GUL AT A GLANCE

TENZING INSURANCE STRATEGIES

Understanding the Advantages & Challenges of Guaranteed Universal Life Insurance

What is GUL?

Guaranteed Universal Life (GUL) policies are a type of permanent life insurance designed to provide a lifetime death benefit with predictable premiums. While often viewed as a more conservative option, GUL is not without trade-offs. This overview explores its advantages, challenges, and when it may be appropriate to include in a financial strategy.

Key Advantages of GUL

Level Premiums

Offers premiums that remain consistent over time if paid as scheduled.

Lifelong Coverage

Structured to provide a death benefit lasting to age 90, 95, 100, or beyond, depending on design.

Straightforward Design

Often simpler to understand and manage than other permanent policy designs.

Reduced Market Exposure

Not tied to market performance, making it appealing for those looking to lessen overall risk.

Key Challenges of GUL

Limited Cash Value Accumulation

Typically have little to no accessible cash value, making liquidity limited.

Strict Premium Schedule

Missing or underpaying premiums may reduce the guaranteed duration or result in lapse.

Limited Flexibility

Once issued, adjustments to funding or policy design are restricted.

Difficult to Replace

With low cash value, replacing the policy may not be feasible, even if health or pricing improves.

GUL May be Appropriate When...

Estate or Legacy Planning is the Focus

GUL can support multi-generational planning or charitable goals, and tends to be more suitable for middle-aged to older clients.

Business Continuity Needs Exist

Can serve as part of a business succession or key person strategy.

Predictability is Preferred Over Flexibility

Especially for clients seeking stable, lifelong coverage with fewer moving parts.

GUL May Not be Ideal If...

Access to Cash/Liquidity is Important

GUL policies typically do not offer meaningful cash value for future use.

Growth Potential is a Priority

For those seeking cash accumulation, other options may be more appropriate.

Premium Flexibility is Desired

GUL requires consistent, scheduled payments—flexible funding strategies are limited.

Premium Financing is Being Considered

Due to low or no cash value, GUL policies are generally not suited for financing arrangements.

Planning Note: For large coverage amounts, carrier diversification should be considered, if possible.

Understanding the 'Age 100 Problem'

Many older GUL policies were designed to provide a guaranteed death benefit only through age 100. If the insured individual lives beyond that age — which is increasingly common — the policy may mature,the policy may mature, causing the death benefit to be paid as a lump sum. Some GUL policies may simply terminate at age 100, resulting in a complete loss of all premiums paid. This creates potential planning challenges:

Lump Sum May be Taxable

If paid as cash rather than as a death benefit, it may be considered a taxable event to the policyowner or estate.

Loss of Coverage

If the policy terminates at age 100, no death benefit would be payable if the insured lives beyond the maturity date.

Limited Flexibility at Older Ages

Extending the policy beyond age 100 may not be possible or may require significant additional premiums if available.

Planning Considerations to Address the 'Age 100 Problem'

Check the Maturity Date: Know the age to which your policy is guaranteed — newer GUL policies often go to age 105, 110, or beyond.

Explore Adjustment Options Early: In some cases, extending the guarantee or exchanging the policy may be possible if done well before maturity.

Coordinate With the Planning Team: Incorporate GUL maturity planning into the holistic estate, tax, and legacy discussion.

Key Guaranteed Universal Life Takeaways

Review Annually

Ensure the policy continues to support current financial goals and planning needs.

Ask the Right Questions

- What is the carrier's financial strength rating?
- What is the grace period for missed premiums?
- Is the death benefit guarantee still intact, as originally planned?

Work With a Specialist

We can assist in evaluating whether a GUL policy aligns with evolving goals.

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