



Permanent vs. Term

The Tax Deferred Account (e.g., Indexed Annuity)

In order to prepare a life insurance illustration like Case Study 1a, you need to know the amount of loan that will deplete the annuity when matched as a withdrawal.

To do this:

- Establish the face amount of the cash value policy you want to illustrate.
- Use increasing death benefit until just before you want the loan transactions to start (year 31 in Tom's case who is currently age 35).
- Max fund the policy just short of a MEC (either short- or long-pay, but no longer than the point loans begin – \$20,000 a year for 30 years in Tom's case).
- Establish the term premium you intend to use (in Tom's case, it is \$525 for \$600,000 of 30-year level term).
- Determine the amount of loan you will need on the life policy to wipe out the alternate investment (an Indexed Deferred Annuity in year 31 in Tom's case).

Note: This can appear complicated, but there is an easy way I calculated it for Tom assuming a continuous-pay IUL policy for Tom up to the first year of policy loans:

Go to the Tax Deferred Calculator on the InsCalc tab in the InsMark Illustration System. (If you download the digital Workbook file for Blog #146, you can review the Calculator with the data for Tom's case.)

In the Tax Deferred Calculator:

- Illustrate to the year/age of the first loan transaction (year 31, age 65 in Tom's case). Calculate the "Payments to the Account" using the difference between your life policy premium and the term premium (in Tom's case this is \$20,000 for the IUL premium less \$525 in term premium for a net of \$19,475 each year for 30 years.)
- Start the Distributions in the year/age the loans start on the IUL (year 31, age 65 for Tom).
- Then go to the Scheduled Distributions tab, select "Level after tax distributions which deplete the account over the distribution years illustrated". There should only be one year illustrated, and the after number that will extinguish the Indexed Annuity is in the next-to-last column. In Tom's case, it is \$1,483,950 which defines the loan amount you want to show in your life insurance illustration. If there is more than one Distribution year listed, you made a mistake.

See Page 2 for replication of the Workbook Main Window for Blog #146 from the InsMark Illustration System with descriptions of each illustration.

Below is a view of the Workbook Main Window for Blog #146 from the InsMark Illustration System along with a more complete description of each illustration further below.

InsMark Advanced (v 17.1)

Client Workbook Edit Tools Options Help

Workbook Main Window

Proposals for the workbook: Blog #146

Proposal Description	Sales Concept	Policy Data (if applicable)			
		Policy Notation	Initial Premium	Death Benefit	Name of Product
1. IUL vs Def Annuity	Permanent vs. Term	Surrender Annuity @ 65 ...	\$20,000	\$601,839	Indexed UL
2. IUL vs Def Annuity Income	Permanent vs. Term	Use Annuity for Income ...	\$20,000	\$601,839	Indexed UL
3. Calc Annuity Surrender @65	Tax Deferred Calculator	n/a	n/a	n/a	n/a
4. Calc Annuity for Income	Tax Deferred Calculator	n/a	n/a	n/a	n/a

Proposal

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Proposal Description 1: IUL vs. Deferred Annuity - Annuity Surrendered at Age 65
(Permanent vs. Term module - available on the Personal Insurance tab)

Proposal Description 2: IUL vs. Deferred Annuity - Annuity Retained for Income
(Permanent vs. Term module - available on the Personal Insurance tab)

Proposal Description 3: Surrender Value of Annuity at Age 65
(Tax Deferred Account Calculator - available on the InsCalc tab)

Proposal Description 4: Annuity Retained for Income
(Tax Deferred Account Calculator - available on the InsCalc tab)

Note: Some InsMark-linked companies may have blocked some/all of the calculators on the InsCalc tab in the InsMark Illustration System. If so, contact Julie Nayeri at InsMark (julien@insmark.com) or 888-InsMark (467-6275) to purchase an upgrade that includes the InsCalc calculators.