



## CLIENT STRATEGIES

# PruLife® Private Placement Variable Universal Life A Tax-Efficient Investment Solution

PruLife® Private Placement Variable Universal Life (PPVUL) combines the death benefit and tax advantages of life insurance with a customizable, growth-oriented solution designed for a client's specialized needs.

Private Placement Life Insurance is a low-cost, transparent, institutionally priced variable insurance product available only to high-net-worth individuals who qualify as accredited investors and qualified purchasers.

### Client Profile

Clients to consider for a PPVUL policy include those of ultra-high net worth who:

- Have a need for life insurance
- Would like to reduce taxes on investments
- Are interested in alternative investments
- May have had a liquidity event
- May have a pre-funded trust in excess of \$5 million
- May seek a source of supplemental retirement income
- Have interest in a long-term tax diversification strategy

### Meet George

George had a recent liquidity event after selling his company. After the sale, the 50-year-old California executive built up his investment portfolio to over \$45 million. He seeks to invest a portion of the proceeds in alternative and hedge funds but does not want the corresponding tax inefficiencies and K1s associated with these investments.

### George's Goals

George called on his Investment Advisor, Jim. When he sat down with Jim, they discussed George's specific goals and planning needs, including:

1. Alternative and hedge investment strategies that can help diversify his portfolio
2. Investment strategies and structures with minimal tax drag
3. George's preference for established, well-known alternative investment managers



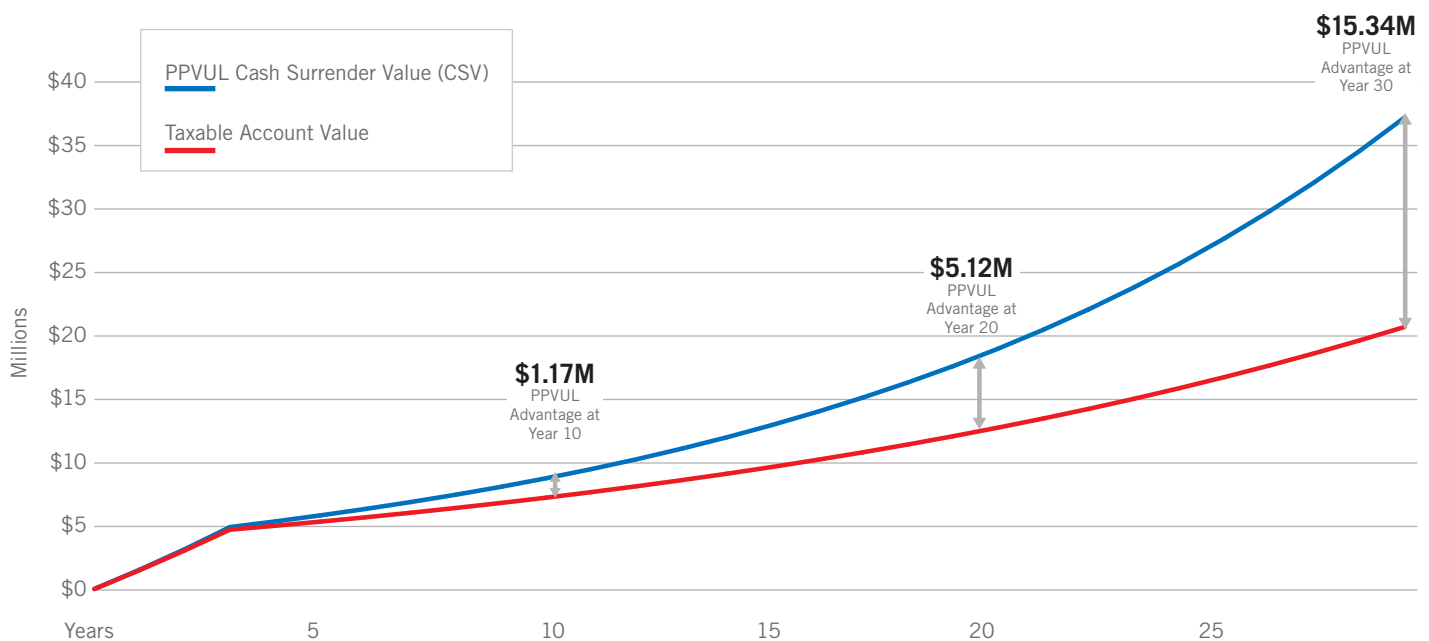
# Jim's Recommendations

## OPTION 1

Looking for ways to reduce taxes on alternative investments, Jim consults an insurance advisor who shares with him the advantages of investing in a PPVUL structure. Jim identifies an alternative fund that George can invest in within PPVUL that fits well into George's overall portfolio. He works with the insurance advisor to design a PPVUL policy that can eliminate the income and capital gains taxes on the investment, as illustrated below.

### The Solution: Comparing Taxable Portfolio vs. PPVUL

#### The Benefits of Tax-Deferred Value in a Single Life Non-MEC Design



This hypothetical example is for illustrative purposes only. Actual results will vary.

#### Assumptions:

- Both are calculated at a hypothetical, non-guaranteed net rate of return of 8% and assume no loans or withdrawals are taken.
- \$1,250,000 in investment for the taxable account for the first 4 years and \$1,250,000 of premium for the tax-free policy for the first 4 years.
- Taxable investment account values assume that 75% is short term capital gains/ordinary income using a 40.8% rate (37% top ordinary rate plus 3.8% investment surtax) and 25% is long-term capital gains/dividends using a 23.8% long-term capital gains rate (20% top rate plus the 3.8% investment surtax).
- Policy is for a male, age 50, Preferred Non-Smoker. Initial death benefit of \$15,111,706. The death benefit of the life insurance policy is switched from variable (type B) to fixed (type A) in Year 5.
- Any tax advantage would be relative to the amount of the rate of return. If the rate of return were 0% or less, there would be no tax advantage and in a maximum charges scenario the policy would lapse in Year 27.
- An investor should consider his or her current and anticipated investment horizon and income tax bracket when making an investment decision, as the illustration may not reflect these factors.

# Jim's Recommendations

## OPTION 2

Jim is familiar with the tax efficiency of investing in a PPVUL structure. Working with an insurance advisor and Prudential's flexible PPVUL model, Jim can manage George's investments in a separate account inside of the PPVUL structure. George has the best of both worlds—an investment advisor he trusts and the ability for that advisor to customize his investment strategy inside of Prudential's tax-efficient PPVUL structure.

### Benefits of MSAs

Like an insurance dedicated fund (IDF), an MSA is an investment strategy option within PPVUL. However, it has the added benefit of allowing the client to have the comfort of letting a trusted investment advisor continue to manage the selected strategy, subject to portfolio diversification and investor control rules.

When a Registered Investment Advisor uses a Managed Separate Account (MSA) in PPVUL:

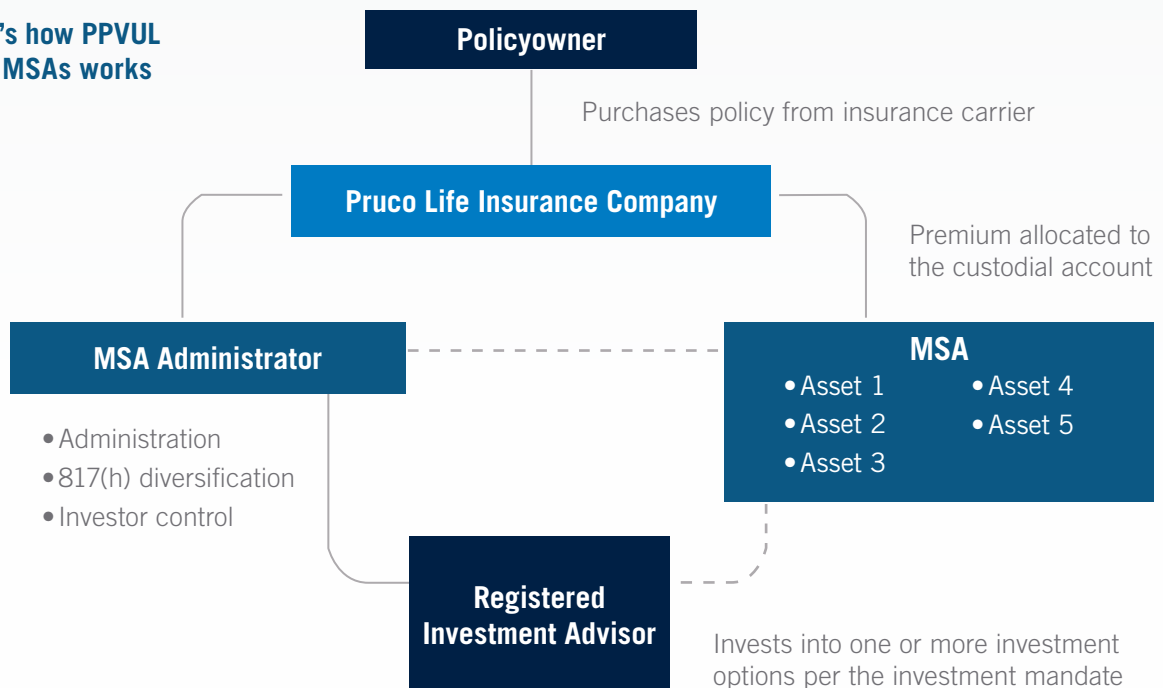
- An investment advisor manages the investment strategy within a separate account and charges investment management fees.
- The investment advisor has flexibility to use a custodian (Schwab, Pershing, etc.) of choice.
- Set-up and ongoing costs and administration expenses are minimal.
- The MSA administrator provides assistance for administration and compliance monitoring.

### Benefits of PruLife® PPVUL

The design of PPVUL offers several benefits:

- Tax-free death benefit according to IRC §101(a).
- Investment options that feature alternative funds, hedge funds, or tailored customized investment strategies through a managed separate account (MSA); traditional mutual funds are also offered.
- Robust offering of insurance dedicated funds (IDFs) or the ability to use a managed separate account (MSA).
- Tax-deferred gains.
- Access to cash values through penalty-free withdrawals and/or favorable loans.<sup>1</sup>
- No surrender charges.
- Transparent structure.

### Here's how PPVUL with MSAs works



## In Brief

For ultra-high-net-worth clients seeking life insurance and a wealth transfer option with tax advantages and the flexibility to have investment choices managed by their investment advisor, PPVUL with MSAs is a smart choice.

## Why Pru?

Prudential Financial has been in the life insurance industry for over 145 years. Our carrier, Pruco Life Insurance Company, is among the largest life insurance carriers in the United States and offers:

### Underwriting Advantages

- Expanded capacity limits for high-net-worth clients
- \$10 million internal retention
- Automatic issue limit up to \$65 million (subject to issue age and underwriting class)
- Facultative capacity up to \$100 million

### Pruco Life Insurance Company Financial Strength<sup>2</sup>

<b>A+</b> <b>A.M. Best Company</b> (2nd category of 13) Superior ability to meet ongoing insurance obligations	<b>AA-</b> <b>Fitch Ratings</b> (4th category of 21) Very strong capacity to meet policyholder and contract obligations	<b>AA-</b> <b>Standard &amp; Poor's</b> (4th category of 23) Very strong financial security characteristics	<b>Aa3</b> <b>Moody's Investors Service</b> (4th category of 21) High quality and very low credit risk
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### You likely have clients who can benefit

Chances are, you already have clients in your book of business who could benefit from PruLife PPVUL. To get started, look at small businesses and professional offices with owners who may need a wealth transfer strategy and meet the Client Profile above. Consider:

- Family offices
- RIAs
- Law firms
- CPA firms
- Trust offices

**We're ready to help you close your next case.**

Contact your local wholesaler for more information on the benefits of Private Placement Life Insurance and MSAs.

*Private Placement VUL offers a selection of underlying investment options that may or may not be registered under the Securities Act of 1933 or the Investment Company Act of 1940.*

<sup>1</sup>Loans are charged interest; they are usually not taxable. Withdrawals are generally taxable to the extent they exceed basis in the policy. Loans that remain unpaid when the policy lapses or is surrendered while the insured is alive will be taxed immediately to the extent of gain in the policy. Unpaid loans and withdrawals reduce cash values and death benefits; may reduce the duration of the guarantee against lapse, which may lapse the policy; and may have tax consequences.

For policies that are Modified Endowment Contracts (MECs), distributions (including loans) are taxable to the extent of income in the policy; an additional 10% federal income tax penalty may apply. Consult your tax advisor for advice about your own situation.

<sup>2</sup>Ratings Information: Ratings for Pruco Life Insurance Company are as of February 4, 2021. These ratings are subject to change and do not reflect any subsequent rating agency actions. While ratings can be objective indicators of an insurance company's financial strength and can provide a relative measure to help select among insurance companies, they are not guarantees of the future financial strength and/or claims-paying ability of a company and do not apply to the investment performance or financial strength of the underlying variable investment options, which are subject to market risk. We make every effort to update our literature as soon as possible after a ratings change. Please visit our investor relations site, [investor.prudential.com](http://investor.prudential.com), for the most current ratings information.

All guarantees and benefits of the insurance policy are backed by the claims-paying ability of the issuing insurance company and do not apply to the underlying investment options.

PruLife Private Placement VUL is issued by Pruco Life Insurance Company, 213 Washington Street, Newark, NJ 07102-3777, and distributed by Pruco Securities, LLC (member SIPC), 751 Broad Street, Newark, NJ 07102-3777. Both are Prudential Financial companies. Some sub-accounts or underlying investment options may not be available through all broker-dealers. PPVUL is not approved for sale in New York.

**Clients should consider the investment objectives, risks, and charges and expenses carefully before investing in the contract, and/or underlying exempt portfolios and investment options. The applicable private offering memorandum, prospectus and, if available, summary prospectus contain this information as well as other important information. Clients should read these documents carefully before investing. Remind clients that it is possible to lose money by investing in securities.**

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