



Below is a view of the Workbook Main Window from the InsMark Illustration System used for Blog #185 along with a description of its contents.

InsMark Illustration System

Client Workbook Edit Tools Options Help Agent List

Export Workbook... Bob's Blog

Workbook Main Window

Proposals for the workbook: Blog #185

Proposal Description	Sales Concept	Policy Data (if applicable)			
		Policy Notation	Initial Premium	Death Benefit	Name of Product
1. IUL vs. 401(k)	Investments vs. Policy	Blog #185	\$10,500	\$513,647	Indexed UL
2. Various Financial Alternatives	Various Financial Alt	Blog #185	\$10,500	\$513,647	Indexed UL
3. IUL vs. 401(k) + Term Insurance	Permanent vs. Term	Blog #185	\$10,500	\$513,647	Indexed UL

Proposal: New... Copy Edit Delete Preview Print...

Workbook file: Blog #185.!.ii Import this file into your *InsMark Illustration System* to see precisely how data was entered to create the illustrations for Blog #185. It is strongly recommended that you read Blog #185 before proceeding as it will ease your understanding of the design descriptions below.

Note: Included in all the Proposals for Blog #185 discussed below is our new cost analysis summarizing the management fees and income taxes on retirement withdrawals from all the investment alternatives compared to the mortality charges and policy expenses associated with the IUL. The IUL is clearly the best choice. Look for this prompt located on the Basic Data tab in each of the illustration modules noted below if you want to use this option:

Comparison of Plan Costs

Include Include a comparison of policy charges and fees vs. investment charges and fees.

We need the policy charges and fees:

[Click here](#) for a video describing this new option and its data entry. It features a proposal similar to the one in Proposal 2 below (Various Financial Alternatives).

Proposal 1. This proposal shows a comparison of Indexed Universal Life (IUL) to a 401(k) (in this case, that portion of a 401(k) contribution not eligible for an employer matching contribution). I used the 2019 maximum 401(k) contribution of \$19,000 where the client's employer matches the first \$4,000, leaving \$15,000 unmatched. The assumed tax bracket is 30% which means the after tax cost of the unmatched 401(k) contribution is \$10,500 (70% of the \$15,000). The comparison thus involves a \$15,000 deduction for the 401(k) vs. a \$10,500 premium for the IUL. I increased both the \$15,000 and the \$10,500 by 3.00% each year until retirement in order to anticipate inflation increases in the maximum 401(k) annual contribution. I illustrated participating policy loans for the retirement cash flow from the IUL.

Once your IUL data includes this annual 3.00% increase, the software automatically adjusts the 401(k) contribution to match it. (You will need to use a carrier's illustration software that allows you to enter a percentage increase in annual premium in order to reproduce this feature.)

The illustration module used in Proposal 1 is **Other Investments vs. Your Policy** located on the Personal Insurance tab of the InsMark Illustration System. My investment selections are on the Investment Details tab. You can choose **Tax Deductible Retirement Plan (TDRP)** that is generic for a 401(k), IRA, Keogh, or 403(b) (since they are all basically

taxed the same). I prefer to be more specific and selected a customized name of **401(k)**. If you do this, select the option that it should be taxed as a “Tax Deductible Retirement Plan (TDRP)”. You should also indicate the 401(k) yield you want to display. (I used 6.85%, the same as the IUL.) I included a 1.00% management fee (other fees are also available to select). The IUL policy values should either be imported from one of InsMark’s linked insurance companies or entered by you in InsMark Source Data Storage which you can access using the Tools selection on the Main Menu bar. This requires hand-entering each number or, as many users do, exporting carrier data to Excel and copying appropriate columns of data and pasting them into the appropriate fields in Source Data Storage. Please be very careful if you cut and paste values.

Some life insurance companies will export policy data directly to Excel. If yours doesn’t, consider using an app like PDF Converter Elite (www.pdfconverter.com) which can transfer values from a pdf directly into Excel.

Proposal 2. This proposal uses the module named **Various Financial Alternatives** – also available on the Personal Insurance tab of the InsMark Illustration System. To demonstrate further the power of the IUL, I compared it to a 401(k), a Tax Deferred Account, and an Equity Account each credited with 6.85% (like the IUL) with an additional 2.00% dividend for the Equity Account. The logic of the data entry is similar to that of Proposal 1 above for each of the investments. (The data entry for the Equity Account is a little more involved since it requires more details than the other alternatives.) The IUL proves considerably superior to all choices.

Proposal 3. The only remaining option is to address “buy term and invest the difference”. In this case, I compared the IUL to a 401(k) coupled with level term insurance. The lowest premium I could find for \$500,000 of 30-year level term was \$435, so I integrated that with the 401(k) deposit using the **Permanent vs. Term** module located on the Personal Insurance tab of the InsMark Illustration System. Other than the term rates and face amount, the data entry is similar to that in Proposal 1.

Conclusion

IUL beats all alternatives presented – by a wide margin. (The concepts presented all work regardless of tax bracket.)

Important Note #1: The hypothetical life insurance illustrations referred to in this report assume the nonguaranteed values shown continue in all years. This is not likely, and actual results may be more or less favorable. Actual illustrations are not valid unless accompanied by a basic illustration from the issuing life insurance company.

Important Note #2: The information in this report is for educational purposes only. In all cases, the approval of a client’s legal and tax advisers must be secured regarding the implementation or modification of any planning technique as well as the applicability and consequences of new cases, rulings, or legislation upon existing or impending plans.

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