



# How does a 1035 Exchange work?

Many of National Guardian Life Insurance Company's (NGL) customers fund their whole life policy with money from an existing policy. This is called a 1035 Exchange. It's fairly common and a great way to fund a part of your lasting legacy with money you already have. Basically, a 1035 Exchange is a way to transfer money directly from one insurance policy to another without creating tax consequences for the policyowner.

## NGL's Process:

- 1 You decide you want to leave a financial legacy to your loved ones or a favorite charity or organization, plus ensure that your end of life expenses are taken care of. You have another life insurance policy that you want to use to make this happen.
- 2 Your NGL advisor fills out an application for an NGL life insurance policy and an assignment to the NGL Estate Planning Trust or NGL Funeral Expense Trust. Both of these documents are signed by you.
- 3 To allow the money from the existing life insurance policy to be transferred to NGL, you complete a 1035 Absolute Assignment of Policy form (#2337 ILA) and Replacement form(s). These forms instruct the other insurance company to release funds to NGL for the new policy. *Note: the Owner and Insured of both policies must be the same. If you are the Owner of the first policy, you must be the Owner of the new policy. You cannot transfer money to buy a policy for your spouse or any other family member.*
- 4 Once the application, assignment and replacement forms are received by NGL, we then send a request for the funds to the original insurance company. They have up to six months to release any funds that have been requested. To make sure the process stays on track, NGL sends a reminder after three weeks and then every two weeks after that to ensure the original company is processing the request in a timely fashion.
- 5 Once the original insurance company sends the funds to NGL, the new policy is issued with an effective date as of the date the funds are received. The policy is mailed once the processing is complete. *Note: If an Insured dies prior to the exchange being completed, NGL will attempt to cancel the exchange and keep the funds at the other carrier. NGL will attempt to contact the other insurance company and inform them of the death, send a release of assignment letter then process the policy as a non-taken. If unable to contact the other insurance company before the exchange is complete and the funds are sent, the funds will be returned to the prior carrier. If the prior carrier will not accept their funds back, NGL will issue a check to the Insured's Estate.*



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National Guardian Life Insurance Company is not affiliated with The Guardian Life Insurance Company of America, a/k/a The Guardian or Guardian Life. We recommend consulting a Legal Advisor for complete details on irrevocable assignments, Medicaid eligibility and on using a trust to protect your assets.

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