



Life insurance.
An **essential**
part of a sound
financial plan.



Helping you **protect** those who matter most

Life insurance is an essential part of a sound financial plan for you and your family.

It helps you take care of those who matter most by protecting against the uncertainties of life.

Choosing a life insurance product is an important decision, but it can be complex. As with any major purchase, it is important to understand your needs and the options available to you. Your financial advisor can help you make an informed decision, based on your financial needs and situation.

The following information can help you get started.

FIXED/ VARIABLE LIFE INSURANCE

IS NOT A DEPOSIT OF ANY FINANCIAL INSTITUTION

- IS NOT FDIC INSURED • IS NOT FEDERALLY INSURED
- IS NOT GUARANTEED BY ANY FINANCIAL INSTITUTION
- VARIABLE LIFE INSURANCE MAY LOSE VALUE

Plan

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Getting started

Why you need life insurance

Life insurance helps provide financial security to your family or others who matter to you when you're no longer here. The money your beneficiaries receive (the death benefit) can be an important financial resource. It may help pay the mortgage, run the household, or ensure your dependents aren't burdened with debt. Or, it may ensure ongoing funds for an organization or cause that's important to you.



Protection is the primary purpose of life insurance, enabling your family to focus on family – not financial problems. It can help your loved ones avoid difficult financial issues, such as selling assets to pay outstanding bills or taxes. What's more, there's generally no federal income tax on life insurance death benefits.

Where to begin

Start by gathering all your personal financial information and estimating what your family would need financially if you were no longer here. Include ongoing expenses (day care, tuition or retirement income) and immediate expenses (medical bills, burial costs and estate taxes).

Also consider whether your family would need money to help them readjust – perhaps to pay for a move, day care or job-hunting expenses.

How much do you need?

While there's no substitute for evaluating your specific needs, one method for determining how much life insurance you should own involves replacing lost future income, otherwise known as "Human Life Value." A financial advisor can help review your individual needs and determine the right amount of coverage based on what's most important to you.

Two kinds of life insurance

Term and permanent

1 Term insurance

Term insurance provides protection for a specific period of time, often for one or more years. It pays a benefit only if you die during the term specified. Depending on the policy, the premium may remain constant during its term or increase each year.

Some term insurance policies can be renewed when you reach the end of the term, but the premium rates will generally increase. Many policies require that you present evidence of insurability at renewal to qualify for the lowest rates.

Advantages

- Initial premiums generally are lower than those for permanent insurance, allowing you to buy higher levels of coverage at a younger age.
- It is often used to cover needs that will disappear in time, such as mortgages or college expenses.

Disadvantages

- Coverage may terminate at the end of the term or become too expensive to continue because of age or health status.
- The policy doesn't offer cash value.

2 Permanent insurance

Permanent insurance, also referred to as “cash value” insurance, can provide lifelong protection. As long as you pay the required premiums and do not allow the policy to lapse, the policy remains in force and the death benefit will be paid upon the death of the insured.

Permanent insurance—which includes whole life, universal life, indexed universal life and variable universal life—is meant to be kept over a longer period of time. Unlike term insurance, it offers the opportunity to accumulate tax-deferred cash value, which you can use in the future for various needs.

To access your cash value you take a loan or a withdrawal, depending on your policy’s specific features. Unlike loans from most financial institutions, loans from life insurance policies are not dependent on credit checks or other restrictions. You can also fund your policy in such a way that you can eventually let the accumulated cash value pay for the policy’s cost of insurance, which would allow you to stop paying premium payments. Keep in mind, your cash value is net of all policy charges and loans, and withdrawals may reduce the death benefit and cash values, may cause the policy to lapse, and may reduce the length of or negate any guarantees.

All guarantees are based on the continued claims-paying ability of the issuing company and on variable insurance do not apply to the performance of the variable subaccounts.

Advantages

- With adequate premium levels on certain policies, permanent insurance can provide guaranteed protection for life.
- Fixed or flexible premium payment options.
- Allow you to accumulate cash value against which you can borrow.¹
- All or part of the policy's cash value can be surrendered for cash.
- Allows the addition of riders that give you options: purchasing additional insurance, waiving the cost of insurance, covering the policy premium if you become disabled, or allowing you to collect all or part of the death benefit if you become terminally or chronically ill. Some riders involve additional costs which might impact policy performance.²

Disadvantages

- Initial premium levels may be higher than term life insurance.
- Less appropriate for short-term coverage.

¹ Accessing policy cash value through loans and surrenders may cause a permanent reduction of policy cash values and death benefit, and negate any guarantees against lapse. Surrender charges may apply to the policy and loans may be subject to interest charges. Although loans are generally not taxable, there may be tax consequences if the policy lapses, or is surrendered or exchanged with an outstanding loan. Taxable income could exceed the amount of proceeds actually available. Surrenders are generally taxable to the extent they exceed the remaining investment in the policy. If the policy is a modified endowment contract (MEC), pre-death distributions, including loans from the policy, are taxed on an income-first basis, and there may be a 10% federal income tax penalty for distributions of earnings prior to age 59½.

² Riders may vary in accordance with state statutes. Discuss rider availability, cost and long-term policy impact with your financial advisor in order to determine which riders are appropriate for you.

Types of permanent insurance

Whole life is a common type of permanent insurance. The premiums generally remain constant over the life of the policy and must be paid periodically in the amount indicated in the policy. The cash value grows based on a guaranteed interest rate set in the policy.

Universal life (UL) provides flexibility through tax-deferred accumulation and income tax-free withdrawals/death benefits. The cash value grows based on current rates of interest and has a guaranteed minimum interest rate. With UL, it is easier to change the policy structure, premium amounts, payment frequency or death benefit amount. To increase your death benefit, you're usually required to furnish satisfactory evidence of your continued good health. Some UL policies also offer options to cover long-term care expenses, while still offering the opportunity to pass on a death benefit to loved ones.

Indexed universal life (IUL) offers the safety of UL with a fixed account, along with the opportunity for growth through one or more indexed accounts and some level of downside market protection. Cash value that you allocate to an indexed account is credited with an interest rate based on the performance of an index and most often subject to a maximum and minimum interest rate (or "cap" and "floor"). The cash value in the fixed account grows based on current rates of interest and has a guaranteed minimum interest rate.

Variable universal life (VUL) is like IUL in offering flexibility through tax-deferred accumulation, income tax-free withdrawals and death benefits, and the ability to allocate dollars to either a guaranteed fixed account or one or more indexed accounts with downside market protection. Unique to VUL is the opportunity to allocate dollars to subaccounts that invest in equities, bonds, or other investments with varying degrees of risk and reward.

The cash value of a variable policy is not guaranteed and you bear that risk. However, by choosing among the available investment options, you can allocate assets to fit your individual investing style, reflecting your personal risk tolerance.

Good investment performance can lead to higher cash values and death benefits. If the specified investment options perform poorly, cash values may drop.

Protect

The background features a gradient of blue and teal colors. At the bottom, there are several overlapping, wavy, semi-transparent shapes in lighter shades of blue and teal, creating a layered, water-like effect. The top portion of the image is a solid, dark teal color.

When you're ready to buy life insurance

After you've considered your financial needs and become familiar with the basic types of life insurance, it's time to call a financial advisor.

Before you purchase the insurance, be sure to ask your financial advisor about the policy's features, benefits, risks and fees, and whether the insurance is appropriate for you, based upon your financial situation and objectives. Variable life insurance is a complex investment vehicle that is subject to market risk, including the potential loss of principal invested.

What to expect during your meeting with your financial advisor

Your financial advisor will want to hear what's most important to you. He or she will ask questions about your family's income, net worth, goals and needs. Next, he or she will discuss your insurance needs and options and explain the various policies and other insurance-related matters unique to your circumstances.

Your financial advisor can then recommend a life insurance policy that meets your needs. He or she may also provide you a policy illustration showing how the policy premiums, death benefits, cash values and other factors work and how those affect your costs.

Take time to ask:

- how the policy works if you need access to cash value,
- if your taxes will be reduced, and
- to whom and how benefits are paid in the event of your death.

Make sure you fully understand everything about the recommended policy, and work closely with your financial advisor to identify the right coverage for your financial circumstances and objectives.

Be prepared to answer questions about your health

To obtain life insurance, you'll need to apply for coverage and go through a process called, "underwriting." During this process, you can expect questions about your age, medical condition and medical history. You may also be asked to complete a medical exam from a licensed medical professional.

Always answer questions about your medical history and health carefully and truthfully; this information is crucial in evaluating your risk and establishing a fair premium for your coverage. For example, you will pay a lower premium if you don't use tobacco; whereas, you may be charged a higher premium if you have a chronic illness.

Tips on purchasing life insurance

- Take your time and work with a qualified financial advisor. However, avoid putting off important decisions that could provide financial protection for your family.
- Make sure you fully understand the policy and are comfortable with the company, your financial advisor and the product.
- After you have purchased a policy, you have what is called a “free-look period” – a short time during which you can review the policy. If you are not satisfied, you can return it for a full refund of premiums paid. Read your policy carefully with your financial advisor to confirm the policy is right for you.
- There are times when switching to a new policy is appropriate. However, with your financial advisor’s help, carefully assess any implications such as surrender charges, fees or your insurability before you change coverage. You will want to compare and discuss the features, benefits and costs of each policy before making a switch.
- If you set up your premiums to be automatically deducted from your bank account, let your financial advisor know when you change banks.
- Review your policy and the policy illustration with your advisor periodically – especially if your situation changes – to be sure your coverage continues to be appropriate.

Find out more today

Life insurance can help ensure greater family and financial security.

To request a review of your family's protection coverage and to learn how life insurance can help make your financial plan more sound, call your financial advisor.



Live confidently every day.

As a company with a long history of strength, stability and expertise, we're committed to serving your needs and interests. We offer a range of products and services that give you the flexibility you need and the stability you desire as you live for today, make plans for retirement and prepare for your personal legacy.

To view our current ratings, visit strengthandsoundness.com.



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