

Indexed Universal Life vs. Pretend 401(k) Plan

For: David Wolfe



Presented By: _____

[Licensed user's name appears here]

Preface

A decision to acquire additional life insurance can represent one of several significant phases in your overall financial planning.

An important part of this decision involves the comparison of the life insurance policy to alternative investment possibilities.

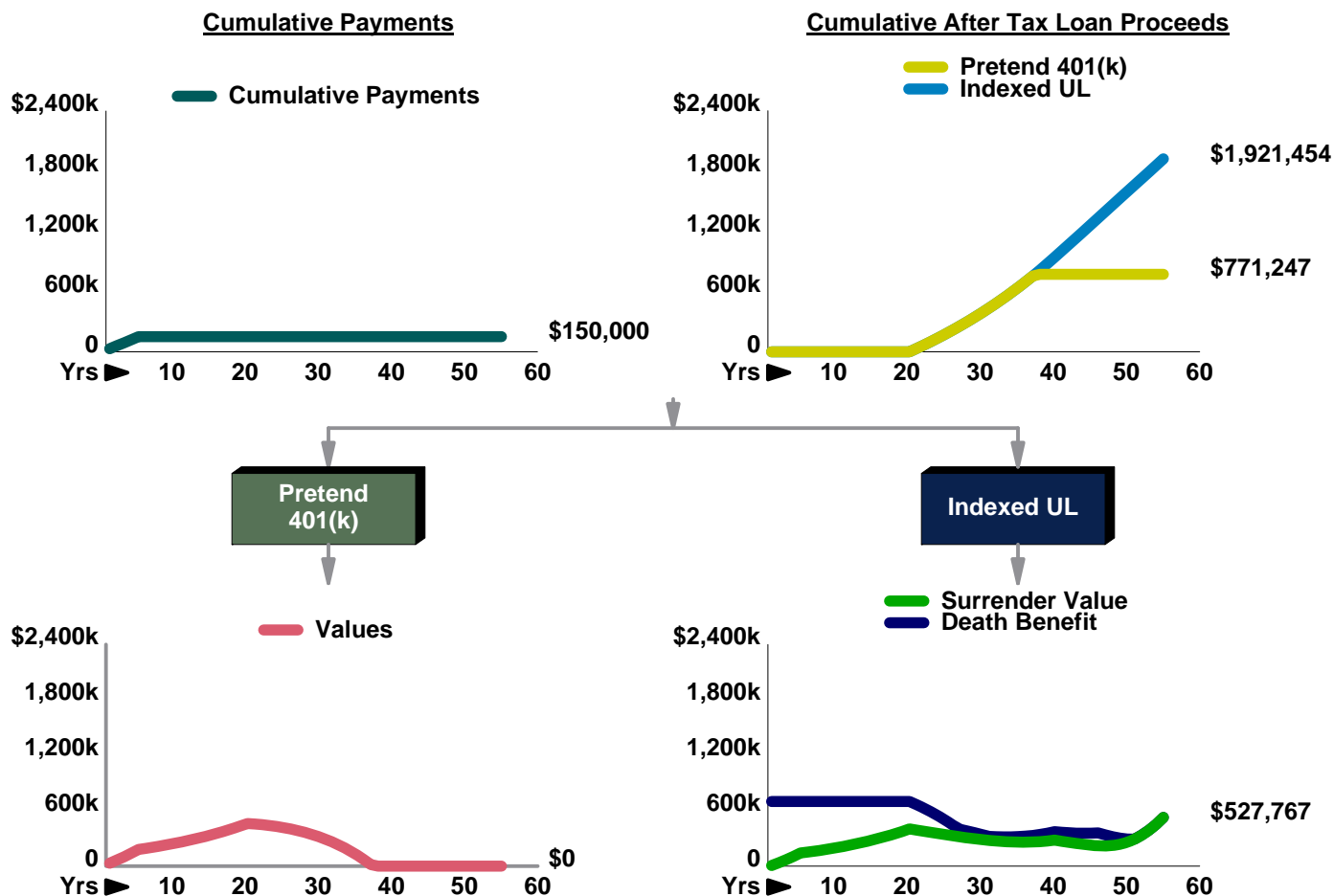
To help you make an informed decision about acquiring the policy, the accompanying presentation shows financial data regarding life insurance compared to a Pretend 401(k) Plan.

The study offers information from which you and your advisers can draw informed conclusions about the suitability of either plan.

Following are major features of the life insurance policy for you to consider as part of your overall assessment:

1. Accumulating cash values;
2. Income tax deferred growth of cash values;
3. Competitive current interest rate;
4. Tax free access to cash values via policy loans;
5. Income tax free death benefits;
6. Probate free death benefits;
7. Privacy of all transactions.

Favorable income tax consequences combine with significant policy values and benefits to produce a life insurance solution that has a considerable amount of financial leverage.



This graphic assumes the non-guaranteed values shown continue in all years. This is not likely, and actual results may be more or less favorable.

Taxation of Cash Flow

With tax deductible retirement plans, withdrawals (partial surrenders) are taxable. Due to this, cash flow illustrated from the tax deductible retirement plan in this presentation is the after tax result of withdrawals of a higher amount.

With cash value life insurance policies, withdrawals (also known as partial surrenders) are tax free up to cost basis and taxable thereafter. Policy loans are tax free so long as the policy stays in force until death. The source of the cash flow from the life insurance policy in this presentation is policy loans.

Note: Policy loans reduce policy cash values and death benefits, and the lapse of a loaned policy could result in severe tax ramifications to the policy owner. Be sure to consult a professional tax adviser if you have any questions about this issue.

Cash Flow Analysis In Year 21

Below is an analysis of tax calculations on cash flow in the first year that cash flow from the Pretend 401(k) Plan and Indexed Universal Life is illustrated.

Pretend 401(k) Plan

55,000 total withdrawal @ 40.00% tax which nets 33,000

Indexed Universal Life

There are no tax calculations required for the life insurance policy since policy loans are not taxable

On the life insurance policy, withdrawals up to cost basis (not in violation of IRC Section 7702) are income tax free.

Indexed Universal Life vs. Pretend 401(k) Plan

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Comparison

Pretend 401(k) Yield 7.50% Income Tax Rate 40.00% Indexed UL Interest Rate 7.50% Initial Payment 30,000 Initial Death Benefit 700,000

		Pretend 401(k) Plan						Indexed Universal Life				
Male Yr	Age	(1) Tax Deductible Deposits to the Pretend 401(k)	(2) After Tax Equivalent of Pretend 401(k) Deposit*	(3) After Tax Withdrawal from the Pretend 401(k)**	(4) Year End Value of Pretend 401(k)	(5) Year End Value of Pretend 401(k) if Distributed	(6) After Tax Death Benefit of Pretend 401(k)	(7) Policy Premium	(8) After Tax Policy Loan Proceeds	(9) Surrender Value Increase***	(10) Year End Surrender Value***	(11) Death Benefit
1	45	50,000	30,000	0	53,213	26,607	31,928	30,000	0	6,446	6,446	700,000
2	46	50,000	30,000	0	109,844	54,922	65,906	30,000	0	30,771	37,217	700,000
3	47	50,000	30,000	0	170,114	85,057	102,068	30,000	0	32,901	70,118	700,000
4	48	50,000	30,000	0	234,257	117,129	140,554	30,000	0	35,216	105,334	700,000
5	49	50,000	30,000	0	302,520	151,260	181,512	30,000	0	37,422	142,756	700,000
6	50	0	0	0	321,957	160,979	193,174	0	0	9,845	152,601	700,000
7	51	0	0	0	342,643	171,322	205,586	0	0	10,559	163,160	700,000
8	52	0	0	0	364,658	182,329	218,795	0	0	11,364	174,524	700,000
9	53	0	0	0	388,087	194,044	232,852	0	0	12,249	186,773	700,000
10	54	0	0	0	413,022	206,511	247,813	0	0	13,237	200,010	700,000
11	55	0	0	0	439,559	219,780	263,735	0	0	16,490	216,500	700,000
12	56	0	0	0	467,801	233,901	280,681	0	0	15,481	231,981	700,000
13	57	0	0	0	497,857	248,929	298,714	0	0	16,572	248,553	700,000
14	58	0	0	0	529,844	264,922	317,906	0	0	17,748	266,301	700,000
15	59	0	0	0	563,886	281,943	338,332	0	0	19,013	285,314	700,000
16	60	0	0	0	600,115	360,069	360,069	0	0	20,344	305,658	700,000
17	61	0	0	0	638,673	383,204	383,204	0	0	21,780	327,438	700,000
18	62	0	0	0	679,707	407,824	407,824	0	0	23,324	350,762	700,000
19	63	0	0	0	723,378	434,027	434,027	0	0	24,988	375,750	700,000
20	64	0	0	0	769,855	461,913	461,913	0	0	26,787	402,537	700,000
21	65	0	0	33,000	760,784	456,470	456,470	0	33,000	-12,369	390,168	665,252
22	66	0	0	34,301	748,823	449,294	449,294	0	34,301	-12,538	377,630	627,499
23	67	0	0	35,544	733,889	440,333	440,333	0	35,544	-12,624	365,006	586,553
24	68	0	0	36,826	715,721	429,433	429,433	0	36,826	-12,607	352,399	542,213
25	69	0	0	38,145	694,046	416,428	416,428	0	38,145	-12,450	339,949	494,272
26	70	0	0	39,504	668,568	401,141	401,141	0	39,504	-12,118	327,831	442,506
27	71	0	0	40,904	638,971	383,383	383,383	0	40,904	-11,529	316,302	398,153
28	72	0	0	42,346	604,914	362,948	362,948	0	42,346	-10,660	305,642	380,342
29	73	0	0	43,831	566,034	339,620	339,620	0	43,831	-9,918	295,724	361,772
30	74	0	0	45,361	521,942	313,165	313,165	0	45,361	-9,030	286,694	342,300
		250,000	150,000	389,762				150,000	389,762			

*Equal to Column (7)

Note: Pretend 401(k) Plan values do not reflect market rate adjustments, if any. @ Tax on withdrawals. Entries in Column (3) are after tax.

***This is an InsMark supplemental illustration for indexed universal life. In an actual presentation, this footnote refers to an accompanying basic illustration from a specific life insurance company with important details, caveats, and guarantees.

**Pretend 401(k) withdrawal has been grossed up to account for the income tax required to produce the after tax number shown in Column (3).

Management fees reflected in column (4): 1.00%

30 Year Summary		
	Pretend 401(k)	Indexed UL
After Tax Payments	150,000	150,000
After Tax Cash Flow	389,762	389,762
Living Values	313,165	286,694
Death Benefit	313,165	342,300

Indexed Universal Life vs. Pretend 401(k) Plan

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Comparison

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Yr	Age	(1) Tax Deductible Deposits to the Pretend 401(k)	(2) After Tax Equivalent of Pretend 401(k) Deposit*	(3) After Tax Withdrawal from the Pretend 401(k)**	(4) Year End Value of Pretend 401(k)	(5) Year End Value of Pretend 401(k) if Distributed	(6) After Tax Death Benefit of Pretend 401(k)	(7) Policy Premium	(8) After Tax Policy Loan Proceeds	(9) Surrender Value Increase***	(10) Year End Surrender Value***	(11) Death Benefit
31	75	0	0	46,937	472,223	283,334	283,334	0	46,937	-7,900	278,794	321,852
32	76	0	0	48,560	416,431	249,859	249,859	0	48,560	-6,801	271,993	318,715
33	77	0	0	50,231	354,089	212,453	212,453	0	50,231	-5,520	266,473	317,213
34	78	0	0	51,953	284,688	170,813	170,813	0	51,953	-4,039	262,434	317,570
35	79	0	0	53,727	207,681	124,609	124,609	0	53,727	-2,346	260,088	320,028
36	80	0	0	55,553	122,488	73,493	73,493	0	55,553	-428	259,660	324,842
37	81	0	0	57,435	28,482	17,089	17,089	0	57,435	1,755	261,415	332,310
38	82	0	0	17,089	0	0	0	0	59,373	4,200	265,615	342,728
39	83	0	0	0	0	0	0	0	61,369	6,923	272,538	356,410
40	84	0	0	0	0	0	0	0	63,424	9,930	282,468	373,680
41	85	0	0	0	0	0	0	0	65,542	-13,951	268,517	366,327
42	86	0	0	0	0	0	0	0	65,542	-12,437	256,080	360,927
43	87	0	0	0	0	0	0	0	65,542	-10,881	245,199	357,546
44	88	0	0	0	0	0	0	0	65,542	-9,316	235,883	356,209
45	89	0	0	0	0	0	0	0	65,542	-7,793	228,090	356,894
46	90	0	0	0	0	0	0	0	65,542	-6,388	221,702	359,498
47	91	0	0	0	0	0	0	0	65,542	-1,866	219,836	337,819
48	92	0	0	0	0	0	0	0	65,542	4,076	223,912	318,680
49	93	0	0	0	0	0	0	0	65,542	11,909	235,821	303,549
50	94	0	0	0	0	0	0	0	65,542	22,231	258,052	294,402
51	95	0	0	0	0	0	0	0	65,542	34,866	292,918	292,918
52	96	0	0	0	0	0	0	0	65,542	43,422	336,340	336,340
53	97	0	0	0	0	0	0	0	65,542	52,917	389,257	389,257
54	98	0	0	0	0	0	0	0	65,542	63,437	452,694	452,694
55	99	0	0	0	0	0	0	0	65,542	75,073	527,767	527,767
		250,000	150,000	771,247				150,000	1,921,454			

*Equal to Column (7)

Note: Pretend 401(k) Plan values do not reflect market rate adjustments, if any. @ Tax on withdrawals. Entries in Column (3) are after tax.

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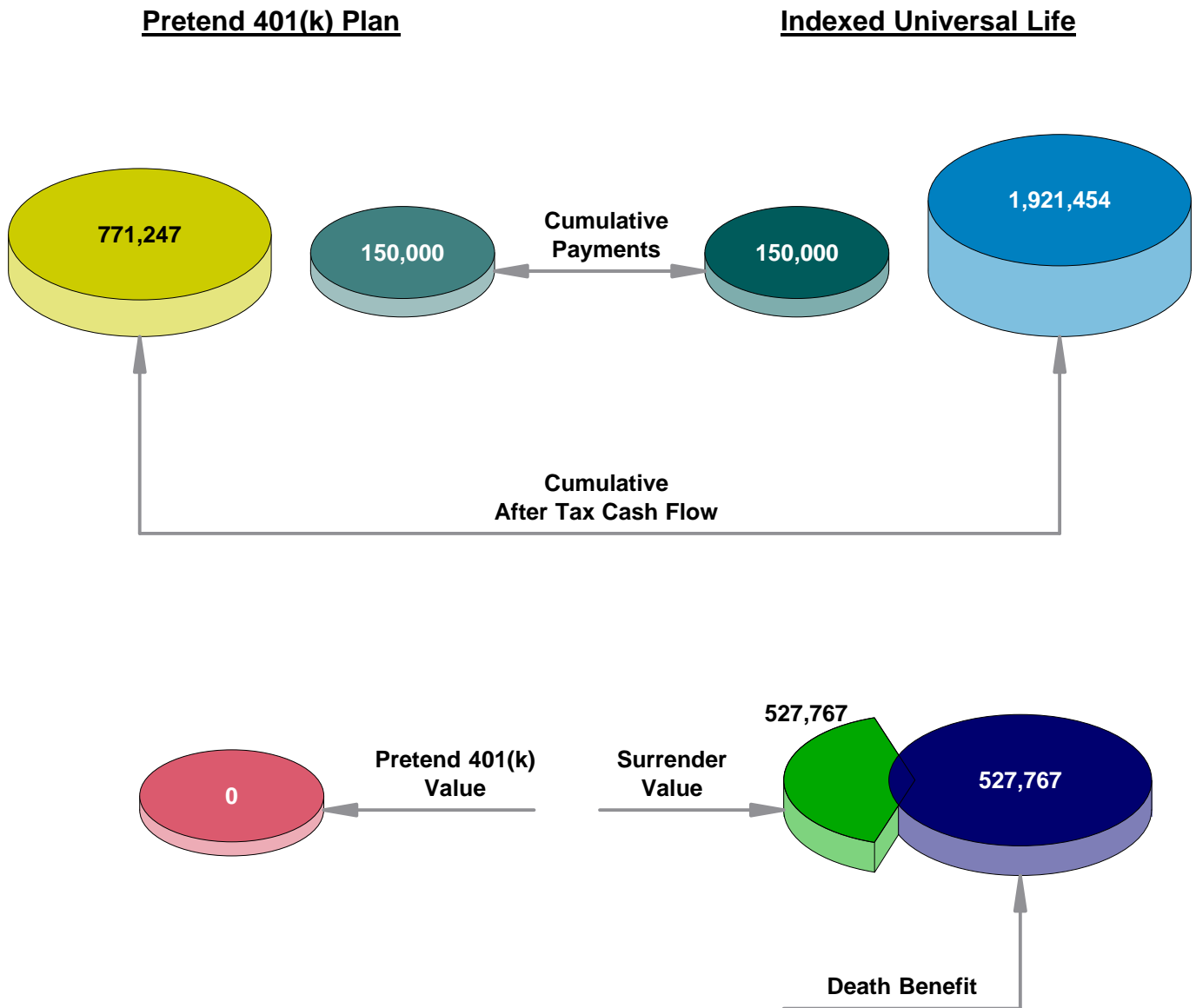
55 Year Summary		
	Pretend 401(k)	Indexed UL
After Tax Payments	150,000	150,000
After Tax Cash Flow	771,247	1,921,454
Living Values	0	527,767
Death Benefit	0	527,767

Indexed Universal Life vs. Pretend 401(k) Plan

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A Look at Year 55



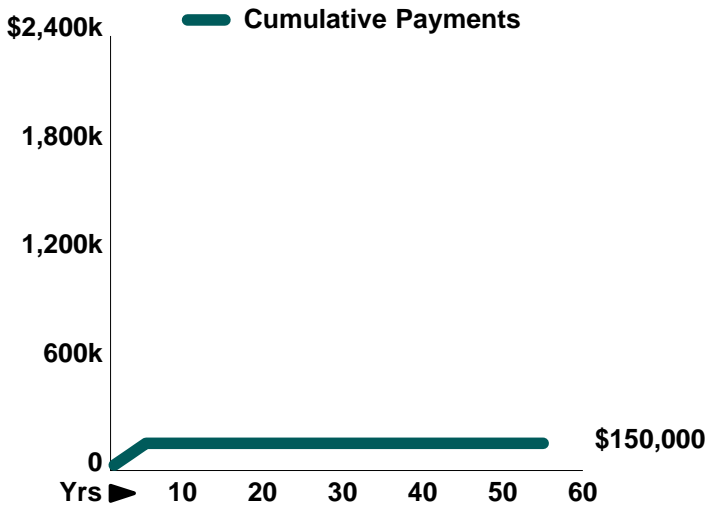
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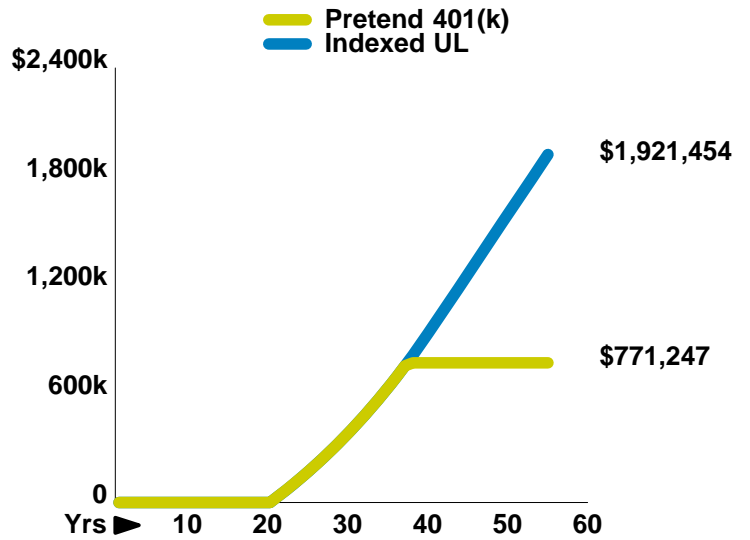
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55 Year Analysis

Cumulative Payments

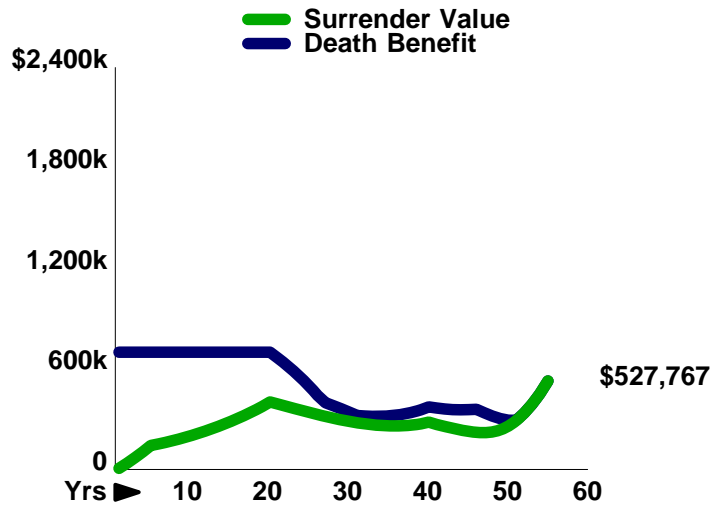
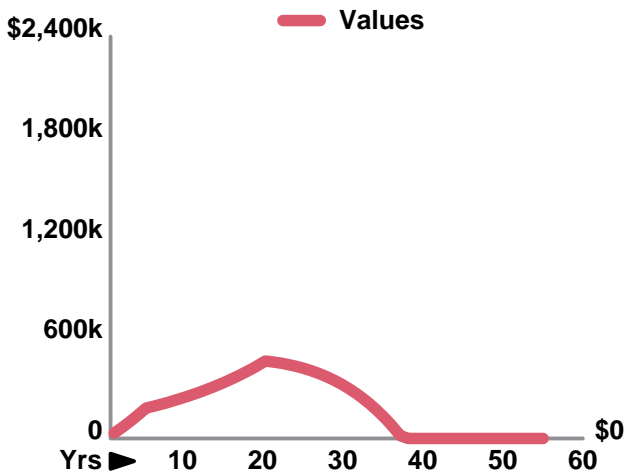


Cumulative After Tax Loan Proceeds



Pretend 401(k)

Indexed UL

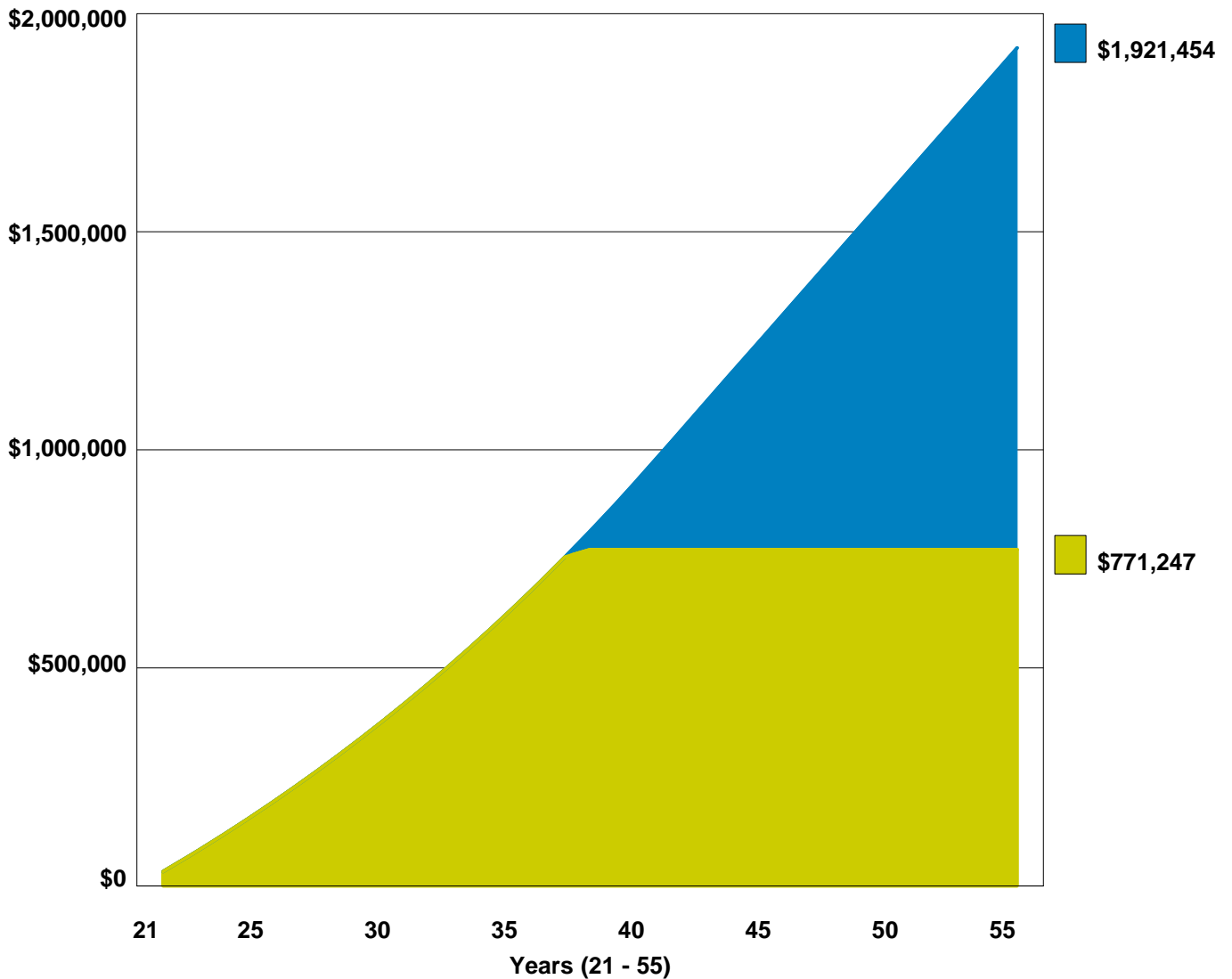


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Cash Flow Comparison



At Year 55

Cumulative After Tax Cash Flow - Pretend 401(k) Plan ■ \$771,247

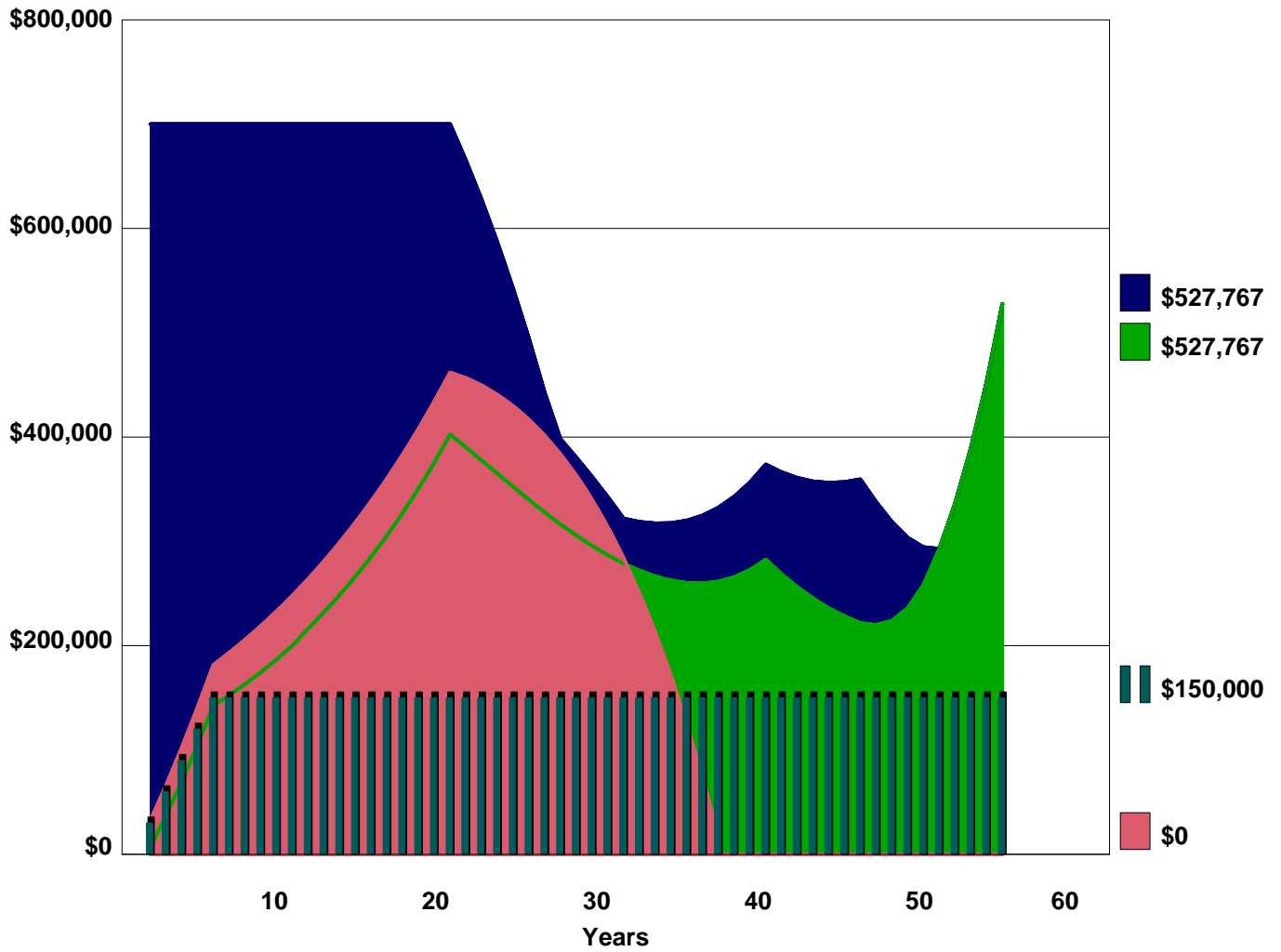
Cumulative After Tax Policy Cash Flow - Indexed UL ■ \$1,921,454

Indexed Universal Life vs. Pretend 401(k) Plan

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55 Year Analysis



	<u>At Year 55</u>
Cumulative Payments	\$150,000
Pretend 401(k) Plan Values	\$0
Surrender Value of Indexed UL	\$527,767
Death Benefit of Indexed UL	\$527,767