

Top Ten MoneyGuard® Questions

The following questions are the most commonly asked questions the National Sales Desk receives from agents. Since many of these questions originate from clients and pertain to the finer points of MoneyGuard, we thought you might find them helpful. If you need any additional sales support, please contact our MGA sales desk at 877.533.0114, Option 2.

1. How does MoneyGuard compare to traditional long-term care policies and universal life policies?

MoneyGuard is in a class of its own, distinct from traditional long-term care policies and other universal life insurance policies in the market. Designed to be a "linked benefit" product, MoneyGuard is a universal life policy with a long-term care rider. It provides long-term-care benefits through its Convalescent Care Benefits Rider, which prepays the death benefit for long-term care expenses as well as through its Extension of Benefits Rider.

Distinct from universal life policies, the single-life MoneyGuard policy also provides a residual death benefit in the event that the client uses his/her entire death benefit for long-term care. These two features – the Extension of Benefits and Residual Death Benefit – make MoneyGuard a highly competitive product for your clients.

2. What is the Guaranteed Enhancement Rider?

The Guaranteed Enhancement Rider (GER) is a rider available on both the MoneyGuard and MoneyGuard LS policies¹ at no cost. It has three components: a guaranteed minimum death benefit, a minimum long-term care benefit, and a guaranteed return of premium. The guaranteed minimum death benefit and minimum long-term-care benefit provide the client a minimum benefit level if Lincoln recommends a reduction in benefit amounts to sustain coverage until maturity. The guaranteed return of premium ensures that the client will receive the greater of the surrender value or the original premium deposited, should he/she want to surrender his/her policy. In order for the GER to remain intact, the client may not take any loans or withdrawals from his or her policy or request any policy changes. Further, the client must take the recommended benefit reductions in order to keep the GER intact.

3. Does MoneyGuard provide any flexible premium options?

Yes. While MoneyGuard and MoneyGuard LS are each single-pay premium policies, MoneyGuard Flex I² and Flex II³ both offer several payment options. Flex I allows clients to pay on a monthly, quarterly, semi-annual, or annual basis; however, clients are not extended the Guaranteed Enhancement Rider. With Flex II, clients can pay annually, on a 5-yr., 7-yr., 10-yr., or life pay basis, while still retaining the guaranteed minimum death and long-term care benefits.

4. What does a MoneyGuard illustration show?

Each illustration actually contains three smaller illustrations designed to show either a worst-case or status quo scenario for the client.

Illustration 1 shows the worst-case scenario for clients: it assumes that on the policy issue date, a recommendation to reduce benefits to the guaranteed minimum benefit level is made and the **client does not follow the recommendation**. The result is that the death benefit remains intact until the policy surrender value becomes insufficient to cover the cost of insurance charges. At that point the policy lapses and all benefits are null and void.

Illustration 2 depicts a similar scenario: it assumes that on the date of policy issue, a recommendation is made to reduce benefits to the guaranteed minimum level and the **client now follows that recommendation**. As a result, the **policy will not lapse**, and despite the fact that the cash value will eventually drop to zero, **all benefits remain intact**. Illustration 2 is the worst-case scenario if the client follows the recommendation to reduce benefits to the guaranteed minimum level when requested.⁴

Illustration 3 assumes that the current interest rate and cost of insurance charges remain unchanged for all years shown. The Guaranteed Enhancement Rider is also assumed to remain intact. It demonstrates the situation where all variables remain constant.

¹ Please note that for all Flex 2 policies, a modified version of the GER is available (no guaranteed return of premium, death benefit and minimum LTC benefits still guaranteed).

² Not available in Florida

³ Not available in Florida or Maryland

⁴ Please note that Scenario 2 will not appear in Flex 1 illustrations, as the GER is not applicable for Flex 1 policies.



5. Why is the initial death benefit listed on page 2 of the illustration less than the death benefits listed in the three scenarios?

For most single premium cases, the death benefit listed on page 2 of the illustration is less than the death benefit listed in each of the three scenarios. The difference in death benefit amounts is due to the "corridor," an amount of additional insurance required by Internal Revenue Code in order for the minimum death benefit of a life insurance policy to equal or exceed a percentage of the account value. This percentage varies by age. When the illustrated death benefit is greater than the initial specified amount, these factors are applied.

It is important to note that if the client dies or goes on claim during a year in which the corridor has increased the death and monthly long-term care benefits, the client or beneficiary will receive that increased benefit.

6. Why does my client receive a 1099 annually if the death benefit and long-term care benefits pay out income tax-free?

MoneyGuard pays out the death benefit, long-term-care benefit and an available extension of benefits income-tax free. Two riders provide the long-term care benefits: the Convalescent Care Benefit Rider, which accelerates the death benefit for long-term care expenses, and the Extension of Benefits Rider, which extends the long-term care benefit beyond the death benefit amount. These two riders have costs, which are deducted from the policy's cash value.

A client will receive a Form 1099R on an annual basis when the cost for a CCBR and the EOB are paid for by interest earnings in the cash value. This also explains why clients do not typically receive a Form 1099R in the first few years of owning a MoneyGuard policy: at that time, the account value is below the initial premium deposit, and hence no gains have been received by the client.

7. My client has added inflation protection to the policy. Does that mean that the monthly benefit amount increases annually?

Yes. Whether simple or compound, the client's monthly benefit amount increases annually (on the policy anniversary date) at a rate of five percent of the initial monthly long-term care benefit.



The MoneyGuard®Series is issued (in FL, KY, MD, and MN) by First Penn-Pacific Life Insurance Company, Fort Wayne, IN (Policy Forms L-2020/LL-2020 and Rider Forms L-2800/LL-2800, respectively). Guarantees are subject to policy terms and conditions. Guarantees backed by the financial strength of the issuer. Based on guaranteed cost factors, policy values will become exhausted prior to age 100. This could result in a termination coverage. Two-year suicide and contestability provisions apply (one year suicide in some states). Products and Features are subject to state availability.

LFD 0502-0211

8. When could my client benefit from simple or compound inflation protection?

Inflation protection allows a client's long-term care benefit amount to grow at 5 percent annually, either with compound or simple interest. Compound inflation, although the most costly option, grows the long-term care benefit most quickly. As a result, clients in their mid-fifties to mid-sixties may benefit most from compound inflation protection. Younger clients (between 30 and 50) may prefer the simple inflation protection because it will still maximize the long-term-care allowance while initially costing less. Finally, clients in their 70s often decline inflation protection, either because it is too costly to provide advantage to the client or the policy's premium exceeds the death benefit with the inflation protection.⁵

9. If illustration #2 shows the client's worst case scenario if he/she accepts the terms of the GER, can I just present those figures to my client?

While illustration #2 shows the worst-case scenario for a client who follows the benefits reduction recommendation, it is just as important to show the client the **initial** death benefit and long-term care amounts. These benefit amounts are the actual amounts against which the client is underwritten, and hence are the amounts he or she is actually purchasing. Together, the initial benefit amounts and the three illustrations' benefit amounts depict the most complete picture for clients to understand their benefit amounts.

10. How can I start selling MoneyGuard?

The first step is to become affiliated with a Lincoln Marketing General Agency (MGA), and become licensed and appointed to sell MoneyGuard. The MGA through which you place business will act as your back office and marketing support for placing business with Lincoln.

If you would like a referral to an MGA or are not sure if your current MGA offers MoneyGuard, feel free to contact our MGA MoneyGuard Sales Desk at 877-533-0114, Option 2.

⁵ Inflation protection on the CCBR may not be available in all states.

