

Indexed Universal Life vs. Term Insurance and Keogh Plan

For: Laura Lake Johnson



Presented By: _____

[Licensed user's name appears here]

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Insured: Laura Lake Johnson

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 will involve your selection of the appropriate life insurance policy.

There are several important factors to consider which include:

1. The time frame for the insurance need;
2. Your available cash flow;
3. Your alternative uses for the cash flow;
4. The income tax considerations.

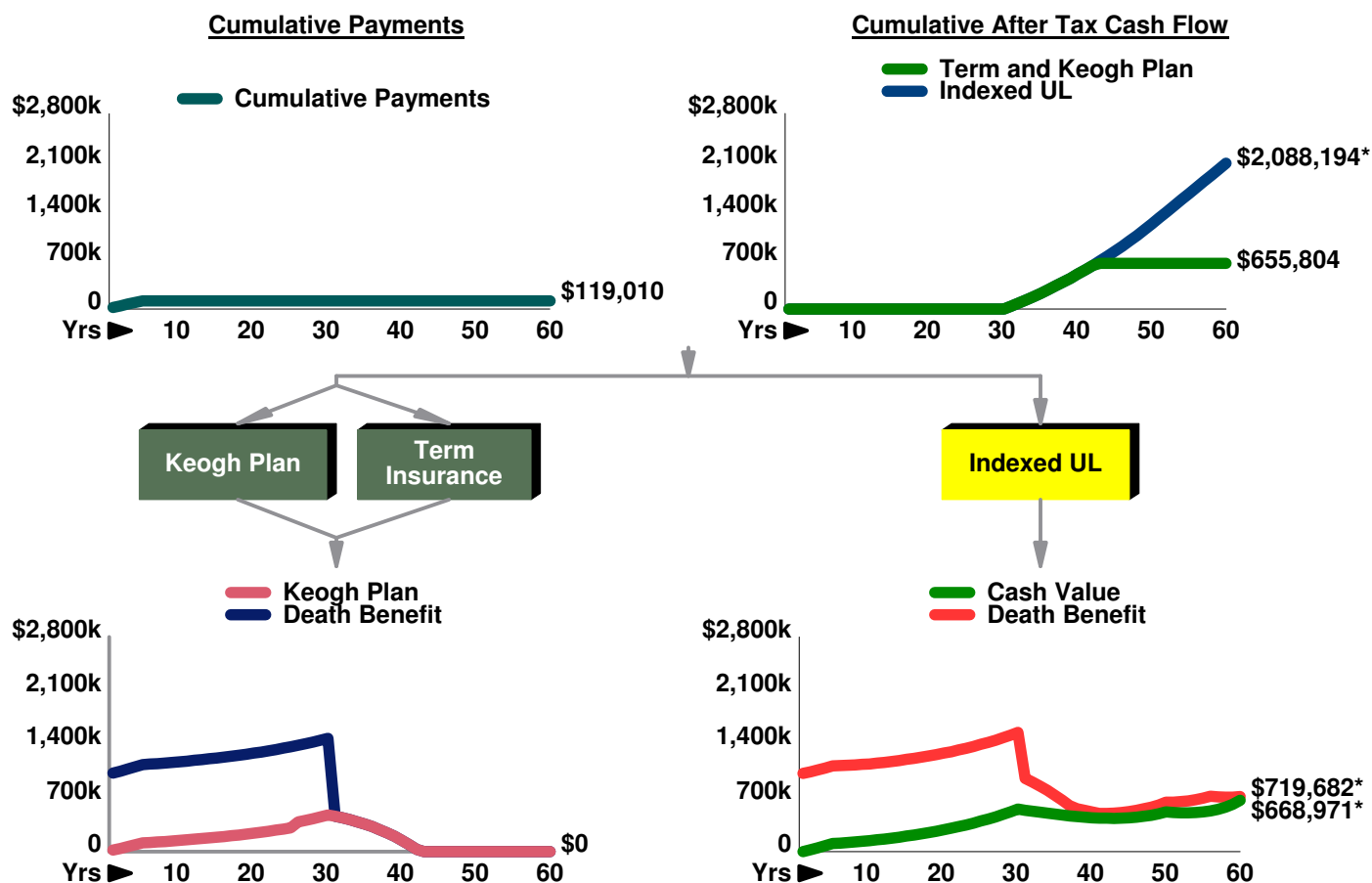
An integrated analysis of these points creates useful information that helps guide your purchasing evaluation. The precision of the conclusions, however, is contingent upon the accuracy of the data utilized. You should be positive that all premises

and conditions accurately reflect your goals and expectations.

The accompanying analysis contrasts a cash value policy to a term insurance alternative. Any difference in premiums between the two choices has been evaluated regarding time/use of money.

The study produces information which should form a basis from which you and your advisors can draw informed conclusions.

Based upon the results of the analysis, we recommend funding your life insurance requirement with the cash value policy illustrated rather than a term life insurance policy.



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.

Indexed Universal Life vs. Term Insurance and Keogh Plan

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Insured: Laura Lake Johnson

Summary

		After Tax Payment		1,000,000 Scheduled Term Insurance Along with Keogh Plan					Indexed UL		
		(1) Cost of the Proposed Premium	(2) After Tax Cost of Term and Keogh Plan*	(3) After Tax Cash Flow from Keogh Plan	(4) Value of Keogh Plan if Distributed	(5) After Tax Death Benefit of Keogh Plan	(6) Scheduled Term Death Benefit	(7) Combined Death Benefit	(8) After Tax Policy Loan Proceeds	(9) Year End Cash Value**	(10) Death Benefit
Year	Female Age										
1	35	23,802	23,802	0	20,644	24,397	1,000,000	1,024,397	0	248	1,020,708
2	36	23,802	23,802	0	42,426	50,140	1,000,000	1,050,140	0	24,373	1,042,783
3	37	23,802	23,802	0	65,409	77,302	1,000,000	1,077,302	0	49,966	1,066,326
4	38	23,802	23,802	0	89,659	105,961	1,000,000	1,105,961	0	77,127	1,091,447
5	39	23,802	23,802	0	115,247	136,201	1,000,000	1,136,201	0	105,974	1,118,244
6	40	0	0	0	120,885	142,864	1,000,000	1,142,864	0	112,536	1,122,766
7	41	0	0	0	126,834	149,895	1,000,000	1,149,895	0	119,463	1,127,643
8	42	0	0	0	133,110	157,312	1,000,000	1,157,312	0	126,776	1,132,906
9	43	0	0	0	139,734	165,140	1,000,000	1,165,140	0	134,499	1,138,589
10	44	0	0	0	146,721	173,398	1,000,000	1,173,398	0	142,701	1,144,741
11	45	0	0	0	154,095	182,112	1,000,000	1,182,112	0	154,875	1,154,875
12	46	0	0	0	161,875	191,307	1,000,000	1,191,307	0	165,730	1,165,730
13	47	0	0	0	170,084	201,009	1,000,000	1,201,009	0	177,355	1,177,355
14	48	0	0	0	178,746	211,245	1,000,000	1,211,245	0	189,802	1,189,802
15	49	0	0	0	187,886	222,047	1,000,000	1,222,047	0	203,120	1,203,120
16	50	0	0	0	197,529	233,444	1,000,000	1,233,444	0	217,370	1,217,370
17	51	0	0	0	207,705	245,469	1,000,000	1,245,469	0	232,629	1,232,629
18	52	0	0	0	218,441	258,158	1,000,000	1,258,158	0	248,961	1,248,961
19	53	0	0	0	229,770	271,546	1,000,000	1,271,546	0	266,437	1,266,437
20	54	0	0	0	241,723	285,672	1,000,000	1,285,672	0	285,123	1,285,123
21	55	0	0	0	254,335	300,578	1,000,000	1,300,578	0	305,087	1,305,087
22	56	0	0	0	267,643	316,305	1,000,000	1,316,305	0	326,400	1,326,400
23	57	0	0	0	281,684	332,899	1,000,000	1,332,899	0	349,136	1,349,136
24	58	0	0	0	296,500	350,409	1,000,000	1,350,409	0	373,362	1,373,362
25	59	0	0	0	312,133	368,884	1,000,000	1,368,884	0	399,165	1,399,165
26	60	0	0	0	388,508	388,508	1,000,000	1,388,508	0	426,594	1,426,594
27	61	0	0	0	409,215	409,215	1,000,000	1,409,215	0	455,762	1,455,762
28	62	0	0	0	431,062	431,062	1,000,000	1,431,062	0	486,761	1,486,761
29	63	0	0	0	454,115	454,115	1,000,000	1,454,115	0	519,691	1,519,691
30	64	0	0	0	478,440	478,440	1,000,000	1,478,440	0	554,664	1,554,664
		119,010	119,010	0					0		

*See column (6) on Term and Keogh Plan Detail Page.
Keogh Plan withdrawal has been grossed up to account for the income tax required to produce the after tax number shown in Columns (2) and (3).

**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

	Term/Keogh Plan	Indexed UL
After Tax Payments	119,010	119,010
After Tax Cash Flow	0	0
Living Values	478,440	554,664
Death Benefit	1,478,440	1,554,664

Indexed Universal Life vs. Term Insurance and Keogh Plan

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Insured: Laura Lake Johnson

Summary

		Keogh Plan Yield 6.85%		Income Tax Rate 35.00%		Indexed UL Interest Rate 6.85%		Initial Death Benefit 1,000,000			
		After Tax Payment		1,000,000 Scheduled Term Insurance Along with Keogh Plan					Indexed UL		
Year	Female Age	(1) Cost of the Proposed Premium	(2) After Tax Cost of Term and Keogh Plan*	(3) After Tax Cash Flow from Keogh Plan	(4) Value of Keogh Plan if Distributed	(5) After Tax Death Benefit of Keogh Plan	(6) Scheduled Term Death Benefit	(7) Combined Death Benefit	(8) After Tax Policy Loan Proceeds	(9) Year End Cash Value**	(10) Death Benefit
31	65	0	0	42,000	460,507	460,507	0	460,507	42,000	541,311	955,900
32	66	0	0	43,664	439,830	439,830	0	439,830	43,664	527,964	907,848
33	67	0	0	45,378	416,203	416,203	0	416,203	45,378	514,765	855,593
34	68	0	0	47,143	389,412	389,412	0	389,412	47,143	501,864	798,873
35	69	0	0	48,962	359,223	359,223	0	359,223	48,962	489,439	737,407
36	70	0	0	50,834	325,395	325,395	0	325,395	50,834	477,709	670,901
37	71	0	0	52,763	287,665	287,665	0	287,665	52,763	466,942	599,044
38	72	0	0	54,750	245,759	245,759	0	245,759	54,750	457,461	560,415
39	73	0	0	56,797	199,382	199,382	0	199,382	56,797	449,494	540,534
40	74	0	0	58,905	148,223	148,223	0	148,223	58,905	443,008	519,659
41	75	0	0	61,076	91,953	91,953	0	91,953	61,076	438,319	497,672
42	76	0	0	63,312	30,220	30,220	0	30,220	63,312	435,493	499,900
43	77	0	0	30,220	0	0	0	0	65,615	434,812	504,762
44	78	0	0	0	0	0	0	0	67,988	436,588	512,606
45	79	0	0	0	0	0	0	0	70,432	441,156	523,809
46	80	0	0	0	0	0	0	0	72,948	448,880	538,779
47	81	0	0	0	0	0	0	0	75,541	460,152	557,954
48	82	0	0	0	0	0	0	0	78,211	475,394	581,803
49	83	0	0	0	0	0	0	0	80,961	495,056	610,831
50	84	0	0	0	0	0	0	0	83,794	519,631	645,586
51	85	0	0	0	0	0	0	0	86,712	512,289	647,428
52	86	0	0	0	0	0	0	0	86,712	508,215	653,178
53	87	0	0	0	0	0	0	0	86,712	507,719	663,187
54	88	0	0	0	0	0	0	0	86,712	511,132	677,827
55	89	0	0	0	0	0	0	0	86,712	518,784	697,471
56	90	0	0	0	0	0	0	0	86,712	530,832	722,312
57	91	0	0	0	0	0	0	0	86,712	550,209	714,407
58	92	0	0	0	0	0	0	0	86,712	578,384	710,441
59	93	0	0	0	0	0	0	0	86,712	617,195	711,654
60	94	0	0	0	0	0	0	0	86,712	668,971	719,682
		119,010	119,010	655,804					2,088,194		

*See column (6) on Term and Keogh Plan Detail Page.
Keogh Plan withdrawal has been grossed up to account for the income tax required to produce the after tax number shown in Columns (2) and (3).

**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.

60 Year Summary

	Term/Keogh Plan	Indexed UL
After Tax Payments	119,010	119,010
After Tax Cash Flow	655,804	655,804
Living Values	0	668,971
Death Benefit	0	719,682

Indexed Universal Life vs. Term Insurance and Keogh Plan

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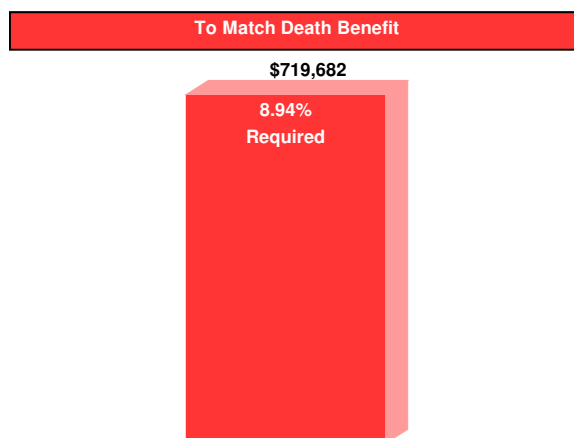
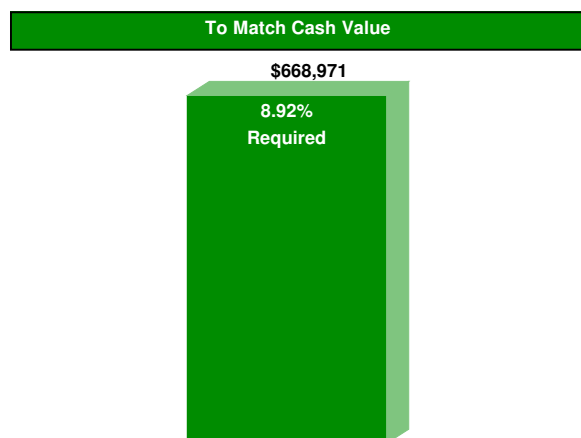
Insured: Laura Lake Johnson

Summary

Keogh Plan Yield	Income Tax Rate	Indexed UL Interest Rate	Initial Death Benefit
6.85%	35.00%	6.85%	1,000,000

Gross Interest Rate Required on Keogh Plan to Match Indexed Universal Life Policy Values over 60 Years After Applying the Term Payment Illustrated

	Gross Interest Rate Required
To Match Cash Value of: \$668,971	8.92%
To match Death Benefit of: \$719,682	8.94%



Income Tax Considerations

1. Keogh Plan: Interest is tax deferred.
2. Indexed Universal Life:
 - 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.

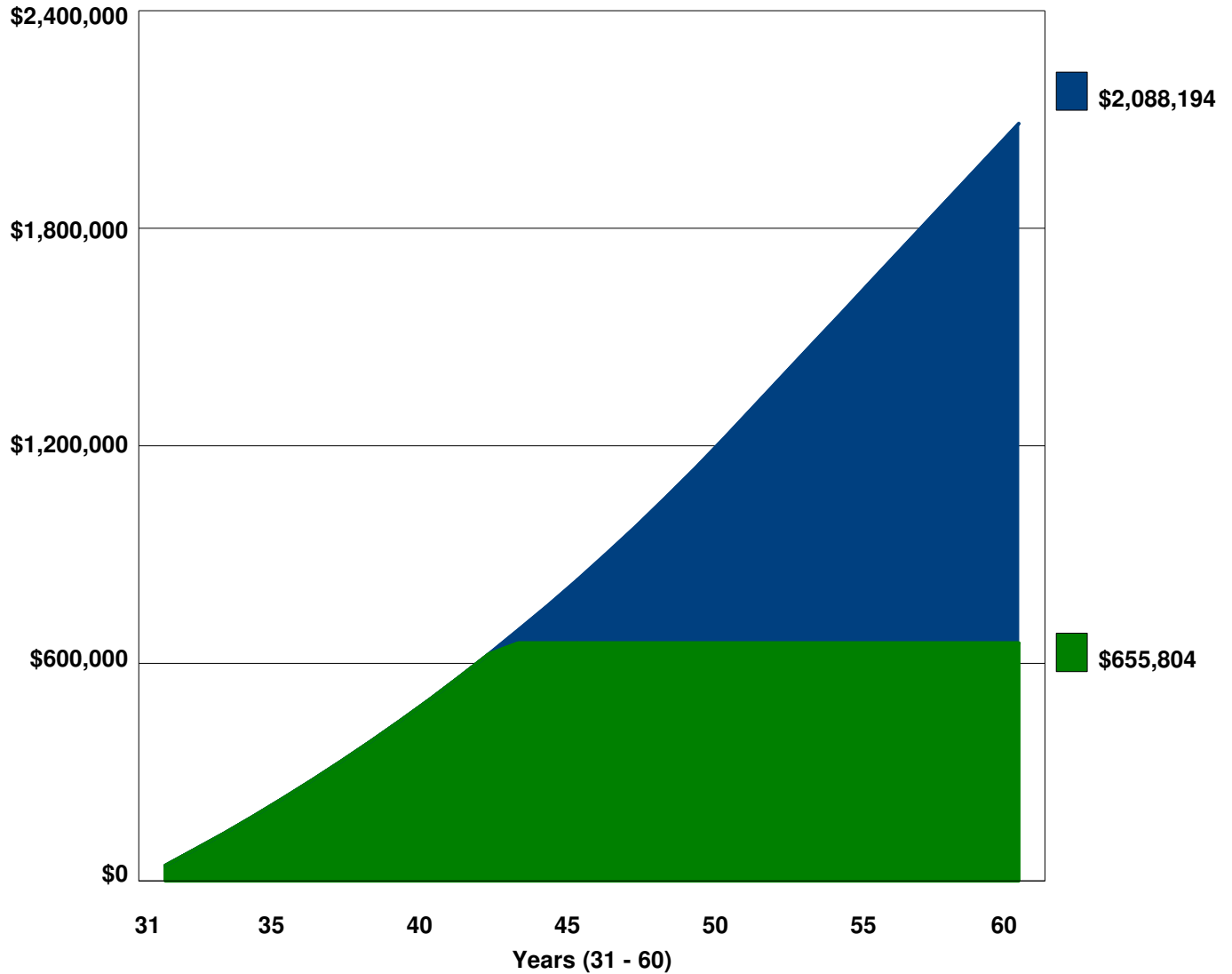
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Cash Flow Comparison of Years 31 - 60



At Year 60

Cumulative After Tax Cash Flow - Keogh Plan \$655,804

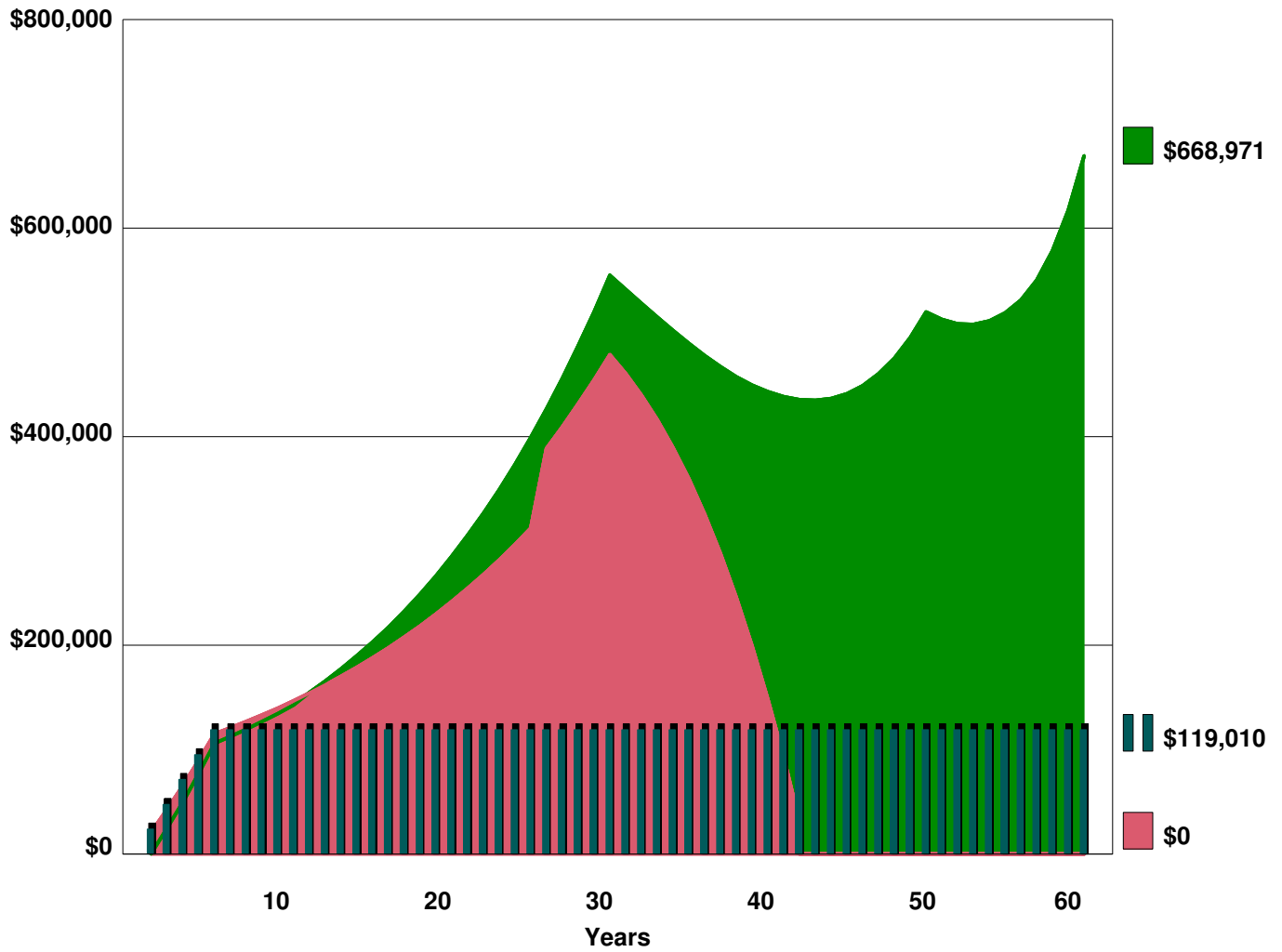
Cumulative After Tax Policy Cash Flow - Indexed UL \$2,088,194

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60 Year Analysis



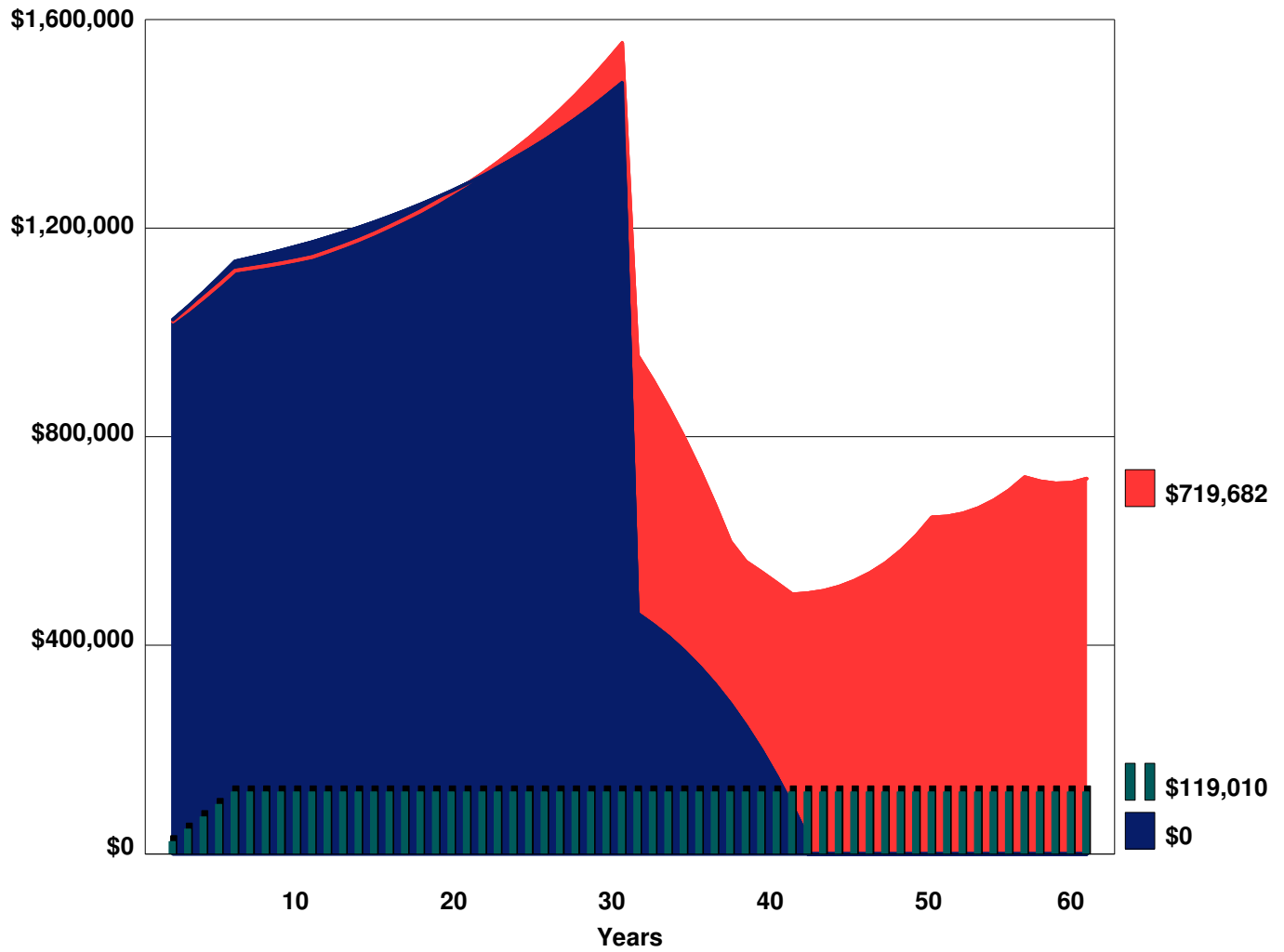
	<u>At Year 60</u>
Net Payments (Cumulative)	\$119,010
Keogh Plan Distributed Values	\$0
Indexed UL Cash Values	\$668,971

Indexed Universal Life vs. Term Insurance and Keogh Plan

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60 Year Analysis



	At Year 60
Net Payments (Cumulative)	\$119,010
Term Plus Keogh Plan Death Benefit	\$0
Indexed UL Policy Death Benefit	\$719,682

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 income-tax free up to cost basis and taxable thereafter. Policy loans are income-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 31

Below is an analysis of tax calculations on cash flow in the first year that cash flow from the Keogh Plan and Indexed Universal Life is illustrated.

Keogh Plan

64,615 total withdrawal @ 35.00% tax which nets	42,000
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Indexed Universal Life

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

On the keogh plan, withdrawal(s) made prior to age 59½ are assessed an additional 10.00% tax.
On the life insurance policy, withdrawals up to cost basis (not in violation of IRC Section 7702) are income tax free.

Keogh Plan Tax Calculations

Your proposal utilizing term insurance and a tax deferred investment reflects after tax values that, at first glance, may appear to be incorrect. The values illustrated are accurate. Since the only way to realize cash flow (withdrawals) from this investment is gain first, which is taxable, values of the account are illustrated on an after tax basis.

A cash value life insurance policy (that is not designed as a modified endowment contract*) is taxed on a first-in-first-out basis which means that withdrawals (also known as partial surrenders) have different taxation. Withdrawals up to cost basis are tax free; subsequent withdrawals are taxable. However, contractual loan provision in the policy allow you to access additional cash flow from the policy cash value which is tax free so long as the policy stays in force. This feature avoids the problem of taxable withdrawals in excess of cost basis. Interest on such loans can be added to the outstanding loan, and with most life insurance policies, the loan balance is credited with interest earnings at (or near) the level of the loan interest charged resulting in a wash (or near wash) of the loan interest. If the policy is kept in force until death, the policy death benefit, including any internal deferred gain, is income-tax free.

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.

*A life insurance policy that is characterized as a modified endowment contract ("MEC") is taxed similarly to a tax deferred account like an annuity in that both withdrawals and loans are taxed on a gain first basis. In almost all circumstances, it is advisable to avoid purchasing a MEC, and the basic illustration that is provided to you from the issuing life insurance company should indicate if it is a MEC.

Legal and tax information is for general use only and may not be applicable to specific circumstances. Clients should consult their own legal, tax and accounting advisors to assist in the evaluation of any potential transaction or strategy.

Indexed Universal Life vs. Term Insurance and Keogh Plan

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Insured: Laura Lake Johnson

Term and Keogh Plan Detail

Keogh Plan Yield 6.85%
Income Tax Rate 35.00%

		Term Insurance and Keogh Plan Cost Analysis					
Year	Female Age	(1) Cost of the Proposed Premium	(2) Alternative Term Premium	(3) After Tax Retirement Income	(4) After Tax Amount Remaining For Keogh Plan	(5) Gross-up of Col (4) Available For Keogh Plan	(6) After Tax Cost of Term and Keogh Plan (2)+(3)+(4)
1	35	23,802	680	0	23,122	35,572	23,802
2	36	23,802	680	0	23,122	35,572	23,802
3	37	23,802	680	0	23,122	35,572	23,802
4	38	23,802	680	0	23,122	35,572	23,802
5	39	23,802	680	0	23,122	35,572	23,802
6	40	0	680	0	-680	-1,236	0
7	41	0	680	0	-680	-1,236	0
8	42	0	680	0	-680	-1,236	0
9	43	0	680	0	-680	-1,236	0
10	44	0	680	0	-680	-1,236	0
11	45	0	680	0	-680	-1,236	0
12	46	0	680	0	-680	-1,236	0
13	47	0	680	0	-680	-1,236	0
14	48	0	680	0	-680	-1,236	0
15	49	0	680	0	-680	-1,236	0
16	50	0	680	0	-680	-1,236	0
17	51	0	680	0	-680	-1,236	0
18	52	0	680	0	-680	-1,236	0
19	53	0	680	0	-680	-1,236	0
20	54	0	680	0	-680	-1,236	0
21	55	0	680	0	-680	-1,236	0
22	56	0	680	0	-680	-1,236	0
23	57	0	680	0	-680	-1,236	0
24	58	0	680	0	-680	-1,236	0
25	59	0	680	0	-680	-1,236	0
26	60	0	680	0	-680	-1,046	0
27	61	0	680	0	-680	-1,046	0
28	62	0	680	0	-680	-1,046	0
29	63	0	680	0	-680	-1,046	0
30	64	0	680	0	-680	-1,046	0
		119,010	20,400	0	98,610	147,910	119,010

Term Insurance and Keogh Plan Value Analysis			
(7) Year End Value of Keogh Plan Account	(8) Year End Value of Keogh Plan if Distributed	(9) After Tax Death Benefit of Keogh Plan	(10) Death Benefit of Term Insurance
37,534	20,644	24,397	1,000,000
77,138	42,426	50,140	1,000,000
118,926	65,409	77,302	1,000,000
163,017	89,659	105,961	1,000,000
209,540	115,247	136,201	1,000,000
219,791	120,885	142,864	1,000,000
230,607	126,834	149,895	1,000,000
242,019	133,110	157,312	1,000,000
254,061	139,734	165,140	1,000,000
266,766	146,721	173,398	1,000,000
280,173	154,095	182,112	1,000,000
294,318	161,875	191,307	1,000,000
309,244	170,084	201,009	1,000,000
324,993	178,746	211,245	1,000,000
341,610	187,886	222,047	1,000,000
359,144	197,529	233,444	1,000,000
377,645	207,705	245,469	1,000,000
397,166	218,441	258,158	1,000,000
417,763	229,770	271,546	1,000,000
439,496	241,723	285,672	1,000,000
462,427	254,335	300,578	1,000,000
486,623	267,643	316,305	1,000,000
512,153	281,684	332,899	1,000,000
539,091	296,500	350,409	1,000,000
567,514	312,133	368,884	1,000,000
597,705	388,508	388,508	1,000,000
629,561	409,215	409,215	1,000,000
663,173	431,062	431,062	1,000,000
698,639	454,115	454,115	1,000,000
736,061	478,440	478,440	1,000,000

Note: Keogh Plan values do not reflect market rate adjustments, if any. Keogh Plan is assessed:

Tax on withdrawals. Entries in Column (4) are after tax incl. add'l tax before age 59½: 10.00%

Management fees reflected in column (8): 1.25%

Indexed Universal Life vs. Term Insurance and Keogh Plan

Presented By: [Licensed user's name appears here]

Insured: Laura Lake Johnson

Term and Keogh Plan Detail

Keogh Plan Yield: 6.85%
Income Tax Rate: 35.00%

Term Insurance and Keogh Plan Cost Analysis								Term Insurance and Keogh Plan Value Analysis			
Year	Female Age	(1) Cost of the Proposed Premium	(2) Alternative Term Premium	(3) After Tax Retirement Income	(4) After Tax Amount Remaining For Keogh Plan	(5) Gross-up of Col (4) Available For Keogh Plan	(6) After Tax Cost of Term and Keogh Plan (2)+(3)+(4)	(7) Year End Value of Keogh Plan Account	(8) Year End Value of Keogh Plan if Distributed	(9) After Tax Death Benefit of Keogh Plan	(10) Death Benefit of Term Insurance
31	65	0	0	42,000	-42,000	-64,615	0	708,472	460,507	460,507	0
32	66	0	0	43,664	-43,664	-67,175	0	676,661	439,830	439,830	0
33	67	0	0	45,378	-45,378	-69,812	0	640,313	416,203	416,203	0
34	68	0	0	47,143	-47,143	-72,528	0	599,095	389,412	389,412	0
35	69	0	0	48,962	-48,962	-75,326	0	552,651	359,223	359,223	0
36	70	0	0	50,834	-50,834	-78,206	0	500,607	325,395	325,395	0
37	71	0	0	52,763	-52,763	-81,174	0	442,562	287,665	287,665	0
38	72	0	0	54,750	-54,750	-84,231	0	378,091	245,759	245,759	0
39	73	0	0	56,797	-56,797	-87,380	0	306,742	199,382	199,382	0
40	74	0	0	58,905	-58,905	-90,623	0	228,036	148,223	148,223	0
41	75	0	0	61,076	-61,076	-93,963	0	141,466	91,953	91,953	0
42	76	0	0	63,312	-63,312	-97,403	0	46,492	30,220	30,220	0
43	77	0	0	30,220	-30,220	-46,492	0	0	0	0	0
44	78	0	0	0	0	0	0	0	0	0	0
45	79	0	0	0	0	0	0	0	0	0	0
46	80	0	0	0	0	0	0	0	0	0	0
47	81	0	0	0	0	0	0	0	0	0	0
48	82	0	0	0	0	0	0	0	0	0	0
49	83	0	0	0	0	0	0	0	0	0	0
50	84	0	0	0	0	0	0	0	0	0	0
51	85	0	0	0	0	0	0	0	0	0	0
52	86	0	0	0	0	0	0	0	0	0	0
53	87	0	0	0	0	0	0	0	0	0	0
54	88	0	0	0	0	0	0	0	0	0	0
55	89	0	0	0	0	0	0	0	0	0	0
56	90	0	0	0	0	0	0	0	0	0	0
57	91	0	0	0	0	0	0	0	0	0	0
58	92	0	0	0	0	0	0	0	0	0	0
59	93	0	0	0	0	0	0	0	0	0	0
60	94	0	0	0	0	0	0	0	0	0	0
		119,010	20,400	655,804	-557,194	-861,018	119,010				

Note: Keogh Plan values do not reflect market rate adjustments, if any. Keogh Plan is assessed:

Tax on withdrawals. Entries in Column (4) are after tax incl. add'l tax before age 59½: 10.00%

Management fees reflected in column (8): 1.25%