

# 401(k) Completion Plan

*“When a Disability  
Interrupts Your  
Retirement Planning”*

*A program designed  
To complete your  
Anticipated 401(k)  
Contributions*



PETERSEN INTERNATIONAL UNDERWRITERS

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Proposal For: \_\_\_\_\_

Age: \_\_\_\_\_ Date: \_\_\_\_\_

Presented By: \_\_\_\_\_

# 401(k) Completion Plan

## When a Disability Interrupts Your Retirement Planning



## Planning for the Future

A 401(k) retirement plan is a tax favored plan made possible by an employer sponsorship. An employer may or may not make contributions on behalf of the employees, but employees may make contributions into a 401(k) plan up to age 65. The contributions are intended to be made month after month, year after year building to an important sizeable fund which will provide a retirement cash flow payment to the participant.

As an example if a participant were contributing \$1250 per month from age 40 to age 65 and the accumulation of this account was earning an average of 5%, at age 65 the account would be worth \$715,905.

**Interruptions to the contributions would seriously reduce this amount. The greatest hazard to the on going contributions would be a disabling accident or sickness.**

The hazard of a disability interrupting a participant's planning can be managed with the 401(k) Completion Plan. The 401(k) Completion Plan can be provided by the participant's employer or is available for voluntary purchase directly by the participant. The 401(k) Completion Plan will pay the equivalent of the balance of contributions anticipated by the participant. The benefit is paid as a lump sum directly to the participant. With the guidance of a professional planner the participant may elect to invest in similar funds that he/she invested in with his/her 401(k) or he/she may elect to go a different route such as an annuity, certificate of deposit or any other discretionary use.

## Can it happen to you?

Statistics show that between the ages of 35 and 65, 7 out of 10 people will suffer a disability lasting at least 90 days with the average duration of the disability being 4 or more years.

**This year...  
Many plans for retirement  
will be ruined by disability.**

Likelihood of disablement before retirement	
Between Ages:	This number of persons will become disabled, at least once, for 90 days or longer.
25 and 45	7 1/2 out of 10
35 and 45	7 out of 10
45 and 45	5 1/2 out of 10
50 and 45	5 out of 10
55 and 45	3 1/2 out of 10

### Average Duration of Disability Beginning Prior to Age 65 and Lasting More Than 90 Days\*

Age	Duration	Age	Duration
Under 40	4 years	50 - 54	4 years, 6 months
40 - 44	4 years, 4 months	55 - 59	3 years, 6 months
45 - 49	4 years, 7 months	60 - 64	1 year, 9 months

\* Duration of disability is measured from the start of disability to (at most) age 65.  
Source: Society of Actuaries Report, Transactions, 1981.

*This is a brief description of the insurance provided by this plan.  
The Certificate of Insurance is the complete description of coverage.*





## Easy to understand – Easy to enroll – Easy to afford

### Plan Design:

**Benefit Amount** - The lump sum benefit is determined by multiplying the number of years between the current age of the participant and age 65 by the employee's previous year's 401(k) contribution.

**Elimination Period** – The benefit will be paid following a 180 or 365 day elimination period, whichever one is selected during underwriting.

**Permanent Total Disability** – In order to qualify for the lump sum benefit the insured must be "Unable to perform the substantial and material duties of his/her occupation and that in the opinion of competent medical authority he/she will not recover from the effects of his/her sickness or injury to the extent that he/she will ever be able to resume his/her duties of his/her occupation." This is a true "Own Occupation" policy.

**Policy Term** – The policy is issued annually and renewal is subject to all parties agreeing to any new terms. Rates are based on the submission of a new census with the previous year's contributions being noted for group cases or a new application for individual cases.

**Premiums** – Premiums are payable on an annual, semi-annual or quarterly basis. They can be direct billed or placed onto a credit card charge.

### Eligibility:

**Guaranteed Issue** is available when an employer agrees to pay the premium for all 401(k) participants and there are at least 10 participants. Participants can be deleted from the plan at any time with a 15 day written notice to the underwriter. New participants can be added at any time with a 15 day written notification to the underwriter. Premiums are adjusted on a pro-rata basis. The employer must provide a census of the plan participants which will include the following information on each participant: Name, Date of Birth, Occupation, Income and previous year's 401(k) contribution.

**Simplified Issue** is available for groups of 5 to 9 participants and the employer agrees to pay the premium for all participants. Participants can be deleted from the plan at any time with a 15 day written notice to the underwriter. New participants can be added at anytime following the underwriter's agreement to a satisfactory application. A disability application must be submitted by each participant in order to incept coverage.

**Individual Issue** is available on a voluntary basis and premiums may be paid by either the employer or the employee. Individual Issue involves a full disability application, confidential financial statement and authorization. Depending on the age of the individual an exam may be required.



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## The probability of a disability continue to increase

Deaths have decreased while disabilities have increased dramatically between 1987 and 1999.

Condition	Death	Disability
Hypertension	-73%	+70%
Heart Disease	-29%	+44%
Cerebrovascular	-48%	+36%
Diabetes	-27%	+36%

Source: The JHA Disability Book of Facts, 2003/2004 Edition, JHA, Inc.



With better treatment for diseases and more awareness of the risks of not treating patients earlier, people are now surviving life threatening illnesses, but end up being disabled.

### 401(k) Completion Plan Census / Proposal Request

Agent's Name: \_\_\_\_\_

Firm Name: \_\_\_\_\_

Address: \_\_\_\_\_

Phone: \_\_\_\_\_ Email: \_\_\_\_\_

Census: (or attach a copy of a spreadsheet which includes the following information)

Participants Name	Date of Birth	Occupation	Annual Income	Previous Year's 401(k) Contribution
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

This brochure along with all of our other products and applications are available to download from our website  
[www.piu.org](http://www.piu.org)



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