax, and insurance advice.

State, national and international laws vary, as do individual circumstances; so always consult a qualified investment advisor, attorney, CPA, or insurance agent on all investment, legal, tax, or insurance matters.

The effectiveness of any of the strategies described will depend on your individual situation and on a number of other factors. After reviewing your personal situation, we may recommend that you not use any strategy in this document but instead consider various other strategies available through our practice.

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