



JUST THE FACTS

Premium Deposit Account Agreement

The main reason for purchasing life insurance is to provide financial security to loved ones and family upon your death. When funding a life insurance policy, some individuals may want to make one lump-sum deposit and not have to worry about making multiple premium payments. But there are rules regarding how much can be deposited at one time.

The Premium Deposit Account (PDA) Agreement is a policy rider that provides the opportunity to maximum-fund a life insurance policy through a series of fixed payments. Essentially, it lets you make a single payment into a life insurance policy without violating the Internal Revenue rules on **Modified Endowment Contracts (MEC)**.

Benefits of the PDA

Discounts the total premium paid into a life insurance account

Because the premium dollars are deposited into an account that earns a fixed interest rate, the money being paid toward premiums consists of both interest and principal. This allows for a potentially discounted amount of premium dollars paid into the policy.

Assures worry-free premium payments

The PDA automatically makes the annual premium payment, so you can be confident your payments will always be made on time.

Helps avoid MEC status

Avoid having the contract become a MEC by spreading out the premium payments over the duration of the PDA.

PDA considerations

- Available on our Indexed Universal Life Series, Legacy Protector Survivorship Universal Life, Accumulator Universal Life, Secure Protector Whole Life and Secure Accumulator Whole Life.¹
- A PDA can only pay premiums for one policy.
- Owner of the PDA Agreement and the life policy must be the same.
- Minimum deposit of \$10,000 unless you are under the age of 15, which requires a minimum deposit of \$2,000. Must include current annual planned premium, if applicable.
- Must be at least two annual planned premium payments and no more than 10 annual planned premiums.
- Interest is only earned when applied to the policy as premium. This means you are not investing your money for a return. The interest earned in the PDA is applied to the premium at time of premium payment.
- You earn interest, on which you owe income tax. Minnesota Life Insurance Company or Securian Life Insurance Company, a New York authorized insurer, will issue a 1099 each year you earn interest and the PDA is in force.
- The life insurance policy must receive a premium in order to be put in force. Therefore, the first premium to the policy is not discounted.
- Higher fixed interest rate for PDA durations 8-10 years²:
 - Years 2-7 2.5%
 - Years 8-10 3.0%

GLOSSARY

Modified Endowment Contract

A life insurance policy that exceeds maximum premium funding allowed by the federal government.

How it works

1. You make a lump-sum payment into the policy, along with an amount equal to the first-year premium of the policy.
 - a. The lump-sum payment will go into an account which is designated to earn interest at a fixed rate.
 - b. The first-year premium is applied to the contract at issue.
2. Each year on the policy anniversary, the annual premium is paid from the PDA. This payment consists of accrued interest in the PDA and a portion of the principal making up the balance of the annual premium.

Example³

- John has \$400,000 available to finance an Eclipse Protector Indexed Universal Life policy.
- He sets up a PDA for 10 annual payments.
- The interest credited over the 10-year period equals \$55,264.10.⁴
- John now has \$455,264.10 of life insurance premium that is within the policy and can accumulate cash value.⁵
- The policy is also paid up.

TALK TO YOUR FINANCIAL ADVISOR TODAY

about how the Premium Deposit Account can help make your premium dollars go further.

¹ Secure Accumulator Whole Life is not available in the state of New York.

² PDA interest is dependent on the number of annual planned premium payments. The same percentage rate is applied for all payments. If paying 11 premiums, one premium must be paid at issue; therefore, a maximum of 10 years of additional premiums may be deposited into the PDA.

³ This is a hypothetical example used for illustrative purposes.

⁴ Taxes payable on interest credited.

⁵ Assumes \$400,000 deposit credited at 3% interest at time of life insurance premium payment over 10 annual payments.

Product availability and features may vary by state.

The Premium Deposit Account Agreement is not available in all states and may vary by state. This agreement has restrictions that may result in termination of the agreement prior to the payment of all the planned premiums and may result in the loss of expected interest. Interest credited when used to pay policy premiums will be reported as taxable income to the policy owner.

Minnesota Life will reserve the right to terminate the PDA at any point in the future and return the balance of the principal to owner.

This information is a general discussion of the relevant federal tax laws provided to promote ideas that may benefit a taxpayer. It is not intended for, nor can it be used by any taxpayer for the purpose of avoiding federal tax penalties. Taxpayers should seek the advice of their own advisors regarding any tax and legal issues specific to their situation.

The Indexed Universal Life Series is designed first and foremost to provide life insurance protection. While the interest crediting options available with these products are attractive for cash value accumulation, your fundamental objective in buying these products should be the peace of mind that the life insurance protection provides to you and your family or business.

Life insurance products contain fees, such as mortality and expense charges, and may contain restrictions, such as surrender periods. Depending upon actual policy experience, the Owner may need to increase premium payments to keep the policy in force.

Additional agreements may be available. Agreements may be subject to additional costs and restrictions. Agreements may not be available in all states or may exist under a different name in various states.

Securian Financial Group, Inc.
www.securian.com

Insurance products are issued by Minnesota Life Insurance Company in all states except New York. In New York, products are issued by Securian Life Insurance Company, a New York authorized insurer. Both companies are headquartered in Saint Paul, MN. Product availability and features may vary by state. Each insurer is solely responsible for the financial obligations under the policies or contracts it issues.

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