

# Policy Owner's Share of a Premium Financing Plan vs. An Equity Account

For: Robert Sullivan



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

[Licensed user's name appears here]

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## 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.

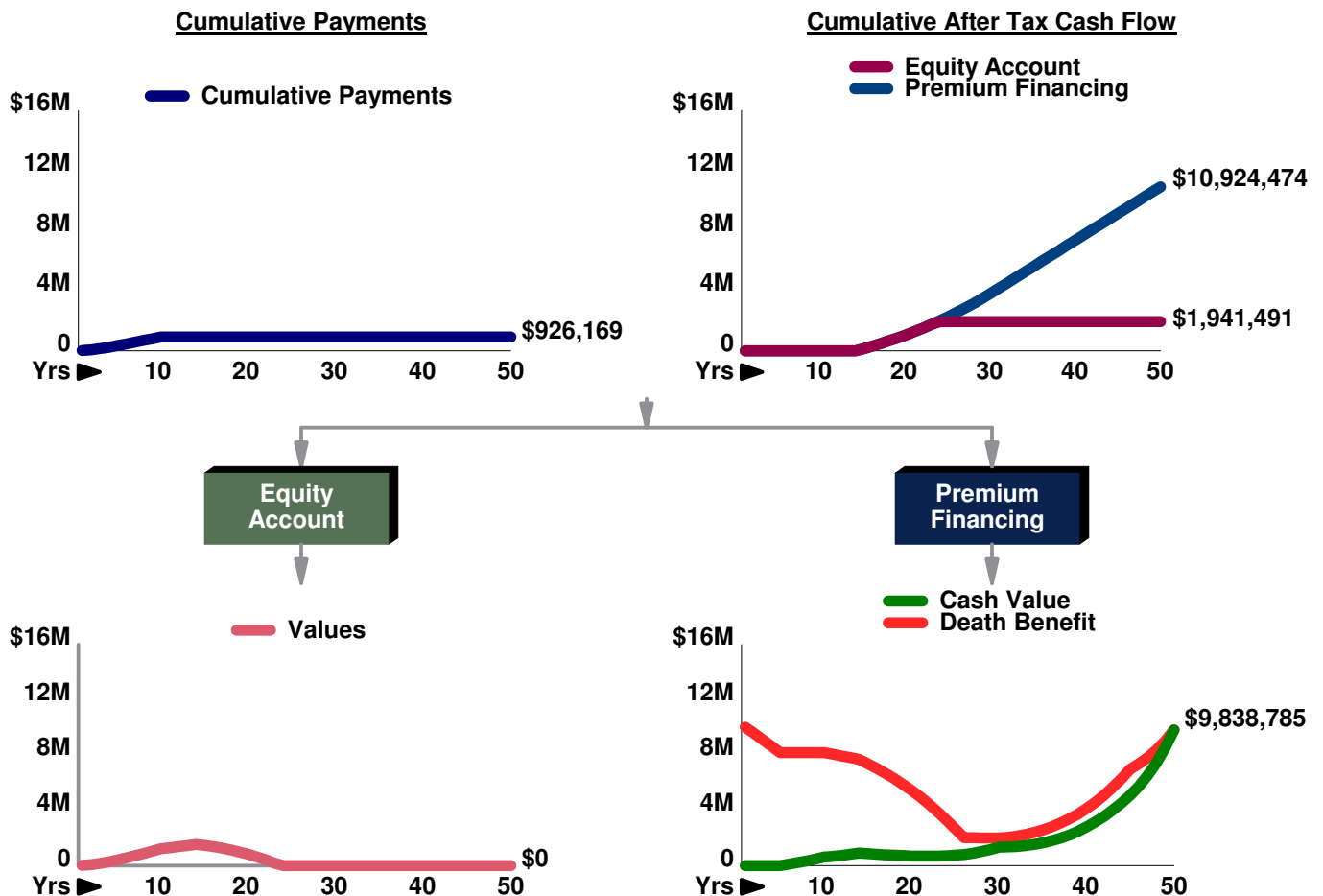
To help you make an informed decision about acquiring the policy, the accompanying presentation shows financial data regarding life insurance compared to an Equity Account.

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.

# Policy Owner's Share of a Premium Financing Plan vs. An Equity Account

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## Comparison

		Equity Account Growth 7.50%	Equity Account Dividend 2.50%	Dividend Tax Rate 30.00%	Income Tax Rate 45.00%	Composite Capital Gains Tax Rate* 36.00%	Portfolio Turnover 35.00%		
		Equity Account*			Premium Financing				
Year	Male Age	(1) Annual Deposit to the Account	(2) After Tax Cash Flow from the Account	(3) Year End Account Value	(4) Net Payment	(5) After Tax Policy Loan Proceeds	(6) Cash Value**	(7) Year End Cash Value**	(8) Death Benefit
1	46	23,154	0	24,701	23,154	0	0	0	10,036,915
2	47	46,309	0	75,661	46,309	0	0	0	9,573,830
3	48	69,463	0	154,472	69,463	0	0	0	9,110,745
4	49	92,617	0	262,783	92,617	0	0	0	8,647,660
5	50	115,771	0	402,317	115,771	0	8,275	8,275	8,184,575
6	51	115,771	0	550,177	115,771	0	102,487	110,762	8,184,575
7	52	115,771	0	706,702	115,771	0	112,184	222,946	8,184,575
8	53	115,771	0	872,296	115,771	0	123,093	346,039	8,184,575
9	54	115,771	0	1,047,418	115,771	0	135,332	481,371	8,184,575
10	55	115,771	0	1,232,570	115,771	0	149,394	630,765	8,184,575
11	56	0	0	1,304,792	0	0	48,746	679,511	8,068,803
12	57	0	0	1,380,388	0	0	63,391	742,902	7,947,243
13	58	0	0	1,459,799	0	0	79,409	822,311	7,819,605
14	59	0	0	1,543,403	0	0	97,051	919,362	7,685,585
15	60	0	153,769	1,466,830	0	153,769	-45,018	874,344	7,383,407
16	61	0	163,717	1,374,381	0	163,717	-42,570	831,774	7,055,674
17	62	0	173,963	1,265,018	0	173,963	-39,298	792,476	6,700,796
18	63	0	184,517	1,137,553	0	184,517	-35,071	757,405	6,317,093
19	64	0	195,388	990,672	0	195,388	-29,757	727,648	5,902,791
20	65	0	206,584	822,945	0	206,584	-23,119	704,529	5,456,017
21	66	0	218,116	632,824	0	218,116	-15,126	689,403	4,974,796
22	67	0	229,995	418,650	0	229,995	-5,258	684,145	4,457,041
23	68	0	242,229	178,649	0	242,229	6,803	690,948	3,900,552
24	69	0	173,213	0	0	254,831	21,510	712,458	3,303,008
25	70	0	0	0	0	267,811	39,531	751,989	2,661,957
26	71	0	0	0	0	281,180	61,630	813,619	2,027,663
27	72	0	0	0	0	294,950	88,882	902,501	2,020,502
28	73	0	0	0	0	309,133	115,427	1,017,928	2,013,932
29	74	0	0	0	0	323,742	144,020	1,161,948	2,005,665
30	75	0	0	0	0	338,789	176,922	1,338,870	1,995,386
		926,169	1,941,491		926,169	3,838,714			

\*See the accompanying reports entitled "Equity Account Details" and "Portfolio Turnover Details" for year-by-year equity calculation and turnover details.

Management fees reflected in column (3): 1.50%

\*\*This illustration assumes the nonguaranteed values shown continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.

### 30 Year Summary

	Equity Account	Premium Financing
After Tax Payments	926,169	926,169
After Tax Cash Flow	1,941,491	3,838,714
Living Values	0	1,338,870
Death Benefit	0	1,995,386

# Policy Owner's Share of a Premium Financing Plan vs. An Equity Account

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## Comparison

		Equity Account Growth 7.50%	Equity Account Dividend 2.50%	Dividend Tax Rate 30.00%	Income Tax Rate 45.00%	Composite Capital Gains Tax Rate* 36.00%	Portfolio Turnover 35.00%			
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31	76	0	0	0	0	354,288	12,044	1,350,914	2,056,110	
32	77	0	0	0	0	354,288	34,658	1,385,572	2,142,984	
33	78	0	0	0	0	354,288	59,680	1,445,252	2,258,655	
34	79	0	0	0	0	354,288	87,269	1,532,521	2,405,944	
35	80	0	0	0	0	354,288	117,482	1,650,003	2,587,741	
36	81	0	0	0	0	354,288	150,489	1,800,492	2,807,116	
37	82	0	0	0	0	354,288	186,790	1,987,282	3,067,675	
38	83	0	0	0	0	354,288	226,256	2,213,538	3,372,896	
39	84	0	0	0	0	354,288	268,700	2,482,238	3,726,065	
40	85	0	0	0	0	354,288	313,813	2,796,051	4,130,155	
41	86	0	0	0	0	354,288	361,050	3,157,101	4,587,572	
42	87	0	0	0	0	354,288	409,957	3,567,058	5,100,258	
43	88	0	0	0	0	354,288	460,425	4,027,483	5,670,046	
44	89	0	0	0	0	354,288	512,515	4,539,998	6,298,847	
45	90	0	0	0	0	354,288	564,815	5,104,813	6,987,095	
46	91	0	0	0	0	354,288	658,587	5,763,400	7,375,531	
47	92	0	0	0	0	354,288	773,155	6,536,555	7,831,818	
48	93	0	0	0	0	354,288	914,485	7,451,040	8,376,917	
49	94	0	0	0	0	354,288	1,090,315	8,541,355	9,038,339	
50	95	0	0	0	0	354,288	1,297,430	9,838,785	9,838,785	
		926,169	1,941,491		926,169	10,924,474				

\*See the accompanying reports entitled "Equity Account Details" and "Portfolio Turnover Details" for year-by-year equity calculation and turnover details.

Management fees reflected in column (3): 1.50%

\*\*This illustration assumes the nonguaranteed values shown continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.

### 50 Year Summary

	Equity Account	Premium Financing
After Tax Payments	926,169	926,169
After Tax Cash Flow	1,941,491	10,924,474
Living Values	0	9,838,785
Death Benefit	0	9,838,785

# Policy Owner's Share of a Premium Financing Plan vs. An Equity Account

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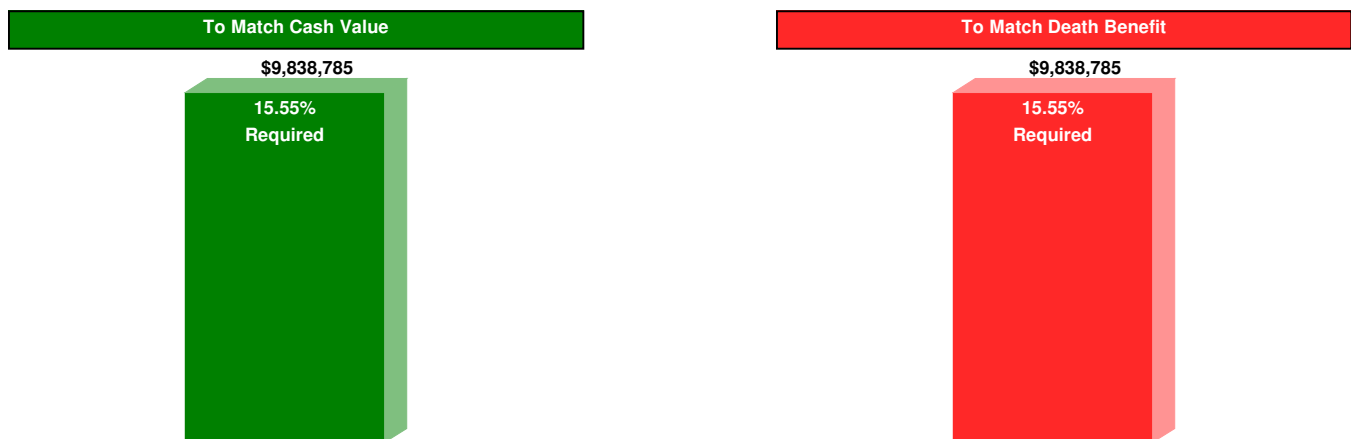
Insured: Robert Sullivan

## Matching Values

Male	Equity Account	Equity Account	Dividend	Income	Composite Capital	Portfolio
Age	Growth	Dividend	Tax Rate	Tax Rate	Gains Tax Rate*	Turnover
46	7.50%	2.50%	30.00%	45.00%	36.00%	35.00%

### Growth Required on an Equity Account in Addition to the Dividend Illustrated to Match Premium Financing Policy Values over 50 Years.

	Growth Required*
To Match Cash Value of: \$9,838,785	15.55%
To match Death Benefit of: \$9,838,785	15.55%



### Income Tax Considerations

1. Equity Account: Capital gains tax calculations are taxed based on a ratio of asset value to remaining cost basis in any given year.
2. Premium Financing:
  - a. Death Benefit including available cash value component is income tax free.
  - b. Loans are income tax free as long as the policy is kept in force.
  - c. Withdrawals and other non-loan policy cash flow up to cost basis (not in violation of IRC Section 7702) are income tax free as a return of premium.
  - d. Cash values shown assume most favorable combination of b and/or c.

\*Plus 2.50% dividend.

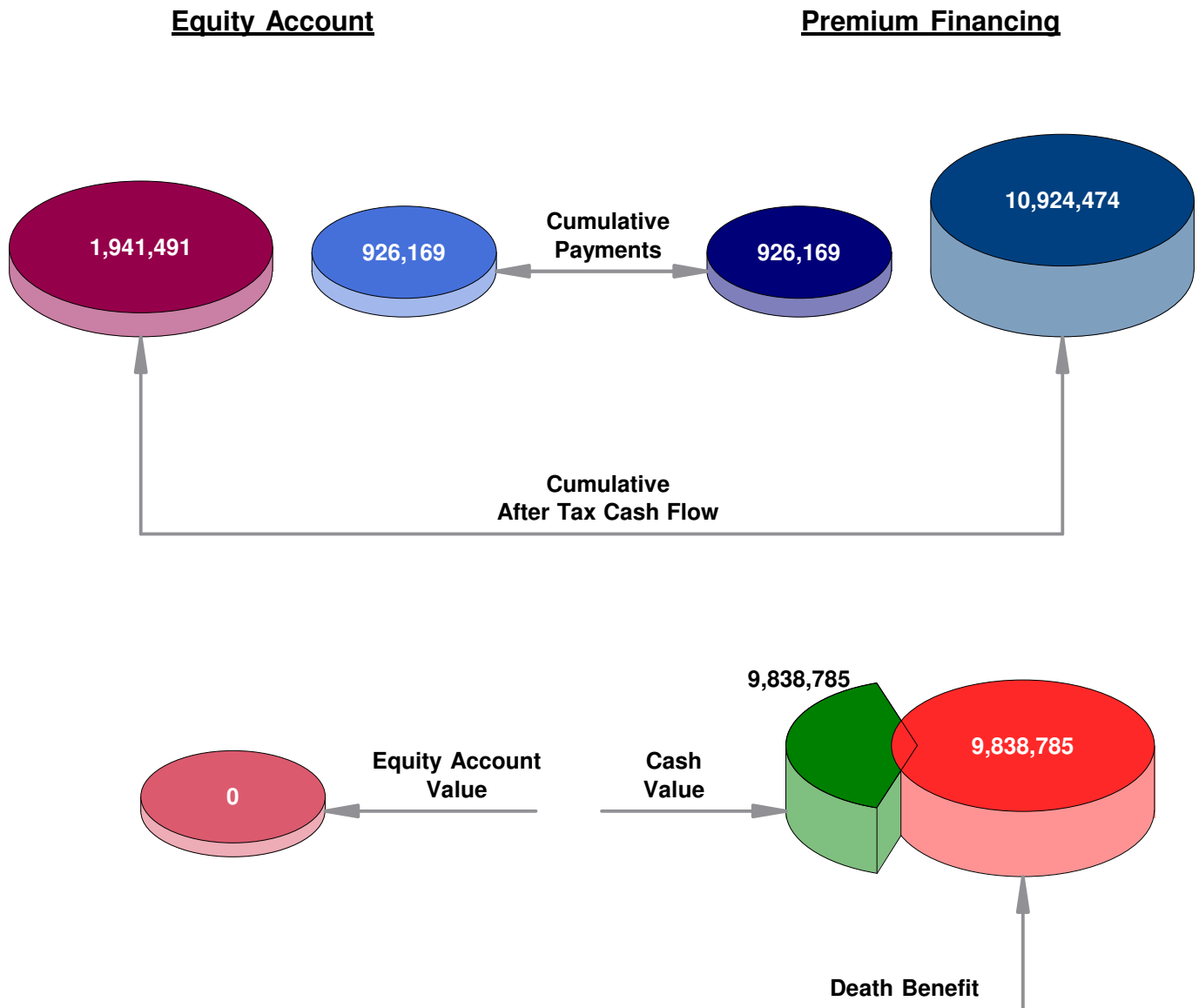
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## A Look at Year 50

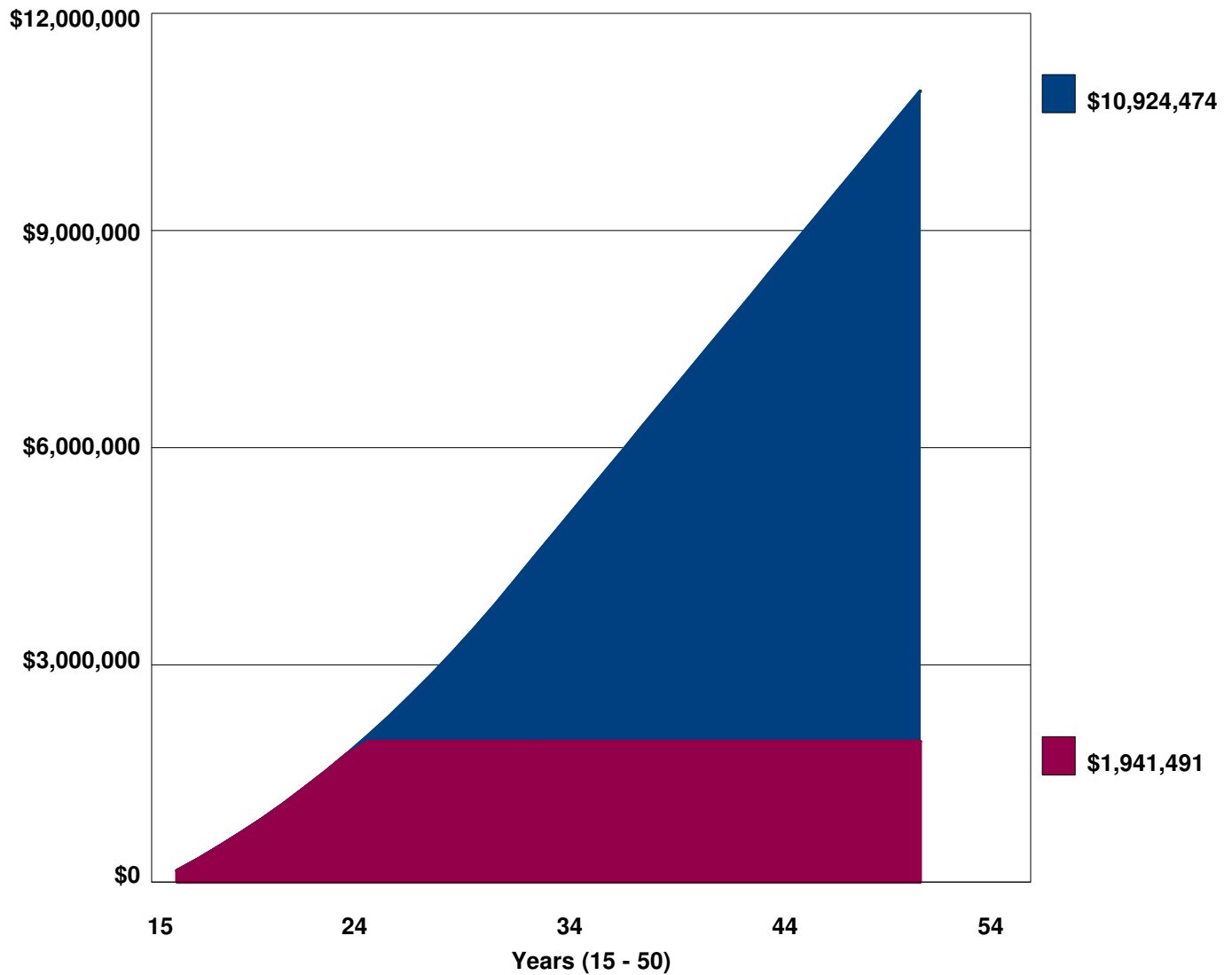


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## Cash Flow Comparison



At Year 50

Cumulative After Tax Cash Flow - Equity Account ■ \$1,941,491

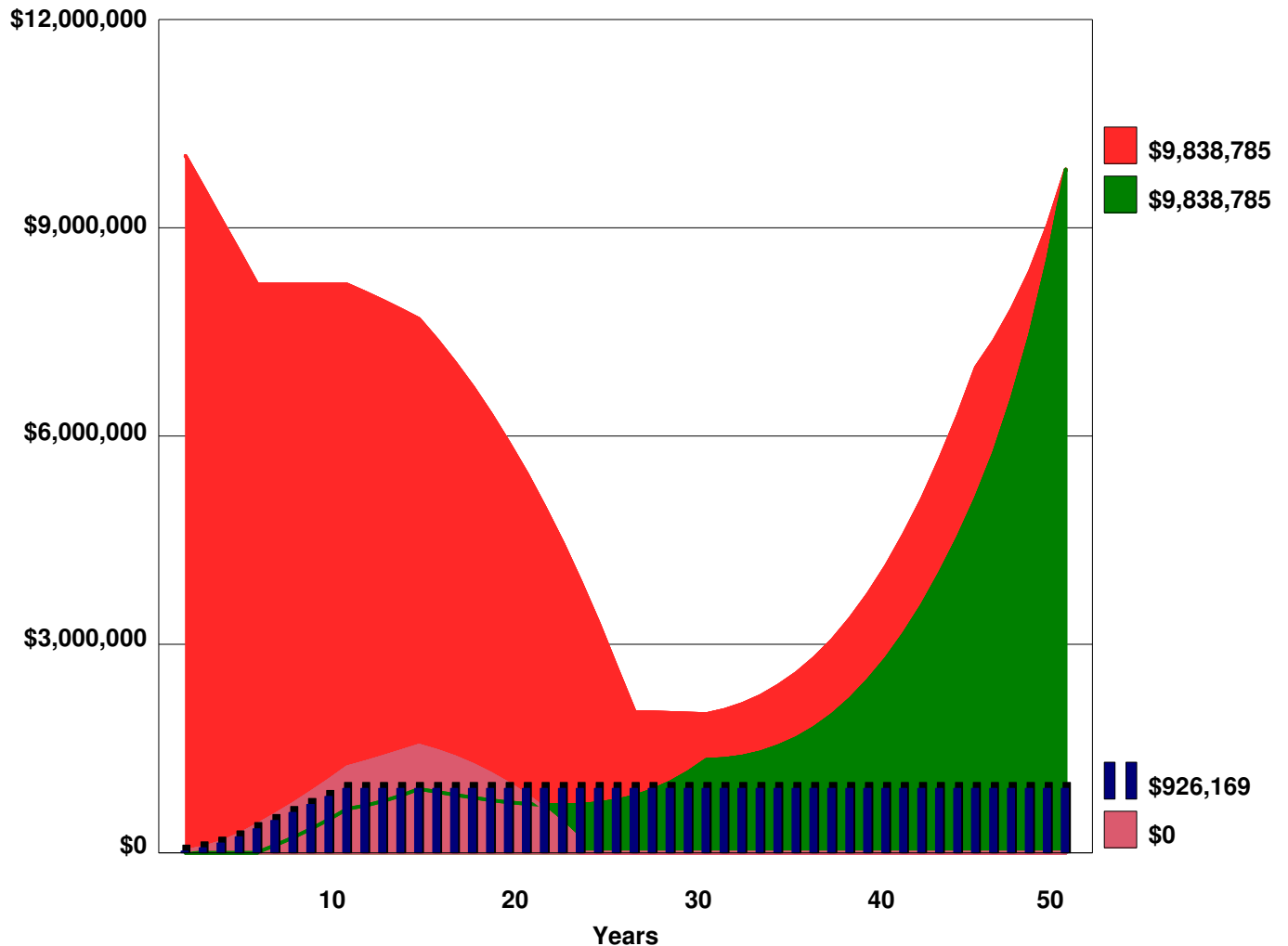
Cumulative After Tax Policy Cash Flow - Premium Financing ■ \$10,924,474

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## 50 Year Analysis



	<u>At Year 50</u>
Cumulative Payments	\$926,169
Equity Account Values	\$0
Cash Value of Premium Financing	\$9,838,785
Death Benefit of Premium Financing	\$9,838,785