

Term Insurance and Taxable Side Fund vs. Participating Whole Life

For: Jack Baker



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 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.

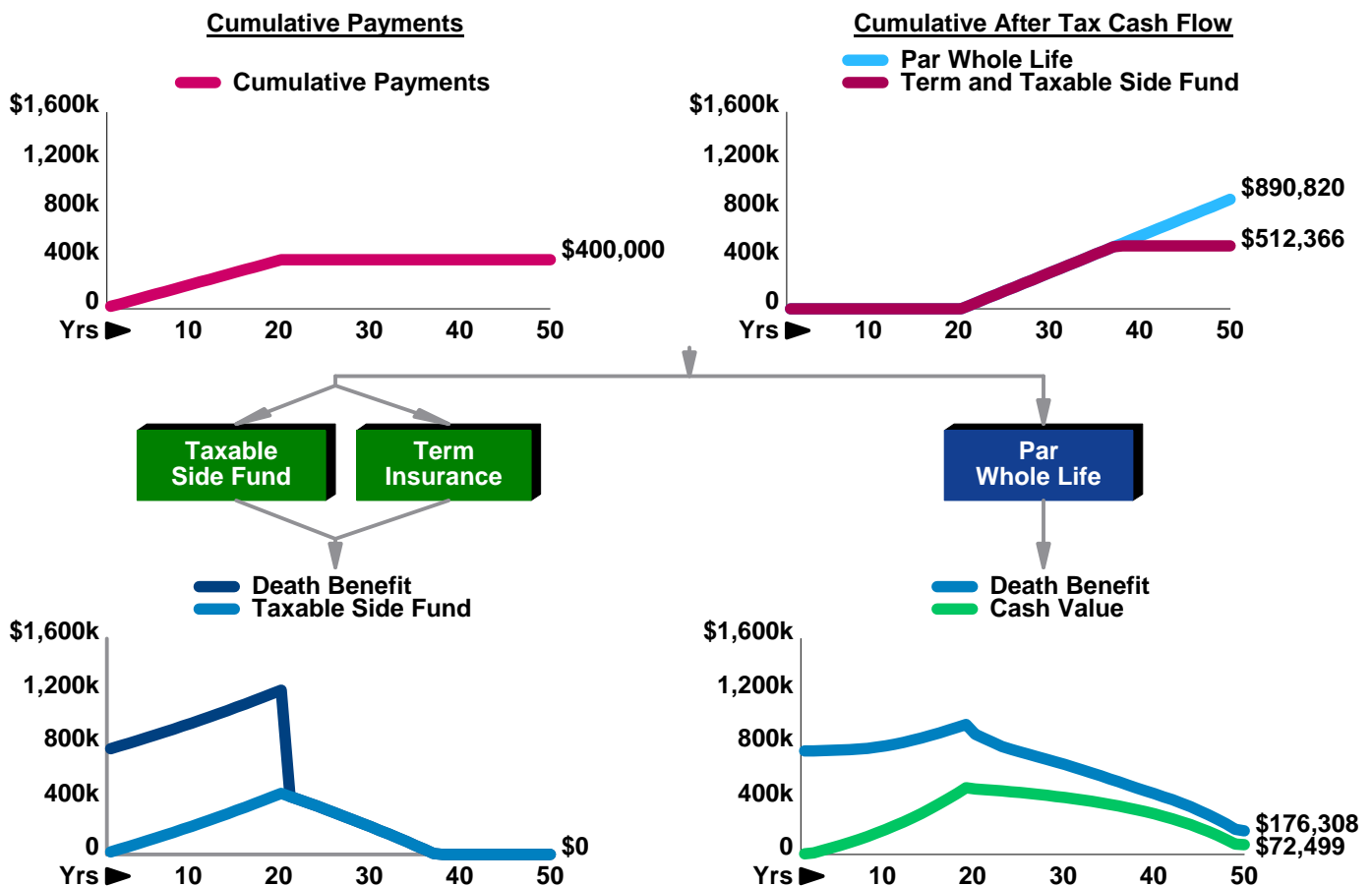
An integrated analysis of these points creates useful information that helps guide your purchasing evaluation. The precision of the conclusions, however, is contingent upon the accuracy of the data utilized. You should be positive that all premises

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.

Term Insurance and Taxable Side Fund vs. Participating Whole Life

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

Insured: Jack Baker

Comparison of Values

		Payment Allocation			765,000 Scheduled Term Insurance Along with Taxable Side Fund				Par Whole Life		
		(1) Cost of the Proposed Premium	(2) Alternative Term Policy Premium	(3) Net to Taxable Side Fund (1) - (2)	(4) After Tax Cash Flow from the Account	(5) Taxable Side Fund Values	(6) Scheduled Term Death Benefit	(7) Combined Death Benefit (5) + (6)	(8) After Tax Policy Cash Flow	(9) Year End Cash Value*	(10) Death Benefit
Year	Male Age										
1	45	20,000	820	19,180	0	19,479	765,000	784,479	0	4,922	766,875
2	46	20,000	820	19,180	0	39,262	765,000	804,262	0	11,721	768,500
3	47	20,000	820	19,180	0	59,354	765,000	824,354	0	29,847	770,367
4	48	20,000	820	19,180	0	79,759	765,000	844,759	0	48,698	772,331
5	49	20,000	820	19,180	0	100,483	765,000	865,483	0	68,271	774,410
6	50	20,000	820	19,180	0	121,529	765,000	886,529	0	88,669	776,814
7	51	20,000	820	19,180	0	142,904	765,000	907,904	0	110,437	781,006
8	52	20,000	820	19,180	0	164,613	765,000	929,613	0	133,676	787,137
9	53	20,000	820	19,180	0	186,660	765,000	951,660	0	158,440	795,156
10	54	20,000	820	19,180	0	209,051	765,000	974,051	0	184,811	805,114
11	55	20,000	820	19,180	0	231,792	765,000	996,792	0	212,029	817,046
12	56	20,000	820	19,180	0	254,887	765,000	1,019,887	0	240,941	830,790
13	57	20,000	820	19,180	0	278,342	765,000	1,043,342	0	271,673	846,371
14	58	20,000	820	19,180	0	302,164	765,000	1,067,164	0	304,333	863,547
15	59	20,000	820	19,180	0	326,356	765,000	1,091,356	0	339,011	882,284
16	60	20,000	820	19,180	0	350,927	765,000	1,115,927	0	375,315	901,648
17	61	20,000	820	19,180	0	375,881	765,000	1,140,881	0	413,308	921,731
18	62	20,000	820	19,180	0	401,223	765,000	1,166,223	0	453,098	942,694
19	63	20,000	820	19,180	0	426,962	765,000	1,191,962	0	494,786	964,566
20	64	20,000	820	19,180	0	453,102	765,000	1,218,102	0	486,159	891,364
21	65	0	0	0	29,694	430,013	0	430,013	29,694	481,483	860,606
22	66	0	0	0	29,694	406,564	0	406,564	29,694	476,459	830,647
23	67	0	0	0	29,694	382,749	0	382,749	29,694	471,092	801,354
24	68	0	0	0	29,694	358,563	0	358,563	29,694	465,383	778,665
25	69	0	0	0	29,694	333,999	0	333,999	29,694	459,321	761,152
26	70	0	0	0	29,694	309,052	0	309,052	29,694	452,805	743,076
27	71	0	0	0	29,694	283,716	0	283,716	29,694	445,860	724,563
28	72	0	0	0	29,694	257,985	0	257,985	29,694	438,463	705,787
29	73	0	0	0	29,694	231,852	0	231,852	29,694	430,604	686,591
30	74	0	0	0	29,694	205,312	0	205,312	29,694	422,234	666,905
		400,000	16,400	383,600		296,940			296,940		

30 Year Summary

	Term/Taxable Side Fund	Par Whole Life
After Tax Payments	400,000	400,000
After Tax Cash Flow	296,940	296,940
Living Values	205,312	422,234
Death Benefit	205,312	666,905

Management fees reflected in column (5): 1.00%

*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.

Term Insurance and Taxable Side Fund vs. Participating Whole Life

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

Insured: Jack Baker

Comparison of Values

Taxable Side Fund Yield 4.00%
 Income Tax Rate 35.00%
 Initial Death Benefit 765,000

		Payment Allocation			765,000 Scheduled Term Insurance Along with Taxable Side Fund				Par Whole Life		
Year	Male Age	(1) Cost of the Proposed Premium	(2) Alternative Term Policy Premium	(3) Net to Taxable Side Fund (1) - (2)	(4) After Tax Cash Flow from the Account	(5) Taxable Side Fund Values	(6) Scheduled Term Death Benefit	(7) Combined Death Benefit (5) + (6)	(8) After Tax Policy Cash Flow	(9) Year End Cash Value*	(10) Death Benefit
31	75	0	0	0	29,694	178,357	0	178,357	29,694	413,321	646,731
32	76	0	0	0	29,694	150,983	0	150,983	29,694	403,826	626,036
33	77	0	0	0	29,694	123,181	0	123,181	29,694	393,715	604,862
34	78	0	0	0	29,694	94,945	0	94,945	29,694	382,927	583,241
35	79	0	0	0	29,694	66,269	0	66,269	29,694	371,407	561,194
36	80	0	0	0	29,694	37,146	0	37,146	29,694	359,117	538,663
37	81	0	0	0	29,694	7,568	0	7,568	29,694	346,012	515,700
38	82	0	0	0	7,568	0	0	0	29,694	332,052	492,170
39	83	0	0	0	0	0	0	0	29,694	317,112	470,535
40	84	0	0	0	0	0	0	0	29,694	301,028	450,215
41	85	0	0	0	0	0	0	0	29,694	283,511	428,406
42	86	0	0	0	0	0	0	0	29,694	264,518	405,171
43	87	0	0	0	0	0	0	0	29,694	243,894	380,388
44	88	0	0	0	0	0	0	0	29,694	221,456	353,891
45	89	0	0	0	0	0	0	0	29,694	197,019	325,494
46	90	0	0	0	0	0	0	0	29,694	170,422	294,999
47	91	0	0	0	0	0	0	0	29,694	141,600	261,966
48	92	0	0	0	0	0	0	0	29,694	110,458	226,149
49	93	0	0	0	0	0	0	0	29,694	77,000	187,294
50	94	0	0	0	0	0	0	0	29,694	72,499	176,308
		400,000	16,400	383,600	512,366				890,820		

50 Year Summary

	Term/Taxable Side Fund	Par Whole Life
After Tax Payments	400,000	400,000
After Tax Cash Flow	512,366	890,820
Living Values	0	72,499
Death Benefit	0	176,308

Management fees reflected in column (5): 1.00%

*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.

Term Insurance and Taxable Side Fund vs. Participating Whole Life

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

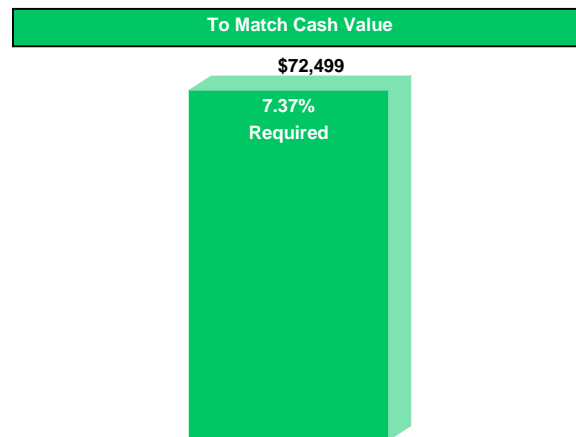
Insured: Jack Baker

Matching Values at Age 94 (Year 50)

Taxable Side Fund Yield	Income Tax Rate	Initial Death Benefit
4.00%	35.00%	765,000

Gross Interest Rate Required on Taxable Side Fund to Match Participating Whole Life Policy Values over 50 Years After Applying the Term Payment Illustrated

	Gross Interest Rate Required
To Match Cash Value of: \$72,499	<u>7.37%</u>



Income Tax Considerations

1. Taxable Side Fund: Interest is taxed as earned.
2. Participating Whole 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(A)) are income tax free as a return of premium.
 - d. Cash values shown assume most favorable combination of b and/or c.

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.