Prudential Private Placement Variable Annuity and PruLife Private Placement VUL

Strategies that can help grow and transfer wealth

1074860-00001-00 Ed. 02/2024

Prudential

Affluent clients want tax-efficient strategies to help grow and transfer their wealth.

It's why they're increasingly drawn to the benefits found in private placement variable universal life and variable annuity products.

A powerful combination

Combining the tax advantages of a variable annuity or variable life insurance with an overall strategy is often used as part of a tax-efficient wealth transfer approach. Prudential Private Placement Variable Annuity and PruLife® Private Placement VUL each take this a step further by combining their inherent tax advantages with a customizable, growth-oriented solution designed for a client's specialized needs. They offer:

- **Transparent pricing for qualified purchasers**
  - Flexible charges and fees that allow more to be invested, compared with a traditional contract/policy
- **An extensive selection of underlying investment options**
  - Alternative funds:
    - Exempt Insurance Dedicated Funds (IDFs), and/or
    - Managed Separate Accounts (MSAs)[1]
  - Registered funds
- **In the Prudential Private Placement Variable Annuity, a client can get**
  - Attractive tax advantages
    - Annual income tax deferral of gains for certain ownership types
    - Potential stretch for a spouse or future generations, if properly structured
    - Tax-favored lifetime income
  - Ease of investing with no underwriting
  - Protection against longevity risk through multiple annuitization options
- **With the PruLife Private Placement VUL, a client can get**
  - Death benefit coverage that is generally free from federal income tax[2] and, if the policy is structured properly, also free from federal estate taxes.
  - Tax deferral of any gain as the cash value accumulates. This allows for the potential compounded accumulation of the policy cash value. In addition, for non-MEC (Modified Endowment Contract) policies, a client may take out cash value via loans and withdrawals without being taxed.[3]

[1] The availability of Insurance Dedicated Funds and Managed Separate Accounts is subject to Prudential's review and approval process.

[2] According to IRC §101(a). There are some exceptions to this general rule, including certain changes in ownership and payment of any additional interest at death.

[3] Federal tax law limits the amount of premium contributions that can be made to a policy in order for it to retain certain tax advantages. When premium contributions exceed this limit, the policy is classified as a modified endowment contract (MEC). Distributions from MECs (such as loans, withdrawals, and collateral assignments) are taxed less favorably than distributions from policies that are not MECs to the extent there is gain in the policy. For distributions from a MEC prior to age 59½, an additional 10% federal income tax may apply to the extent there is gain in the policy. However, death benefits are still generally received income tax-free pursuant to IRC §101(a). The death benefit will be reduced by any withdrawals or loans (plus unpaid interest). Clients should consult a tax advisor.

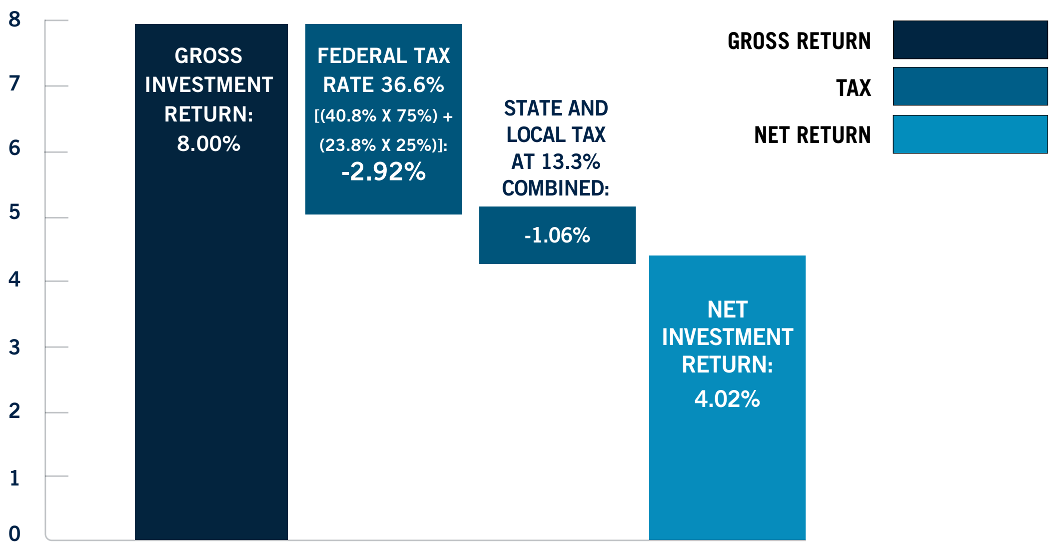
The difference found in Prudential Private Placement Variable Annuity and PruLife Private Placement VUL: Alternative investments

What sets Prudential's private placement products apart is that their underlying investment options include alternative investments (including funds of funds). These use a wide variety of investment strategies and may not be correlated to specific market performances.

Alternative investment strategies seek to generate positive returns regardless of market direction. They also have low or no correlation to market benchmarks. Because of this, they may offer greater diversification, and lower overall portfolio volatility.[4] A client may access these investment strategies through an Exempt Insurance Dedicated Fund (IDF) or Managed Separate Account (MSA). Required investment minimum varies based on investment option selected.

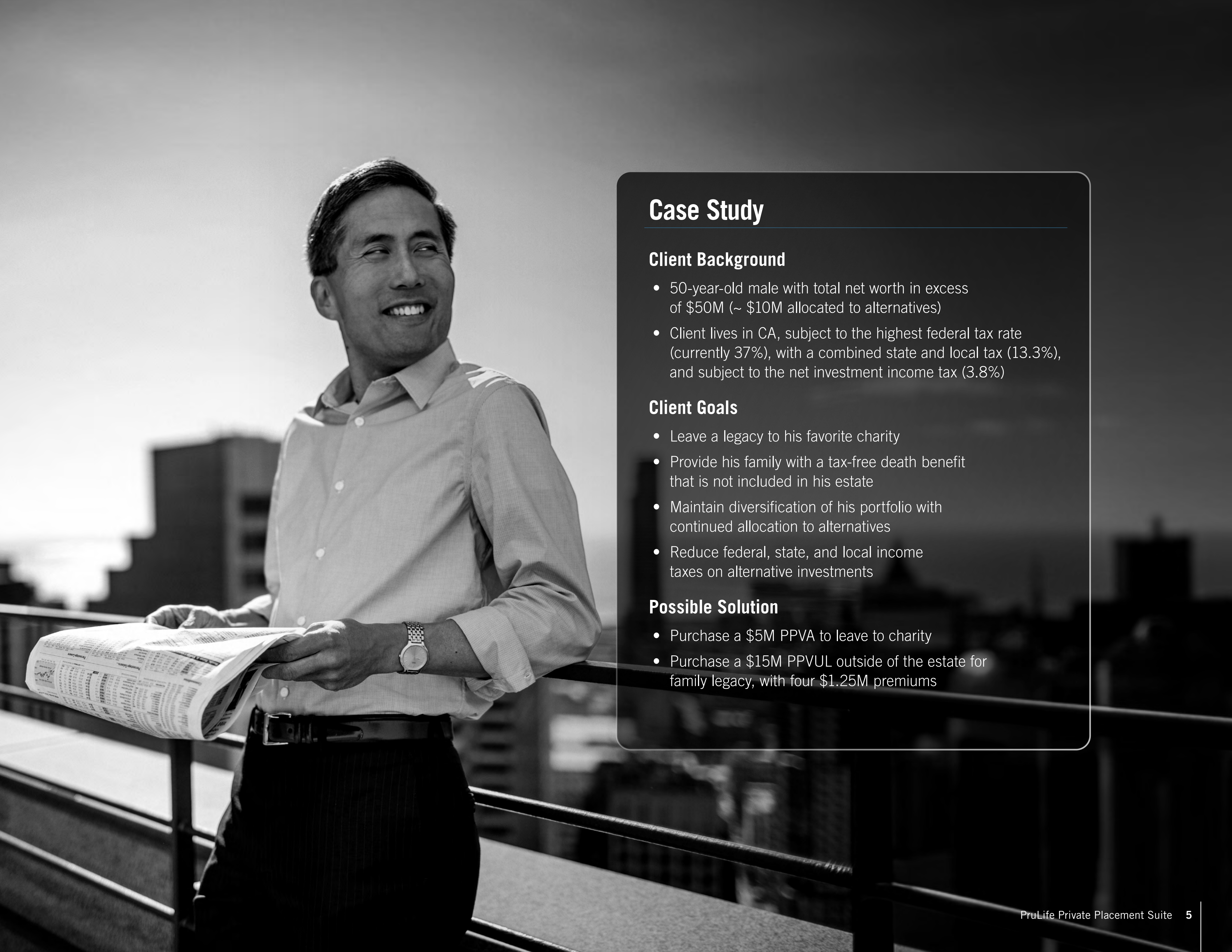
The effects of taxation

As hypothetically illustrated below, a high-net-worth California resident is invested in alternative investments, such as private equity, private credit, venture capital, and hedge funds with 75% turnover (75% short-term capital gains/ordinary income; 25% long-term capital gains).



This is a hypothetical mathematical example for illustrative purposes only. It is not intended to reflect or predict actual results.

[4] Investment strategies such as diversification do not ensure a profit and cannot protect against losses in a falling market.



Case Study

Client Background

- 50-year-old male with total net worth in excess of $50M (~ $10M allocated to alternatives)
- Client lives in CA, subject to the highest federal tax rate (currently 37%), with a combined state and local tax (13.3%), and subject to the net investment income tax (3.8%)

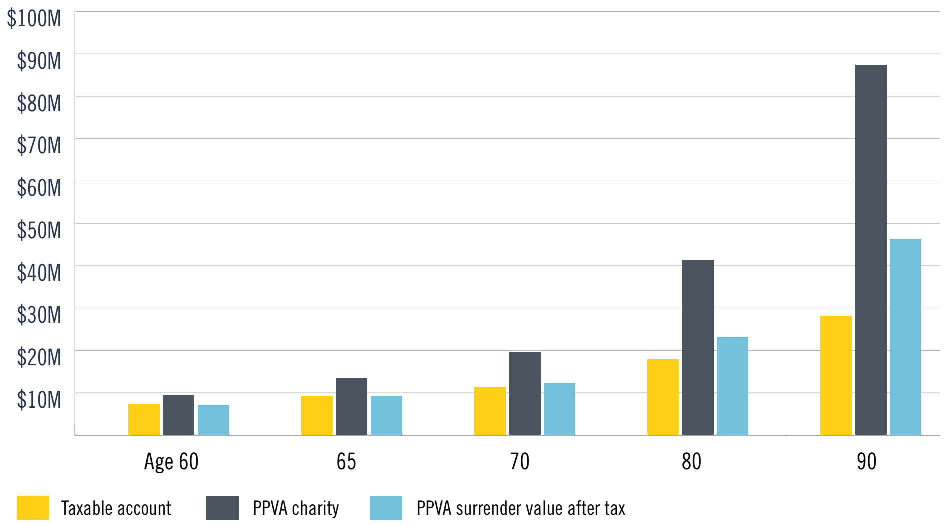
Client Goals

- Leave a legacy to his favorite charity
- Provide his family with a tax-free death benefit that is not included in his estate
- Maintain diversification of his portfolio with continued allocation to alternatives
- Reduce federal, state, and local income taxes on alternative investments

Possible Solution

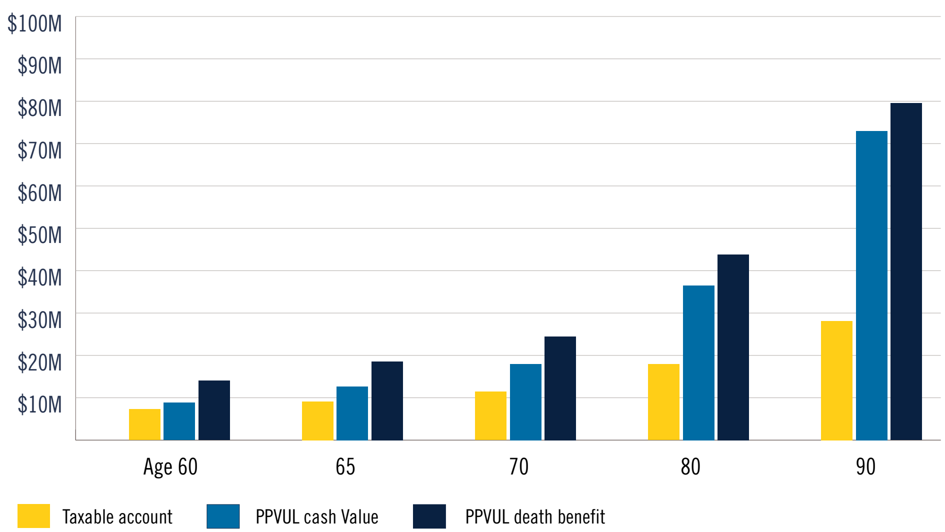
- Purchase a $5M PPVA to leave to charity
- Purchase a $15M PPVUL outside of the estate for family legacy, with four $1.25M premiums

Values Comparison



Graph Assumptions:

- Purchase a PPVA with 4 equal payments of $1.25M
- 8% rate of return with no loans or withdrawals from all account types
- Taxable account values assume that 75% is short-term capital gains using a 40.8% rate and 25% is long-term capital gains using a 23.8% capital gains rate
- Beneficiary of PPVA after tax assumes gain taxed at top 37% federal income tax rate, 13.3% combined state and local taxes, and subject to the 3.8% net investment income tax.



Graph Assumptions:

- Purchase a $15M PPVUL policy with four $1.25M premiums
- 8% rate of return with no loans or withdrawals from all account types
- Taxable account values assume that 75% is short-term capital gains using a 40.8% rate and 25% is long-term capital gains using a 23.8% capital gains rate
- PPVUL policy is age 50 male, Preferred Non-Smoker, initial death benefit of $15,111,706. The death benefit 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

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

Discover more about Prudential's private placement product suite when you visit

view.ceros.com/prudential/prulife-private-placement

or scan this code:

Clients should consider the investment objectives, risks, and charges and expenses carefully before investing in the contract/policy, and/or underlying exempt portfolios and investment options. The applicable private offering memorandum, fund prospectus, and, if available, summary prospectus contain this information as well as other important information. Clients can obtain a copy of the fund prospectus and private offering memorandum from a financial professional. They should read these documents carefully before investing.

It is possible to lose money by investing in securities.

Private Placement Variable Annuity is issued by Pruco Life Insurance Company, located in Newark, NJ, and distributed by Prudential Annuities Distributors, Inc., Shelton, CT.

Private Placement VUL is issued by Pruco Life Insurance Company and offered through Pruco Securities, LLC (member SIPC). Both are Prudential Financial companies located in Newark, NJ.

Private Placement VUL is also offered by broker-dealers who have an agreement with Pruco Securities, LLC. Prudential Private Placement Variable Annuity and Private Placement VUL may not be approved for use in all states or through all broker-dealers.

Private Placement Variable Annuity and Private Placement VUL are long-term investments and may not be suitable for all investors. The contract's/policy's value will fluctuate based upon the performance of the underlying funds. It is possible to lose principal. Contract/Policyowners should be aware of the additional risks involved with investing in non-registered funds. Non-registered funds are not registered under the securities laws and are not subject to the same regulatory requirements as registered funds. Among other activities, non-registered funds may engage in potentially riskier investment practices, charge higher fees, and impose liquidity restrictions on contract/policyowners' assets.

A variable annuity is suitable for long-term investing, particularly when saving for retirement; however, it is possible to lose money investing in securities. Withdrawals and distributions of taxable amounts are subject to ordinary income tax and, if made prior to age 59½, a 10% additional tax.

Guarantees are based on the claims-paying ability of the issuing company and do not apply to the underlying investment options.

This material is being provided for informational or educational purposes only and does not take into account the investment objectives or financial situation of any clients or prospective clients. The information is not intended as investment advice and is not a recommendation about managing or investing a client's retirement savings. Clients seeking information regarding their particular investment needs should contact a financial professional.

We do not provide tax, accounting, or legal advice. Clients should consult their own independent advisors as to any tax, accounting, or legal statements made herein.

For Financial Professional Use Only. Not For Consumer Use.

ISG_BR_ILI419_01

1074860-00001-00 Ed. 02/2024