

# TRADITIONAL PORTFOLIO-BASED LIFE INSURANCE

# LIFE INSURANCE

It has no equal when it comes to providing for those you care about when you die. At a time when their lives have dramatically changed, your survivors are financially secure. Because of your foresight, their everyday needs can be met.

But did you know that a traditional portfolio-based life insurance policy is also an excellent foundation for a long-term financial program? Whether you're wondering if you'll be able to retire comfortably, pay for your long-term care insurance or provide for your family in an emergency, a portfolio-based life insurance policy can be one of the best low-risk financial vehicles available to help you provide for future living needs.

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**The ratings reflect “the company’s exceptional intrinsic strengths, including leading positions and strong franchise in its core markets, including a significant focus on participating whole life, leading position overall in individual life insurance, excellent distribution channel, strong underwriting skills as shown by excellent persistency and mortality experience and robust and resilient balance sheet.”**

**Moody’s Investors Service, 1/2014**

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## PERFORMANCE OVER TIME

Your Northwestern Mutual policy's cash value can be greatly enhanced by the payment of dividends. Dividends are paid when the company's actual performance is better than what was guaranteed. And, while the dividends are not guaranteed, we have paid them every year since 1872. Dividends are influenced by four areas of the company's performance: mortality, which relates to when and how much the company pays out in death claims; expense management; investment returns; and how long people keep our policies.

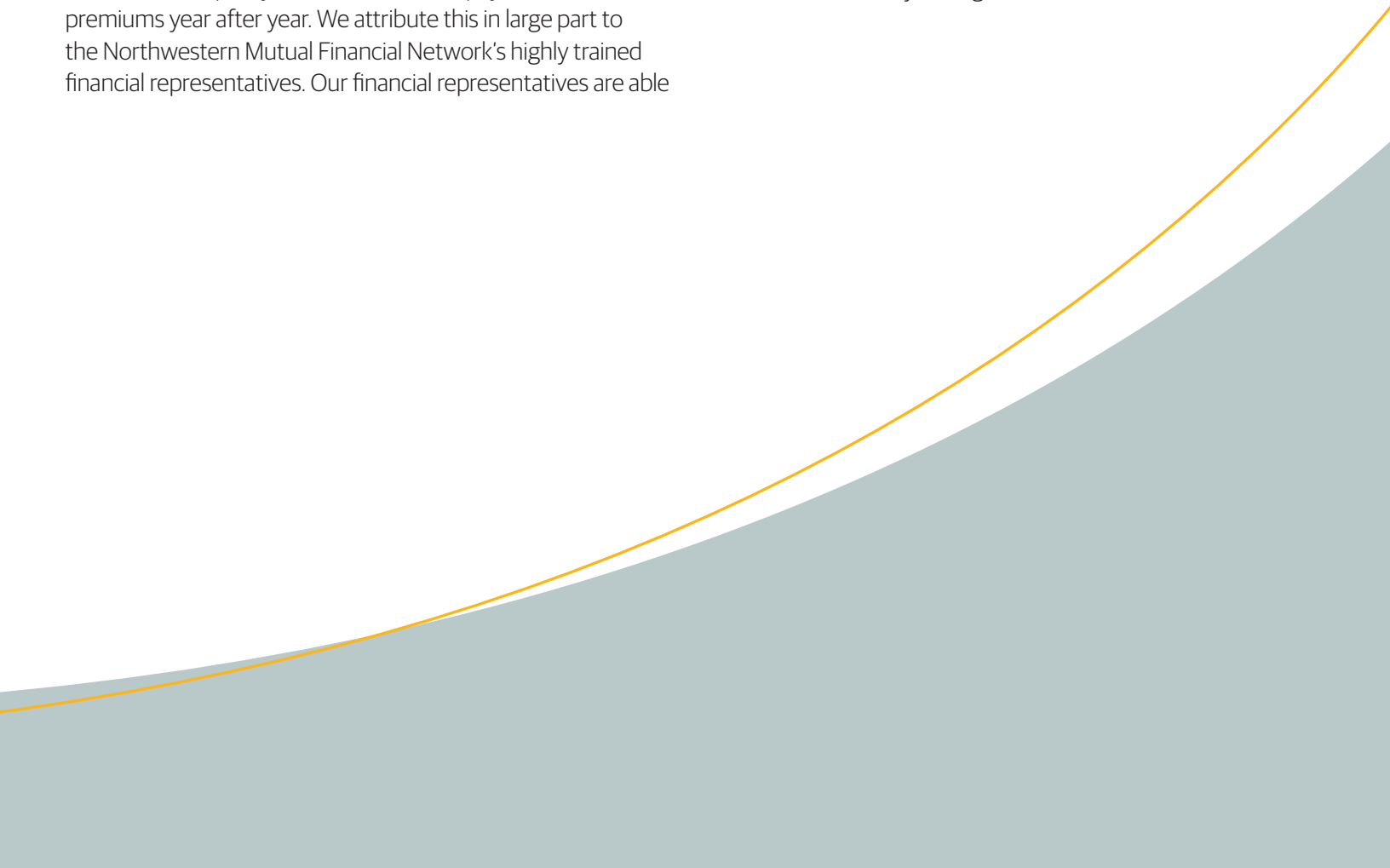
Based on industry comparisons, Northwestern Mutual has excelled in all four categories, year after year, and in doing so provides exceptional value to its policyowners. The latest study by the Society of Actuaries showed that Northwestern Mutual's mortality rate was about 35 percent<sup>1</sup> better than the industry average. Our policyowners, as a group, live longer, and our consistently fair underwriting standards result in fewer early death claims. This allows us to contribute more to surplus funds and invest over a longer period.

In addition, our policyowners continue to pay their premiums year after year. We attribute this in large part to the Northwestern Mutual Financial Network's highly trained financial representatives. Our financial representatives are able

to establish lasting relationships because our policyowners trust them. Northwestern Mutual policyowners retain their policies longer because they know who stands behind them.

Over the past five years, our lapse ratio has averaged 3.8 percent<sup>2</sup>, nearly 40 percent less than the industry average. This low lapse ratio, or high persistency, contributes to our quality in two ways. First, it is an indicator of policyowner satisfaction – people who buy a Northwestern Mutual policy realize the quality benefits and services we provide. In fact, about half of our new sales come from existing clients. Second, high persistency gives the company consistent cash flow, which allows us to invest long-term and have a more diversified portfolio than other life insurance companies.

Northwestern Mutual also does an excellent job of controlling expenses. Our ability to hire and retain talented employees results in an exceptionally productive staff. We also maintain integrated information and data processing systems, which produce remarkable efficiency. These factors combine to keep our operating expenses low. Over the past five years, our ratio of ordinary life expenses to premium has been about 30 percent<sup>3</sup> less than the industry average.



## FINANCIAL STRENGTH

Northwestern Mutual's exceptional performance in regard to mortality, persistency, controlling expenses and investment returns has resulted in more than \$5.2 billion in dividends that will be allocated to policyowners in 2014. Northwestern Mutual has been a consistent industry leader in dividends paid to life insurance policyowners.<sup>4</sup>

**Northwestern Mutual Dividend  
Interest Rates Over The Last 20 Years\***

1995	8.50%	2005	7.50%
1996	8.50%	2006	7.50%
1997	8.50%	2007	7.50%
1998	8.80%	2008	7.50%
1999	8.80%	2009	6.50%
2000	8.80%	2010	6.15%
2001	8.80%	2011	6.00%
2002	8.60%	2012	5.85%
2003	8.20%	2013	5.60%
2004	7.70%	2014	5.60%

Northwestern Mutual has the highest financial strength ratings awarded to any life insurer by all four of the major credit rating agencies.

**"The ratings on Northwestern Mutual Life Insurance Co. and subsidiary Northwestern Long Term Care Insurance Co. reflect our view that the consolidated insurer maintains an excellent business profile complemented by an extremely strong financial risk profile. Our view is supported by the company's extremely strong competitive position and excellent capital strength."**

**Standard & Poor's, 6/2013**

The reports from these agencies offer an analysis of insurance companies. When describing the basis for these ratings, the agencies have cited such things as our excellent operating performance, excellent profitability and well-diversified and well-managed investment portfolio.

**Northwestern Mutual Financial Strength Ratings\***

Moody's Investors Service	Aaa (highest) 1/2014
Standard & Poor's	AA+ (second highest) 6/2013
Fitch Ratings	AAA (highest) 1/2014
A.M. Best Company	A++ (highest) 4/2014

## LONG-TERM VALUE

Northwestern Mutual takes most seriously its responsibility of maintaining safety and providing product value when dealing with policyowner funds. Our investment portfolio, therefore, is a well-balanced mix of top-quality investments with a majority of long-term vehicles. Included in the mix are both fixed-income and equity investments.

Although, on the surface, it may seem safer to place our entire portfolio in fixed-income investments, that isn't necessarily so. Leading financial analysts contend that when you compare different types of investments and how they perform relative to each other, mixing such things as real estate and public and private equities with bonds actually reduces risk while increasing return. Identifying the ideal blend of investments that maximizes return for a given level of risk is known as modern portfolio theory. At Northwestern Mutual, we not only believe this in theory, we've proven it in practice. And our policyowners have reaped the benefits.

By using a long-term strategy of diversification over a great number of investments, we avoid having too much in any single asset class at one time. This approach allows us to invest in areas that offer the greatest value at any given time without exposing our policyowners to undue risk.

## RESULTS

An example of one area in which this approach has been successful is the real estate market. In the past, there have been times when industrial and residential properties were available at prices well below what they cost to build. Taking a long-term approach, Northwestern Mutual bought several of these undervalued real estate properties. Today, that real estate is worth much more than what we paid for it. In addition, we enjoy a steady stream of cash flow on the property leases, which contributes to the overall success of the real estate portfolio.

The value of permanent life insurance, in addition to the death benefit, is the steady buildup of cash value. Northwestern Mutual's consistent, long-term approach can grow significant value with minimal risk. So, while you may also have money in investments that offer more risk, the cash value inside your life insurance policy provides a safe and solid foundation for your overall long-term savings and investment objectives.

Northwestern Mutual's investment strategy produces consistent returns over a long period. The chart below illustrates how steady compounding can yield substantial benefits.

## THE POWER OF STEADY COMPOUNDING

Starting with a \$100,000 balance, gains (+) or losses (-) in these two scenarios will produce a remarkably similar cash balance after 10 years. The numbers used are hypothetical and for illustrative purposes only. They are not an indication of how any particular investment vehicle has performed over the last 10 years.

Years	Scenario 1	Scenario 2
1	+15%	+6%
2	+16%	+6%
3	+8%	+6%
4	-12%	+6%
5	+9%	+6%
6	-3%	+6%
7	+17%	+6%
8	-5%	+6%
9	+8%	+6%
10	+11%	+6%
Fund value at the end of 10 years	\$178,614	\$179,085

**"Fitch's ratings reflect Northwestern's leading competitive position in the U.S. individual life insurance market, extremely strong balance sheet fundamentals, and stable earnings profile. Fitch considers Northwestern's key competitive advantages to include its successful distribution system, large and stable block of traditional life insurance, and focus on expense control."**

**Fitch Ratings, 1/2014**

## LEVEL OF COMFORT

The consistency and reliability of a Northwestern Mutual portfolio-based life insurance policy gives our policyowners a tremendous level of comfort. Knowing that the death benefit will be there to keep their dreams alive is very reassuring. So, too, is knowing that they can use the cash value from their policies for “living benefits” such as the following:

### RETIREMENT INCOME

When you retire, you may need more income than your pension plan, 401(k) or Social Security can provide. You can use the cash values in your portfolio-based life insurance policy to supplement your retirement income.

### LONG-TERM (LTC) INSURANCE PREMIUM

LTC insurance is a way for you to prepare for the cost of care that a chronic illness, cognitive impairment or an accident can require. You can use the cash values from your policy to pay for LTC insurance tax-free utilizing a 1035 exchange.

### COLLEGE TUITION

The cash value your policy generates as your child is growing can be used to help pay college tuition bills.

### OPPORTUNITY DOLLARS

You can use the cash values to help make the down payment on a new house, provide startup cash for a new business or take advantage of other opportunities as they arise.

Northwestern Mutual has a variety of policy types to best fit your needs. Our traditional portfolio-based policies are designed to provide the coverage you require and flexibility you want, depending on your lifestyle and life stage.

Obviously, life insurance is anything but ordinary at Northwestern Mutual. In fact, it almost seems risky not to consider the long-term growth potential and the flexibility Northwestern Mutual's traditional portfolio-based life insurance provides.

## CARING

A mutual company is one that is operated for the benefit of its policyowners. And at Northwestern Mutual, people are the inspiration. From our valued policyowners to our committed field force and dedicated home office staff, the people associated with Northwestern Mutual form an exceptional partnership. The company philosophy is grounded in the conviction that our policyowners' best interests are always at the core of any decision we make.

No single brochure can tell you everything you need to know about life insurance. For example, the tax implications vary if cash value is removed, depending on the status of the policy and the method of removal. Nor can it tell you what type of policy is best suited to your particular situation. Northwestern Mutual financial representatives are well prepared to answer any questions you may have. They can also provide expert guidance in helping you identify the right mix of products and in making recommendations that will meet your specific needs. Northwestern Mutual policies are available solely through representatives of Northwestern Mutual.

**“The ratings reflect Northwestern Mutual's sizable and mature participating ordinary life insurance business, overall positive operating performance and strong risk-adjusted capitalization. The ratings also recognize the loyalty and productivity of the company's exclusive distribution system, as well as the competitive advantages derived from historically favorable investments, expenses, persistency and mortality experiences in its core business lines.”**

**A.M. Best, 4/2014**

# AS A COMPANY

that has been around for over a century and a half,  
Northwestern Mutual knows how to build something substantial.  
Why not let us use that knowledge to help you do the same?

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**"The ambition of the Northwestern has been less to be large than to be safe; its aim is to rank first in benefits to policyowners rather than first in size. Valuing quality above quantity, it has preferred to secure its business under certain salutary restrictions and limitations rather than to write a much larger business at the possible sacrifice of those valuable points which have made the Northwestern pre-eminently the policyowner's company."**

**The Executive Committee, 1888**

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<sup>1</sup> Source of data: Society of Actuaries Intercompany Mortality Study (2002-2009)

<sup>2</sup> Reference: SNL Financial (calculated by The Northwestern Mutual Life Insurance Company, Milwaukee, Wisconsin)

<sup>3</sup> Reference: SNL Financial (calculated by The Northwestern Mutual Life Insurance Company, Milwaukee, Wisconsin)

<sup>4</sup> Reference: SNL Financial

\* Financial strength ratings current as of June 2014 and are subject to change.