

# Get the Facts on IUL



Indexed Universal Life Insurance (IUL) is touted by many in the industry as a great marriage between life insurance protection and an investment, or cash value.<sup>1</sup>

But is IUL as great a deal as it sounds?  
When you look at how IUL actually works,  
the answer to that question is a resounding NO.

# INDEXED UNIVERSAL LIFE INSURANCE: Is It Worth It?

## What Is IUL?

IUL insurance is a type of cash value life insurance typically marketed as an investment.<sup>2</sup> This is because the cash value portion of the policy is tied to an index such as the S&P 500.

In theory, that should mean if the market has a great year, your cash value account should as well, right? Not so fast.

## How It Typically Works

1. **Money never enters the market** – With an IUL, the money funding the cash value portion of the policy is never actually invested into the market. Instead, the insurer holds your “cash” and pays a return on the annual growth of a specific index.
2. **Growth potential is capped** – While most policies have a “floor” of 0% which prevents your cash value from dipping below what you put into it, your growth potential is capped, too. For example, if your policy limits growth to 7.75% on the index and that index out-performs that percentage, you’ll still only receive the value of 7.75% in your account. The insurer keeps the difference.
3. **No dividends** – Dividends are completely eliminated in an IUL policy. Not having the chance to reinvest any earned dividends, as you could choose to do with an individual investment, means you could miss out on a great deal of money from dollar-cost averaging over time.
4. **Fees, fees and more fees** – IUL policies are packed with fees and charges that will eat into any cash value accrued.
5. **Rising costs** – The internal cost of insurance continues to rise as you age, which can limit the amount of money going toward any potential cash value.

## PLUS: Almost all cash value policies have these “features” built in.

- You’ll accumulate NOTHING in cash value for the first few years the policy is in force.
- The cash value earns a lower rate of return (often just 2%-4%) than the potential return you could achieve if you put your money into a vehicle such as a Roth IRA in the U.S. or a TFSA in Canada.<sup>3</sup>
- If you borrow from the cash value, you’ll pay it back plus interest.
- If you die with the policy in force, beneficiaries receive the death benefit (less any outstanding cash value loan balance) while the insurer keeps any accrued cash value.



## WHAT INDUSTRY INSIDERS ARE SAYING ABOUT IUL

**“Consumers should avoid IUL** because the insurers and agents who sell the product have no obligation to work in the consumer’s best interest. Mix in massively complex products designed to juice illustrations with opaque and unaccountable features and you have the recipe for future financial disaster,” said Birny Birnbaum (executive director of the nonprofit Center for Economic Justice) in a July 2020 statement that warned consumers against buying IUL.”

Forbes.com, “Sounding the Alarm on Indexed Universal Life Insurance (IUL),” November 11, 2022

“An IUL comes with a cap that limits the policy’s cash value growth and doesn’t pay dividends. Thus, **you will not benefit financially in the same way you would with actual investments**, especially equities.”

Yahoo.com, “Indexed Universal Life Insurance: Pros and Cons,” November 22, 2021

**“IUL insurance policies can come with a slew of fees** and other costs, including: premium expense charges, administrative expenses, riders, fees and commissions, surrender charge. All of these fees and various costs can detract from the rate of return offered by your policy.”

Investopedia.com, “Indexed Universal Life Insurance (IUL) Meaning and Pros and Cons,” November 4, 2022

“The caps, participation rates, and spreads in an IUL typically mean **you won’t keep up with standard investment portfolios** in rising markets.”

TheBalanceMoney.com, “Indexed Universal Life Insurance: Pros and Cons,” August 27, 2022

“Indexed universal life insurance (IUL) is an insurance product that seems to promise you can have your cake and eat it, too. Unfortunately, as with most things in life, there are no free lunches. The devil is in the details, and when you really examine them, it becomes clear that **[IUL] are products designed to be sold, not bought.**”

WhiteCoatInvestor.com, “Why IUL Is a Bad Investment,” January 30, 2021

“If the market turns bullish, the earnings on your IUL will not be as high as a typical investment account. The high cost of premiums and fees make IULs expensive and **considerably less affordable than term life.**”

Investopedia.com, “Indexed Universal Life (IUL),” May 27, 2022

“There is usually a cap, meaning **your cash value gains won’t go above a certain percent** – even if the index performs above that threshold.”

Forbes.com, “Explained: Indexed Universal Life Insurance (IUL Insurance),” May 10, 2022

“The primary downside of IUL insurance is that **it’s a confusing product.**”

PolicyGenius.com, “Indexed Universal Life Insurance,” June 25, 2022

“People will buy IUL policies based on a **fictional future** and hit a hard reality when they have to pay substantially more than they expected in order to keep the policies in-force.”

Forbes.com, “Sounding the Alarm on Indexed Universal Life Insurance (IUL),” November 11, 2022

“You simply don’t get anywhere near the market returns due to the costs of the insurance, the additional fees, the loss of the dividends, the cap rates, and the participation rates.

**These products don’t pass the common sense test.”**

WhiteCoatInvestor.com, “Why IUL Is a Bad Investment,” January 30, 2021

“Like other permanent life insurance policies, it’s hard to justify the extra costs associated with an indexed universal life insurance policy when **a term life insurance policy paired with an outside investment plan is more affordable and can provide a better ROI.**”

PolicyGenius.com, “Indexed Universal Life Insurance,” June 25, 2022

“Indexed universal life insurance is **known for having a lot of costs**, administrative expenses, sales fees and commissions, the cost of insurance, surrender charges and more. These all impact the cost of your premiums and how much you can build in cash value.”

Forbes.com, “Explained: Indexed Universal Life Insurance (IUL Insurance),” May 10, 2022

**“Returns on equity indexes are often capped** at certain amounts during good years. These restrictions can limit the actual rate of return that’s credited toward your account each year, regardless of how well the policy’s underlying index performs.”

Investopedia.com, “Indexed Universal Life Insurance (IUL) Meaning and Pros and Cons,” November 4, 2022

The quoted articles express opinions of third parties on IUL and other products and should be considered in their entirety. For more information, see the quoted articles.



# About Primerica

**Primerica is the largest independent financial services marketing organization in North America.<sup>4</sup>**

- Listed on the NYSE (PRI)
- Over 5.7 million lives insured through our life companies
- Approximately 2.7 million client investment accounts
- 91% of claims are paid within 14 days
- \$903 billion of term life insurance in force
- An average of \$6.1 million in benefit claims paid every day
- Investment clients have more than \$97 billion in asset values in their Primerica investment accounts

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Primerica's "Buy Term and Invest the Difference" solutions can help you get the income protection you need with level-premium<sup>5</sup> term life insurance, while making your money work for you through a sound investments strategy. Visit us online to find a Primerica Representative near you!



1. Indexed universal life insurance has a cash value component in addition to a death benefit. It may have benefits such as interest or cash value available for a loan or upon surrender of the policy.

2. Cash value life insurance can be indexed universal life, whole life, etc., and may contain features in addition to death protection, such as dividends, interest, or cash value available for a loan or upon surrender of the policy.

3. Investments will fluctuate in value and returns are not guaranteed.

4. Numbers reflect the combined totals or daily average, as indicated above, as of, or for the year ended, December 31, 2021, for the following affiliated companies: Life Insurance: National Benefit Life Insurance Company (Home Office: Long Island City, NY) in New York; Primerica Life Insurance Company (Executive Offices: Duluth, GA) in all other U.S. jurisdictions; Primerica Life Insurance Company of Canada (Head Office: Suite 400, 6985 Financial Dr., Mississauga, ON L5N 0G3, Tel: 905-812-2900) in Canada. Investments: In the United States, securities are offered by PFS Investments Inc. (PFSI), 1 Primerica Parkway, Duluth, Georgia 30099-0001; in Canada, mutual funds are offered by PFSI Investments Canada Ltd., mutual fund dealer, and segregated funds are offered by Primerica Life Insurance Company of Canada, Head Office: Mississauga, ON. Each company is responsible for its own financial obligations.

5. Term life insurance provides a death benefit and an initial level premium period. Its premiums increase after initial premium periods at certain ages.

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