Funding Family Needs With Discounted Dollars

For David and Lisa Washburn

Presented By:

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Preface

In the accompanying presentation, you will see the financial data from an illustration of a cash value life insurance policy.

In the presentation, the sum of the policy's premiums, divided by the policy's death benefits, gives a "cost-per-dollar-of-benefit" solution that is very helpful when analyzing the economics of the transaction.

For example, if the premiums for a $100,000 life insurance policy are $1,200, the discounted dollars calculation divides the $1,200 by the $100,000. This results in an answer of 1.2 cents, meaning if death should occur during year 1, each $1.00 of the death benefit costs 1.2 cents. This figure will change from year to year.

A factor for the "use of money" can also be included in the calculation so that you can evaluate alternative use of the funds used to acquire the life insurance.

Cash value life insurance also contains the following

features:

1. Accumulating cash values;
2. Income tax favored growth of cash values;
3. Competitive current rate of return;
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 is particularly evident in the following presentation, and below is a graphic summarizing the results.

Cost of Funding Each $1.00 of Life Insurance | **At Year 55** **105.2 Cents**
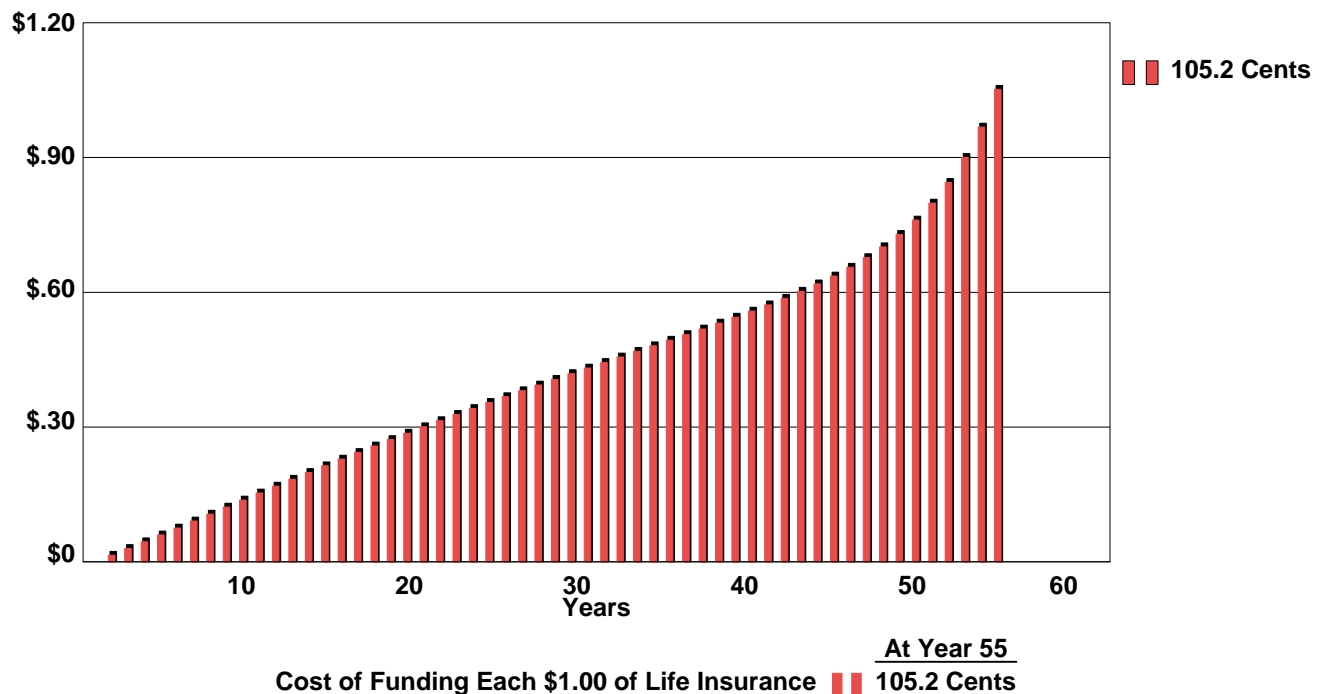
This graphic assumes the non-guaranteed values shown continue in all years. This is not likely, and actual results may be more or less favorable.

Analysis

Income Tax Rate 35.00%	Forgone Interest Yield 5.00%	Universal Life Interest Rate 5.00%	Initial Payment 7,200	Initial Death Benefit 500,000

		Payment Analysis			Death Benefit Analysis		Living Values	
		(1)	(2)	(3)	(4)	(5)	(6)	(7)
Year	Male Age	Net Payment	Cumulative Net Payments	Effective Cumulative Net Payments***	Year End Death Benefit	Cost per $1.00 of Funding**	Year End Accum Value*	Year End Cash Value*
1	40	7,200	7,200	7,434	505,031	1.5 Cents	5,031	0
2	41	7,200	14,400	15,110	510,262	3.0 Cents	10,262	0
3	42	7,200	21,600	23,035	515,692	4.5 Cents	15,692	5,637
4	43	7,200	28,800	31,217	521,319	6.0 Cents	21,319	12,524
5	44	7,200	36,000	39,666	527,144	7.5 Cents	27,144	19,604
6	45	7,200	43,200	48,389	533,313	9.1 Cents	33,313	27,028
7	46	7,200	50,400	57,396	539,868	10.6 Cents	39,868	34,843
8	47	7,200	57,600	66,695	546,858	12.2 Cents	46,858	43,088
9	48	7,200	64,800	76,297	554,326	13.8 Cents	54,326	51,816
10	49	7,200	72,000	86,210	562,299	15.3 Cents	62,299	61,044
11	50	7,200	79,200	96,446	572,091	16.9 Cents	72,091	72,091
12	51	7,200	86,400	107,015	582,325	18.4 Cents	82,325	82,325
13	52	7,200	93,600	117,927	593,016	19.9 Cents	93,016	93,016
14	53	7,200	100,800	129,193	604,181	21.4 Cents	104,181	104,181
15	54	7,200	108,000	140,826	615,833	22.9 Cents	115,833	115,833
16	55	7,200	115,200	152,837	627,973	24.3 Cents	127,973	127,973
17	56	7,200	122,400	165,238	640,625	25.8 Cents	140,625	140,625
18	57	7,200	129,600	178,042	653,805	27.2 Cents	153,805	153,805
19	58	7,200	136,800	191,263	667,532	28.7 Cents	167,532	167,532
20	59	7,200	144,000	204,913	681,822	30.1 Cents	181,822	181,822
21	60	7,200	151,200	219,006	696,683	31.4 Cents	196,683	196,683
22	61	7,200	158,400	233,558	712,114	32.8 Cents	212,114	212,114
23	62	7,200	165,600	248,583	728,103	34.1 Cents	228,103	228,103
24	63	7,200	172,800	264,096	744,635	35.5 Cents	244,635	244,635
25	64	7,200	180,000	280,113	761,684	36.8 Cents	261,684	261,684
26	65	7,200	187,200	296,650	779,225	38.1 Cents	279,225	279,225
27	66	7,200	194,400	313,725	797,259	39.4 Cents	297,259	297,259
28	67	7,200	201,600	331,355	815,778	40.6 Cents	315,778	315,778
29	68	7,200	208,800	349,559	834,756	41.9 Cents	334,756	334,756
30	69	7,200	216,000	368,353	854,171	43.1 Cents	354,171	354,171
		216,000						

*This is an example of an InsMark supplemental illustration for universal life. In actual presentations, this footnote will refer to an accompanying "basic" illustration from a specific life insurance company which contains important details, guarantees, and caveats.

**Column (3) divided by column (4) is equal to column (5).

***Including after tax forgone interest on column (2). (Foregone interest is a hypothetical interest rate that the policy owner could earn if the life insurance is not acquired.)

Analysis

		Income Tax Rate 35.00%	Forgone Interest Yield 5.00%	Universal Life Interest Rate 5.00%	Initial Payment 7,200	Initial Death Benefit 500,000	

		Payment Analysis			Death Benefit Analysis		Living Values	
Year	Male Age	(1) Net Payment	(2) Cumulative Net Payments	(3) Effective Cumulative Net Payments***	(4) Year End Death Benefit	(5) Cost per $1.00 of Funding**	(6) Year End Accum Value*	(7) Year End Cash Value*
31	70	7,200	223,200	387,759	873,995	44.4 Cents	373,995	373,995
32	71	7,200	230,400	407,795	894,209	45.6 Cents	394,209	394,209
33	72	7,200	237,600	428,482	914,790	46.8 Cents	414,790	414,790
34	73	7,200	244,800	449,842	935,675	48.1 Cents	435,675	435,675
35	74	7,200	252,000	471,896	956,792	49.3 Cents	456,792	456,792
36	75	7,200	259,200	494,666	978,064	50.6 Cents	478,064	478,064
37	76	7,200	266,400	518,177	999,453	51.8 Cents	499,453	499,453
38	77	7,200	273,600	542,452	1,020,862	53.1 Cents	520,862	520,862
39	78	7,200	280,800	567,515	1,042,176	54.5 Cents	542,176	542,176
40	79	7,200	288,000	593,394	1,063,292	55.8 Cents	563,292	563,292
41	80	7,200	295,200	620,113	1,083,978	57.2 Cents	583,978	583,978
42	81	7,200	302,400	647,701	1,103,914	58.7 Cents	603,914	603,914
43	82	7,200	309,600	676,185	1,122,860	60.2 Cents	622,860	622,860
44	83	7,200	316,800	705,595	1,140,567	61.9 Cents	640,567	640,567
45	84	7,200	324,000	735,961	1,156,592	63.6 Cents	656,592	656,592
46	85	7,200	331,200	767,313	1,170,274	65.6 Cents	670,274	670,274
47	86	7,200	338,400	799,685	1,181,038	67.7 Cents	681,038	681,038
48	87	7,200	345,600	833,109	1,188,112	70.1 Cents	688,112	688,112
49	88	7,200	352,800	867,619	1,190,515	72.9 Cents	690,515	690,515
50	89	7,200	360,000	903,251	1,187,185	76.1 Cents	687,185	687,185
51	90	7,200	367,200	940,040	1,176,879	79.9 Cents	676,879	676,879
52	91	7,200	374,400	978,026	1,158,195	84.4 Cents	658,195	658,195
53	92	7,200	381,600	1,017,245	1,130,255	90.0 Cents	630,255	630,255
54	93	7,200	388,800	1,057,740	1,092,736	96.8 Cents	592,736	592,736
55	94	7,200	396,000	1,099,550	1,045,319	105.2 Cents	545,319	545,319

396,000

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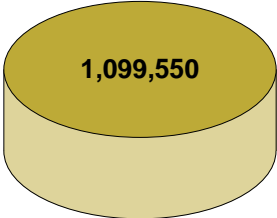
A Look at Year 55

Effective Cumulative Net Payments

1,099,550

Policy Values

545,319

1,045,319

Cash Value

Death Benefit

Cost per $1.00 of Funding

105.2 Cents

Cost per $1.00

Life insurance analysis includes forgone interest yield on premiums.
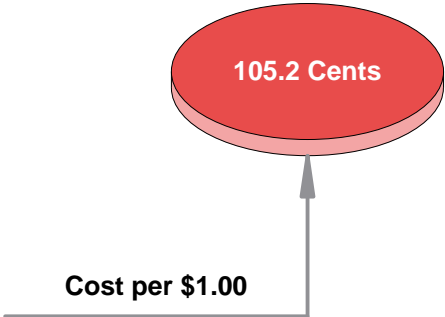
55 Year Analysis

Effective Cumulative Net Payments

Policy Values

Cost per $1.00 of Funding

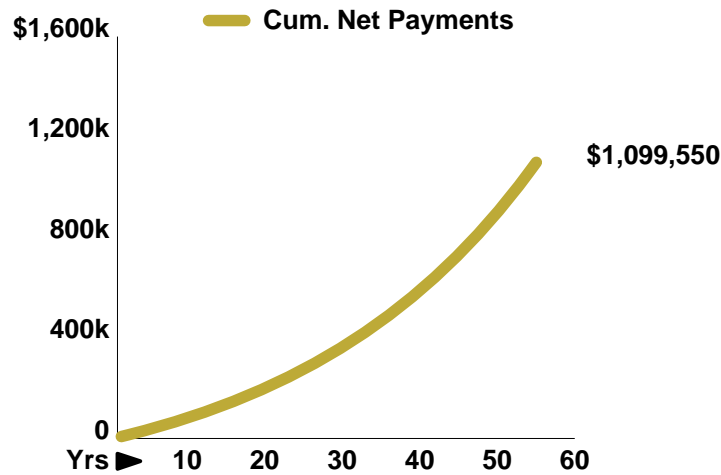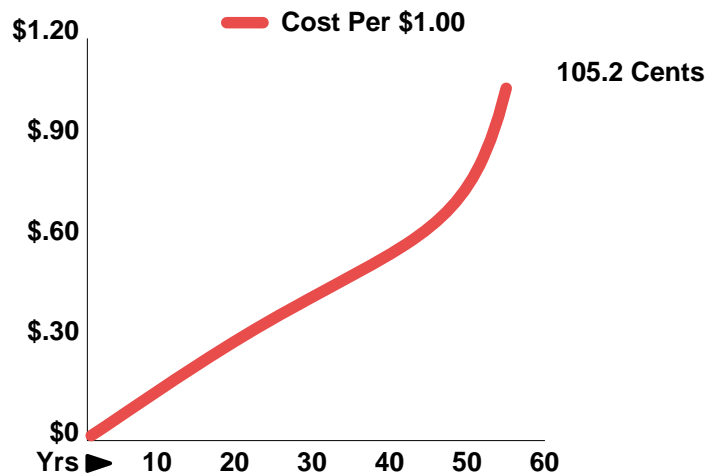Life insurance analysis includes forgone interest yield on premiums.

55 Year Analysis
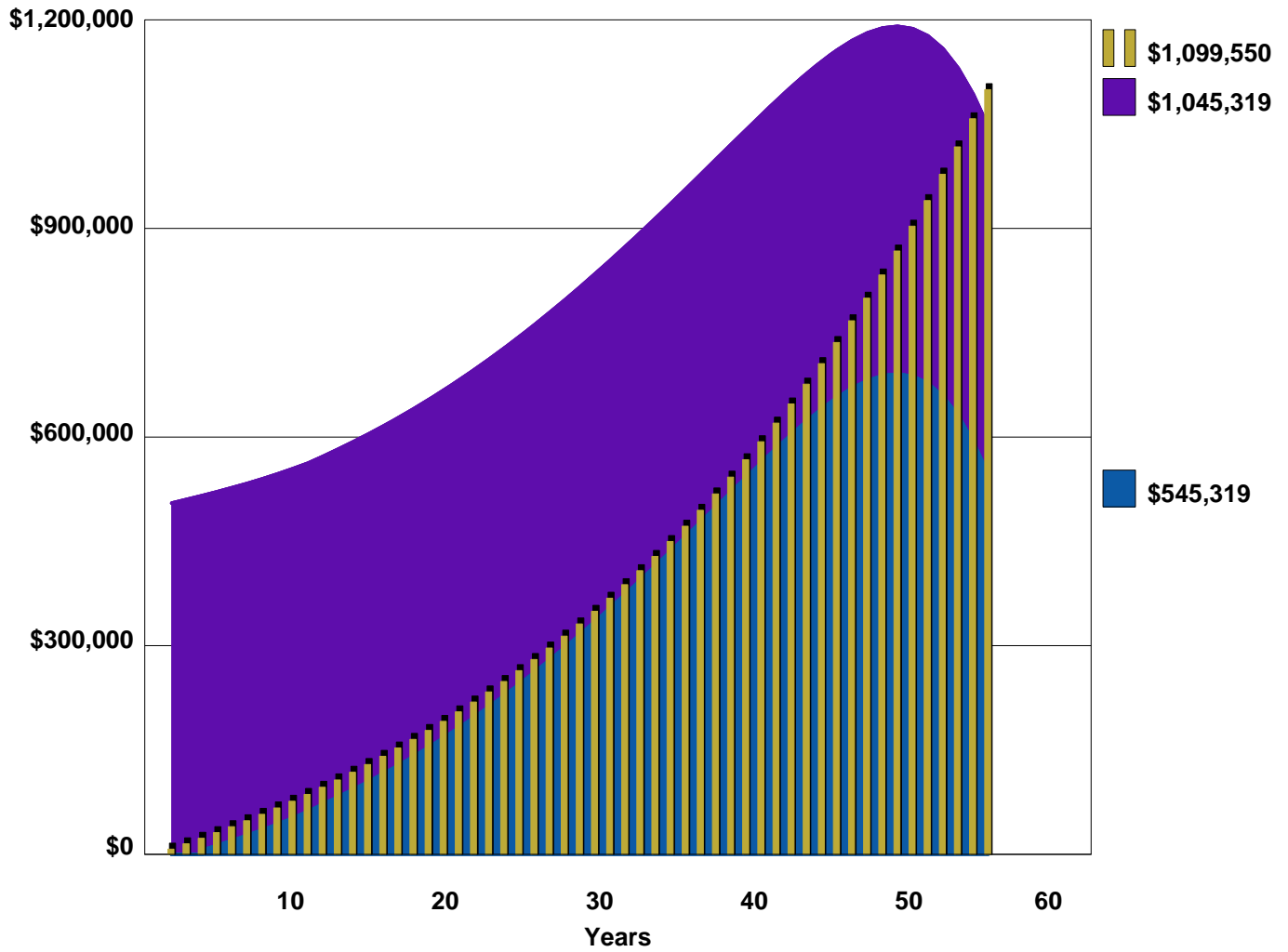
	At Year 55	
Effective Cumulative Net Payments		$1,099,550
Policy Cash Value		$545,319
Policy Death Benefit		$1,045,319

Life insurance analysis includes forgone interest yield on premiums.

55 Year Analysis
Cost per $1.00 of Funding
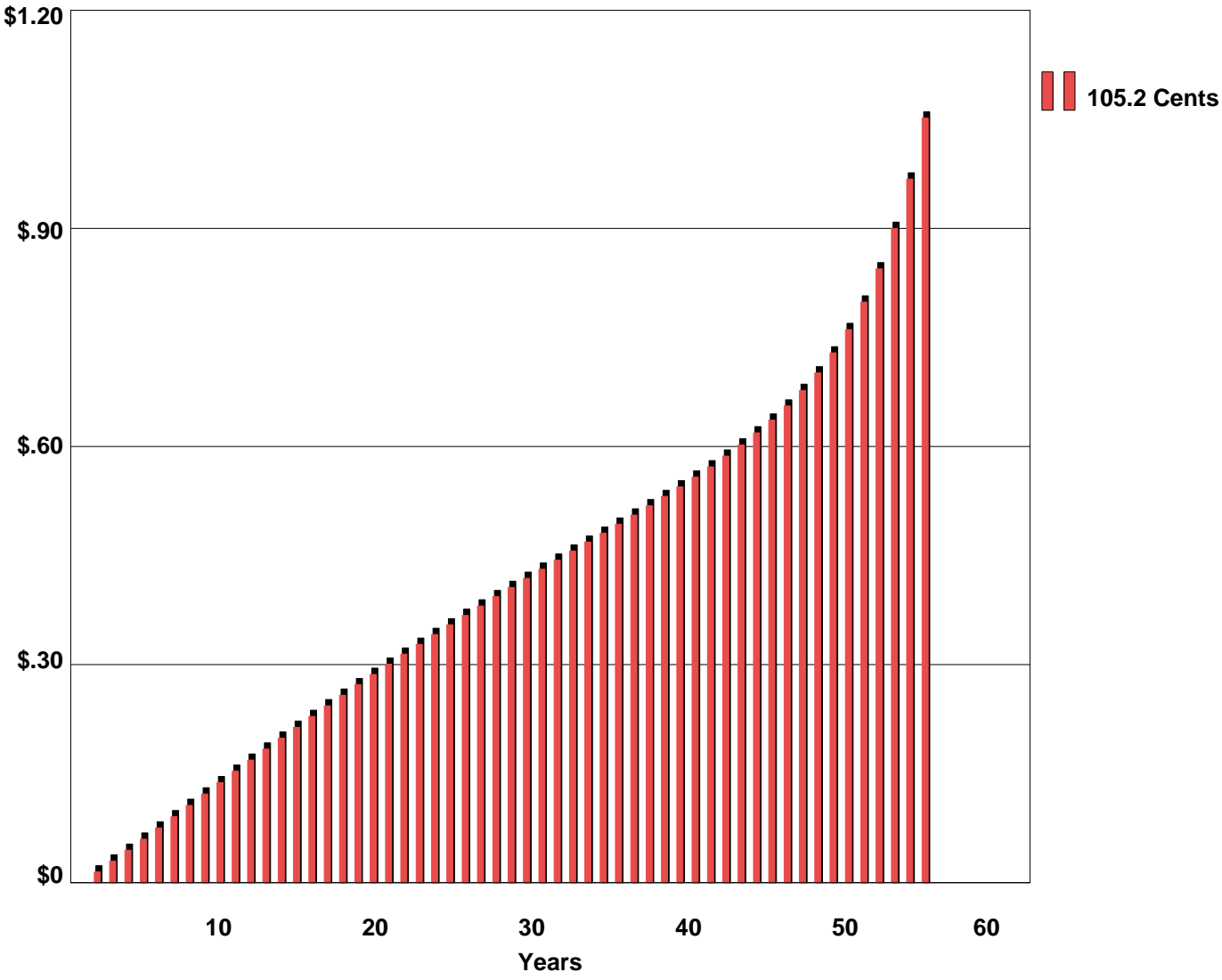
At Year 55

Cost of Funding Each $1.00 of Life Insurance 　 **105.2 Cents**

Life insurance analysis includes forgone interest yield on
premiums.