

Indexed Universal Life vs. Various Financial Alternatives

For Harvey Pierce, MD



Presented By: _____

[Licensed user's name appears here]

Indexed Universal Life vs. Various Financial Alternatives

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 involves the comparison of the life insurance policy to alternative investment possibilities.

To help you make an informed decision about acquiring the policy, the accompanying presentation shows financial data regarding life insurance compared to these alternatives:

- Tax Exempt Account;
- Taxable Account;
- Tax Deductible Retirement Plan (TDRP).

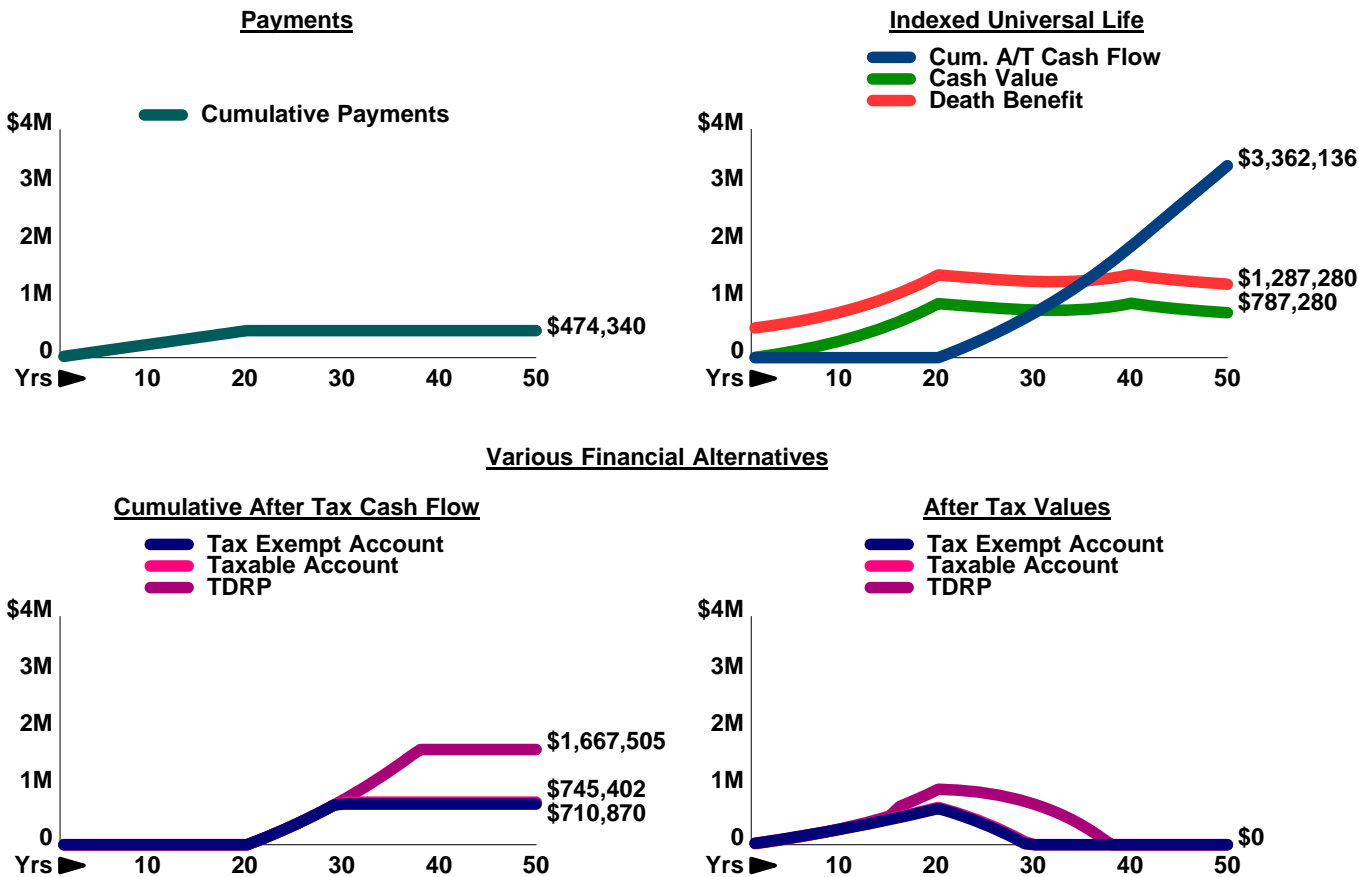
The study offers information from which you and your advisers can draw informed conclusions about the suitability of either plan.

Following are major features of the life insurance policy for you to consider as part of your overall

assessment:

1. Income tax free death benefits;
2. Probate free death benefits;
3. Accumulating cash values;
4. Income tax deferred growth of cash values;
5. Competitive current interest rate;
6. Tax free access to cash values via policy loans;
7. Privacy of all transactions.

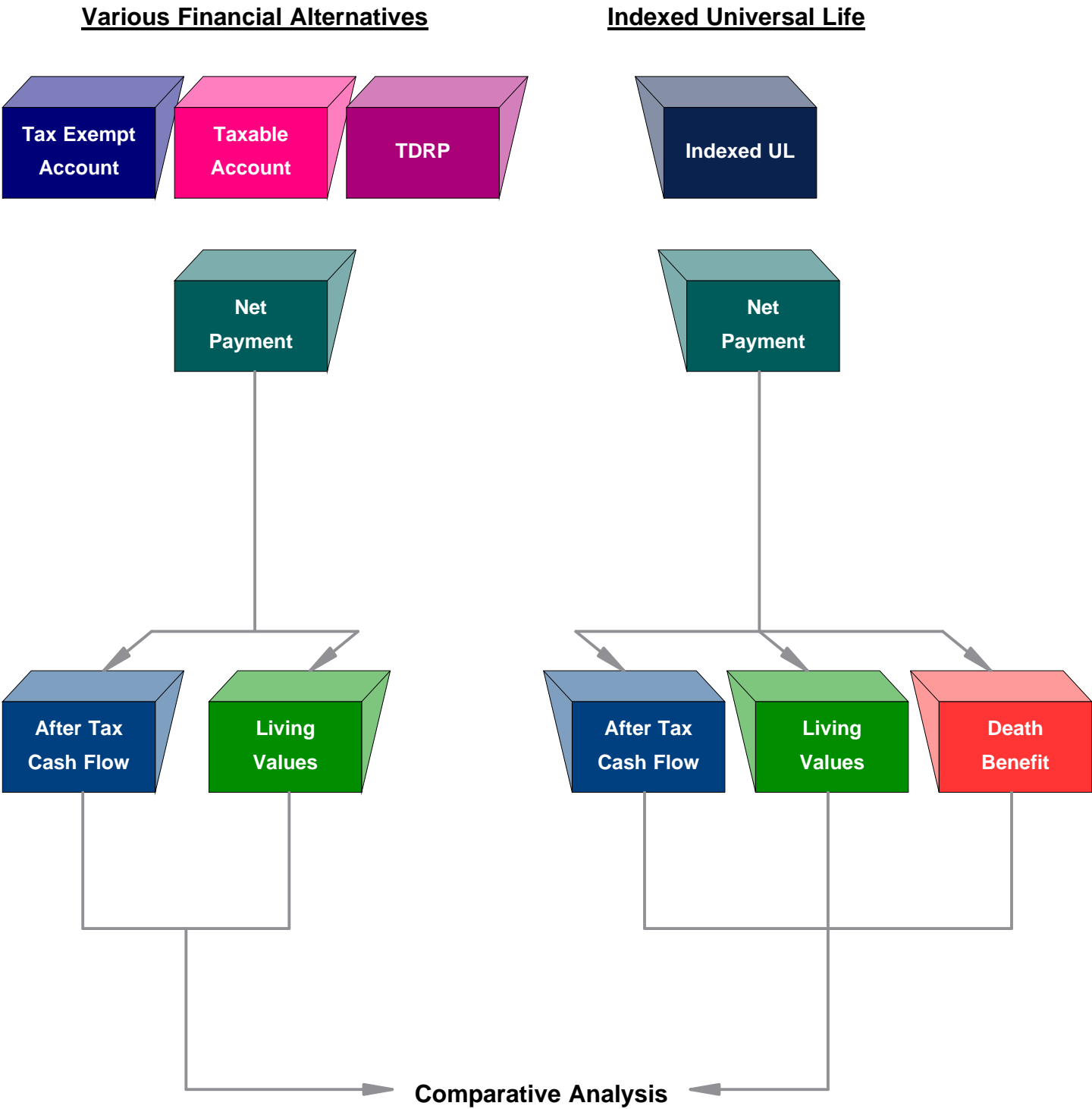
Favorable income tax consequences combine with significant policy values and benefits to produce a life insurance solution that has a considerable amount of financial leverage.



This 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. Various Financial Alternatives

Flow Chart



Indexed Universal Life vs. Various Financial Alternatives

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Insured: Harvey Pierce, MD

Comparison of Values

Tax Exempt Account Yield 3.00% Taxable Account Yield 6.00% TDRP Yield 7.50% Income Tax Rate 40.00% Indexed UL Interest Rate 7.50% Initial Death Benefit 500,000

		After Tax Values of Identical Allocation to Various Financial Alternatives							Indexed UL			
		(1)	(2a)	(2b)	(3a)	(3b)	(4a)	(4b)	(5a)	(5b)	(5c)	(5d)
	Male	Life	After Tax	Tax	After Tax	Taxable	After Tax	Year End	After Tax	Year End	Year End	Death
Yr	Age	Insurance	Cash Flow	Exempt	Cash Flow	Account	Cash Flow	After Tax	Policy	Accum	Cash	Benefit
		Premium	from Tax	Account	from	Account	from	Value of	Loan	Value*	Value*	
			Exempt		Taxable		TDRP	TDRP if	Proceeds			
			Account	Account	Account	Account		Distributed				
1	45	23,717	0	24,355	0	24,420	0	21,034	0	21,414	6,879	521,414
2	46	23,717	0	49,366	0	49,564	0	43,420	0	44,344	31,259	544,344
3	47	23,717	0	75,050	0	75,453	0	67,244	0	68,921	57,291	568,921
4	48	23,717	0	101,424	0	102,109	0	92,598	0	95,283	85,108	595,283
5	49	23,717	0	128,509	0	129,556	0	119,581	0	123,548	114,828	623,548
6	50	23,717	0	156,322	0	157,816	0	148,298	0	154,034	146,769	654,034
7	51	23,717	0	184,884	0	186,913	0	178,860	0	186,917	181,102	686,917
8	52	23,717	0	214,215	0	216,873	0	211,386	0	222,398	218,038	722,398
9	53	23,717	0	244,334	0	247,721	0	246,001	0	260,702	257,797	760,702
10	54	23,717	0	275,265	0	279,484	0	282,840	0	302,081	300,631	802,081
11	55	23,717	0	307,027	0	312,188	0	322,047	0	348,263	348,263	848,263
12	56	23,717	0	339,645	0	345,861	0	363,772	0	397,826	397,826	897,826
13	57	23,717	0	373,140	0	380,532	0	408,178	0	451,008	451,008	951,008
14	58	23,717	0	407,536	0	416,231	0	455,437	0	508,076	508,076	1,008,076
15	59	23,717	0	442,858	0	452,988	0	505,733	0	569,312	569,312	1,069,312
16	60	23,717	0	479,131	0	490,835	0	671,112	0	634,981	634,981	1,134,981
17	61	23,717	0	516,379	0	529,803	0	739,472	0	705,402	705,402	1,205,402
18	62	23,717	0	554,630	0	569,927	0	812,224	0	780,908	780,908	1,280,908
19	63	23,717	0	593,910	0	611,239	0	889,650	0	861,854	861,854	1,361,854
20	64	23,717	0	634,248	0	653,776	0	972,051	0	948,620	948,620	1,448,620
21	65	0	64,857	584,713	64,857	606,375	64,857	965,481	64,857	934,353	934,353	1,434,353
22	66	0	67,703	530,923	67,703	554,638	67,703	955,460	67,703	920,323	920,323	1,420,323
23	67	0	70,634	472,675	70,634	498,350	70,634	941,677	70,634	906,655	906,655	1,406,655
24	68	0	73,653	409,760	73,653	437,285	73,653	923,794	73,653	893,479	893,479	1,393,479
25	69	0	76,763	341,958	76,763	371,208	76,763	901,453	76,763	880,946	880,946	1,380,946
26	70	0	79,966	269,042	79,966	299,874	79,966	874,268	79,966	869,212	869,212	1,369,212
27	71	0	83,265	190,776	83,265	223,029	83,265	841,825	83,265	858,567	858,567	1,358,567
28	72	0	86,663	106,915	86,663	140,408	86,663	803,681	86,663	849,236	849,236	1,349,236
29	73	0	90,163	17,203	90,163	51,735	90,163	759,361	90,163	841,463	841,463	1,341,463
30	74	0	17,203	0	51,735	0	93,768	708,358	93,768	835,516	835,516	1,335,516
		474,340	710,870		745,402		787,435		787,435			

*This is an InsMark supplemental illustration for indexed universal life. In an actual presentation, this footnote refers to an accompanying basic illustration from a specific life insurance company with important details, caveats, and guarantees.

See the accompanying reports for year-by-year details:
Details of the Tax Deductible Retirement Plan (TDRP)

Management fees reflected in columns (2b), (3b) & (4b):
TxEx = 0.30%, Txbl = 0.60%, TDRP = 1.00%

Indexed Universal Life vs. Various Financial Alternatives

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Insured: Harvey Pierce, MD

Comparison of Values

Tax Exempt Account Yield 3.00% Taxable Account Yield 6.00% TDRP Yield 7.50% Income Tax Rate 40.00% Indexed UL Interest Rate 7.50% Initial Death Benefit 500,000

		After Tax Values of Identical Allocation to Various Financial Alternatives							Indexed UL			
Yr	Male Age	(1) Life Insurance Premium	(2a) After Tax Cash Flow from Tax Exempt Account	(2b) Tax Exempt Account	(3a) After Tax Cash Flow from Taxable Account	(3b) Taxable Account	(4a) After Tax Cash Flow from TDRP	(4b) Year End After Tax Value of TDRP if Distributed	(5a) After Tax Policy Loan Proceeds	(5b) Year End Accum Value*	(5c) Year End Cash Value*	(5d) Death Benefit
31	75	0	0	0	0	0	97,482	650,124	97,482	831,686	831,686	1,331,686
32	76	0	0	0	0	0	101,306	584,080	101,306	830,267	830,267	1,330,267
33	77	0	0	0	0	0	105,246	509,599	105,246	831,593	831,593	1,331,593
34	78	0	0	0	0	0	109,303	426,014	109,303	836,022	836,022	1,336,022
35	79	0	0	0	0	0	113,482	332,612	113,482	843,940	843,940	1,343,940
36	80	0	0	0	0	0	117,787	228,628	117,787	855,763	855,763	1,355,763
37	81	0	0	0	0	0	122,221	113,243	122,221	872,121	872,121	1,372,121
38	82	0	0	0	0	0	113,243	0	126,787	893,553	893,553	1,393,553
39	83	0	0	0	0	0	0	0	131,491	920,644	920,644	1,420,644
40	84	0	0	0	0	0	0	0	136,336	953,993	953,993	1,453,993
41	85	0	0	0	0	0	0	0	141,326	929,938	929,938	1,429,938
42	86	0	0	0	0	0	0	0	141,326	907,917	907,917	1,407,917
43	87	0	0	0	0	0	0	0	141,326	887,878	887,878	1,387,878
44	88	0	0	0	0	0	0	0	141,326	869,739	869,739	1,369,739
45	89	0	0	0	0	0	0	0	141,326	853,371	853,371	1,353,371
46	90	0	0	0	0	0	0	0	141,326	838,531	838,531	1,338,531
47	91	0	0	0	0	0	0	0	141,326	824,855	824,855	1,324,855
48	92	0	0	0	0	0	0	0	141,326	811,990	811,990	1,311,990
49	93	0	0	0	0	0	0	0	141,326	799,568	799,568	1,299,568
50	94	0	0	0	0	0	0	0	141,326	787,280	787,280	1,287,280

474,340

710,870

745,402

1,667,505

3,362,136

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See the accompanying reports for year-by-year details:
Details of the Tax Deductible Retirement Plan (TDRP)

Management fees reflected in columns (2b), (3b) & (4b):
TxEx = 0.30%, Txbl = 0.60%, TDRP = 1.00%

Indexed Universal Life vs. Various Financial Alternatives

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Tax Deductible Retirement Plan (TDRP) Details

		TDRP Yield 7.50%		Income Tax Rate 40.00%			
Year	Male Age	(1) Tax Deductible Deposits to the TDRP	(2) After Tax Equivalent of TDRP Deposit	(3) After Tax Withdrawal from the TDRP*	(4) Year End Value of TDRP Account	(5) Year End Value of TDRP if Distributed	(6) After Tax Death Benefit of TDRP
1	45	39,528	23,717	0	42,068	21,034	25,241
2	46	39,528	23,717	0	86,839	43,420	52,103
3	47	39,528	23,717	0	134,487	67,244	80,692
4	48	39,528	23,717	0	185,195	92,598	111,117
5	49	39,528	23,717	0	239,161	119,581	143,497
6	50	39,528	23,717	0	296,595	148,298	177,957
7	51	39,528	23,717	0	357,719	178,860	214,631
8	52	39,528	23,717	0	422,771	211,386	253,663
9	53	39,528	23,717	0	492,001	246,001	295,201
10	54	39,528	23,717	0	565,680	282,840	339,408
11	55	39,528	23,717	0	644,093	322,047	386,456
12	56	39,528	23,717	0	727,544	363,772	436,526
13	57	39,528	23,717	0	816,356	408,178	489,814
14	58	39,528	23,717	0	910,874	455,437	546,524
15	59	39,528	23,717	0	1,011,465	505,733	606,879
16	60	39,528	23,717	0	1,118,520	671,112	671,112
17	61	39,528	23,717	0	1,232,453	739,472	739,472
18	62	39,528	23,717	0	1,353,706	812,224	812,224
19	63	39,528	23,717	0	1,482,750	889,650	889,650
20	64	39,528	23,717	0	1,620,085	972,051	972,051
21	65	0	0	64,857	1,609,135	965,481	965,481
22	66	0	0	67,703	1,592,434	955,460	955,460
23	67	0	0	70,634	1,569,461	941,677	941,677
24	68	0	0	73,653	1,539,657	923,794	923,794
25	69	0	0	76,763	1,502,422	901,453	901,453
26	70	0	0	79,966	1,457,113	874,268	874,268
27	71	0	0	83,265	1,403,041	841,825	841,825
28	72	0	0	86,663	1,339,468	803,681	803,681
29	73	0	0	90,163	1,265,602	759,361	759,361
30	74	0	0	93,768	1,180,596	708,358	708,358
		790,560	474,340	787,435			

*TDRP withdrawal has been grossed up to account for the income tax required to produce the after tax number shown in Column (3).

Management fees reflected in column (4): 1.00%

Note: The illustration for the Annual Deposit for the tax deductible retirement plan (TDRP) is hypothetical as such a plan generally involves additional participants requiring increased deposits.

30 Year Summary

	TDRP
After Tax Payments	474,340
After Tax Cash Flow	787,435
Living Values	708,358
Death Benefit	708,358

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Tax Deductible Retirement Plan (TDRP) Details

		TDRP Yield 7.50%		Income Tax Rate 40.00%				
Year	Male Age	(1) Tax Deductible Deposits to the TDRP	(2) After Tax Equivalent of TDRP Deposit	(3) After Tax Withdrawal from the TDRP*	(4) Year End Value of TDRP Account	(5) Year End Value of TDRP if Distributed	(6) After Tax Death Benefit of TDRP	
31	75	0	0	97,482	1,083,540	650,124	650,124	
32	76	0	0	101,306	973,466	584,080	584,080	
33	77	0	0	105,246	849,331	509,599	509,599	
34	78	0	0	109,303	710,024	426,014	426,014	
35	79	0	0	113,482	554,354	332,612	332,612	
36	80	0	0	117,787	381,046	228,628	228,628	
37	81	0	0	122,221	188,739	113,243	113,243	
38	82	0	0	113,243	0	0	0	
39	83	0	0	0	0	0	0	
40	84	0	0	0	0	0	0	
41	85	0	0	0	0	0	0	
42	86	0	0	0	0	0	0	
43	87	0	0	0	0	0	0	
44	88	0	0	0	0	0	0	
45	89	0	0	0	0	0	0	
46	90	0	0	0	0	0	0	
47	91	0	0	0	0	0	0	
48	92	0	0	0	0	0	0	
49	93	0	0	0	0	0	0	
50	94	0	0	0	0	0	0	
		790,560	474,340	1,667,505				

*TDRP withdrawal has been grossed up to account for the income tax required to produce the after tax number shown in Column (3).

Management fees reflected in column (4): 1.00%

Note: The illustration for the Annual Deposit for the tax deductible retirement plan (TDRP) is hypothetical as such a plan generally involves additional participants requiring increased deposits.

50 Year Summary	
	TDRP
After Tax Payments	474,340
After Tax Cash Flow	1,667,505
Living Values	0
Death Benefit	0

Indexed Universal Life vs. Various Financial Alternatives

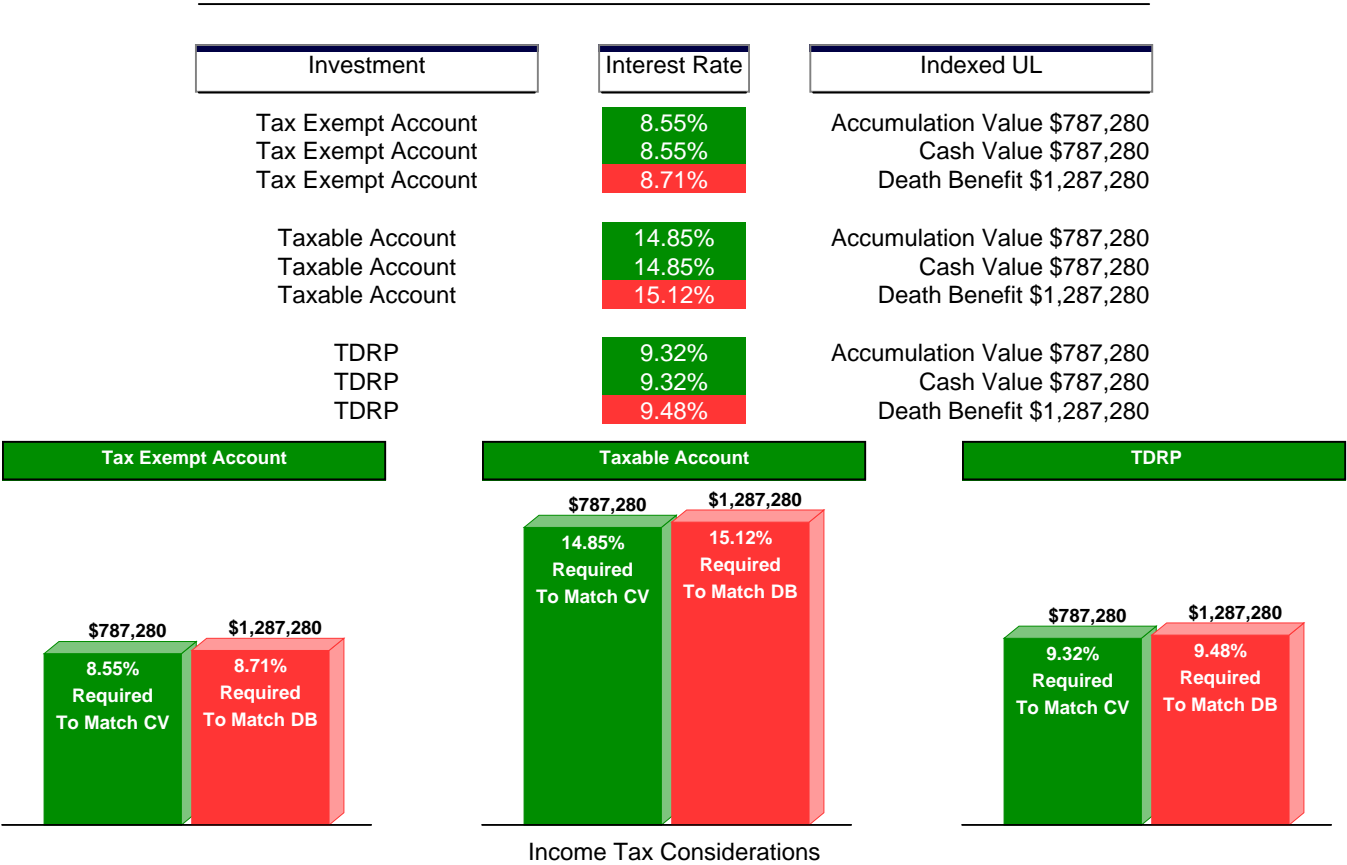
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Matching Values

Tax Exempt Account Yield	Taxable Account Yield	TDRP Yield	Income Tax Rate	Indexed UL Interest Rate	Initial Death Benefit
3.00%	6.00%	7.50%	40.00%	7.50%	500,000

Gross Interest Rate needed by Various Investments over 50 Years to Match Indexed UL Policy Values



- 1. Tax Exempt Account: Interest is tax exempt.
- 2. Taxable Account: Interest is taxed as earned.
- 3. TDRP: Interest is taxed as earned.
- 4. Indexed Universal Life:
 - a. Death Benefit including 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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Indexed Universal Life vs. Various Financial Alternatives

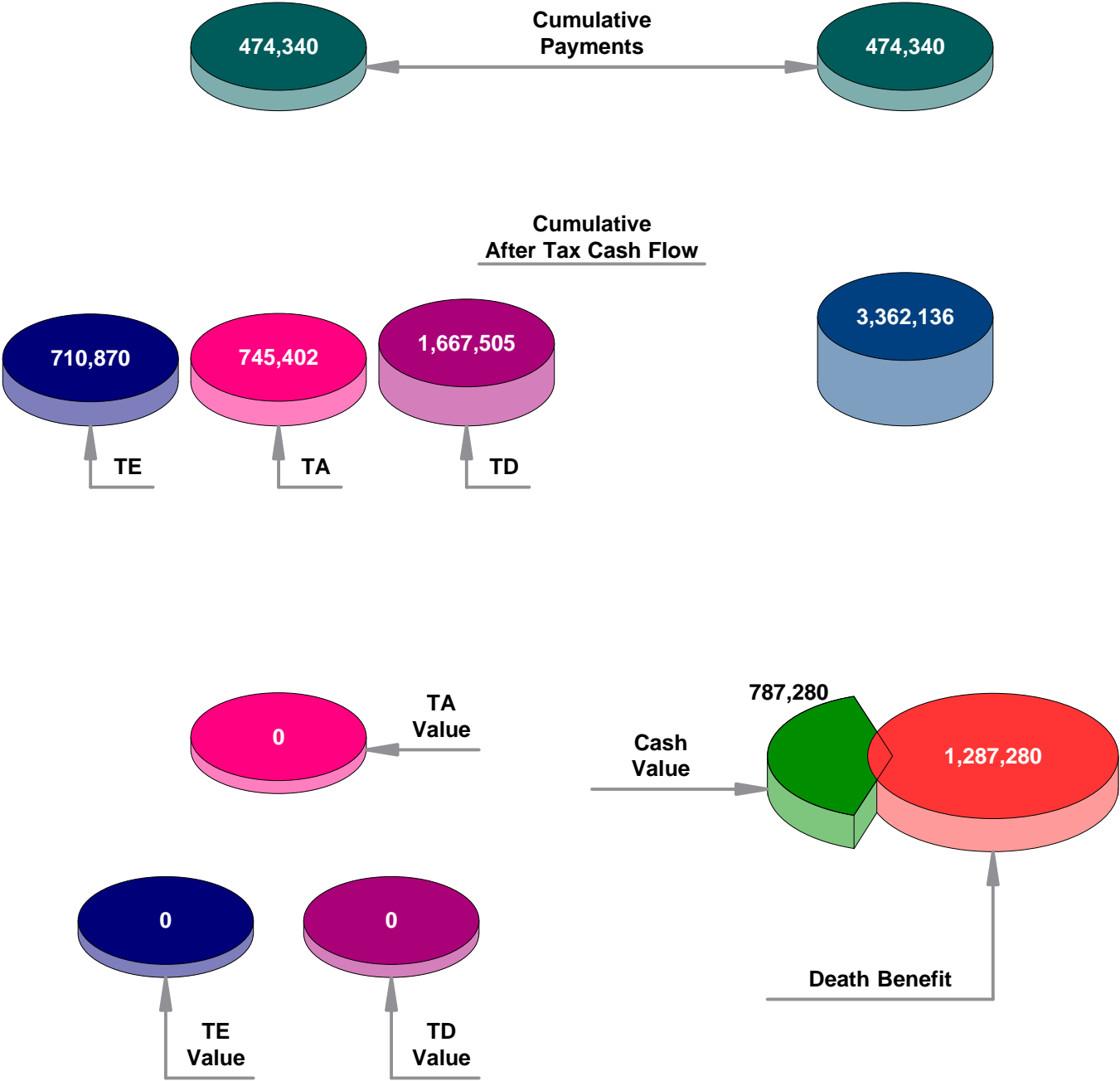
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A Look at Year 50

Various Financial Alternatives

Indexed Universal Life



TE - Tax Exempt Account
TA - Taxable Account
TD - Tax Deductible Retirement Plan (TDRP)

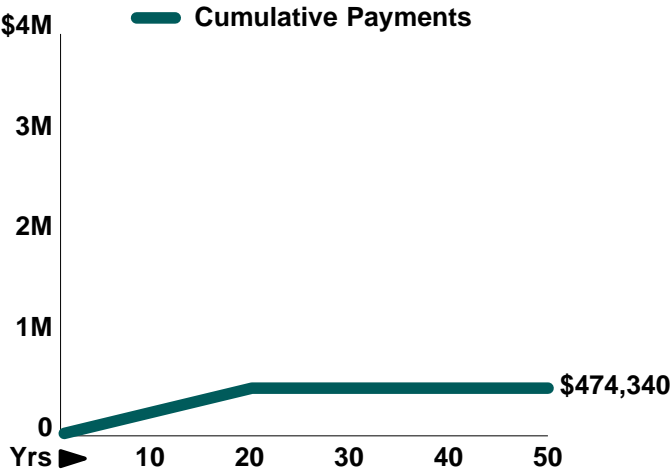
Indexed Universal Life vs. Various Financial Alternatives

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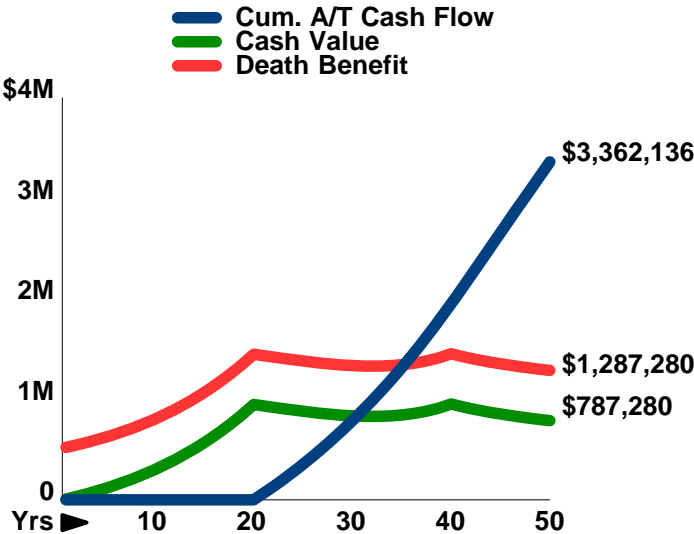
Insured: Harvey Pierce, MD

50 Year Analysis

Payments

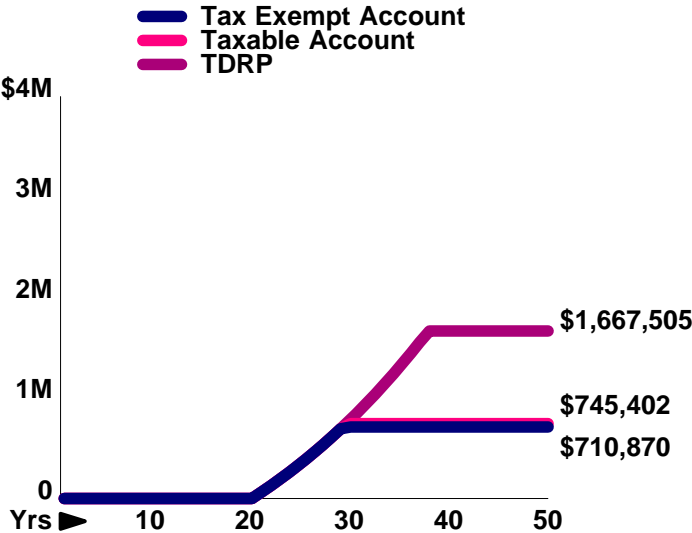


Indexed Universal Life

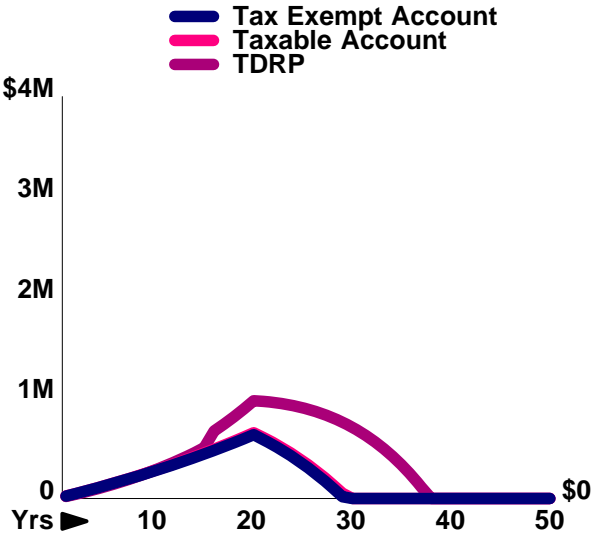


Various Financial Alternatives

Cumulative After Tax Cash Flow



After Tax Values

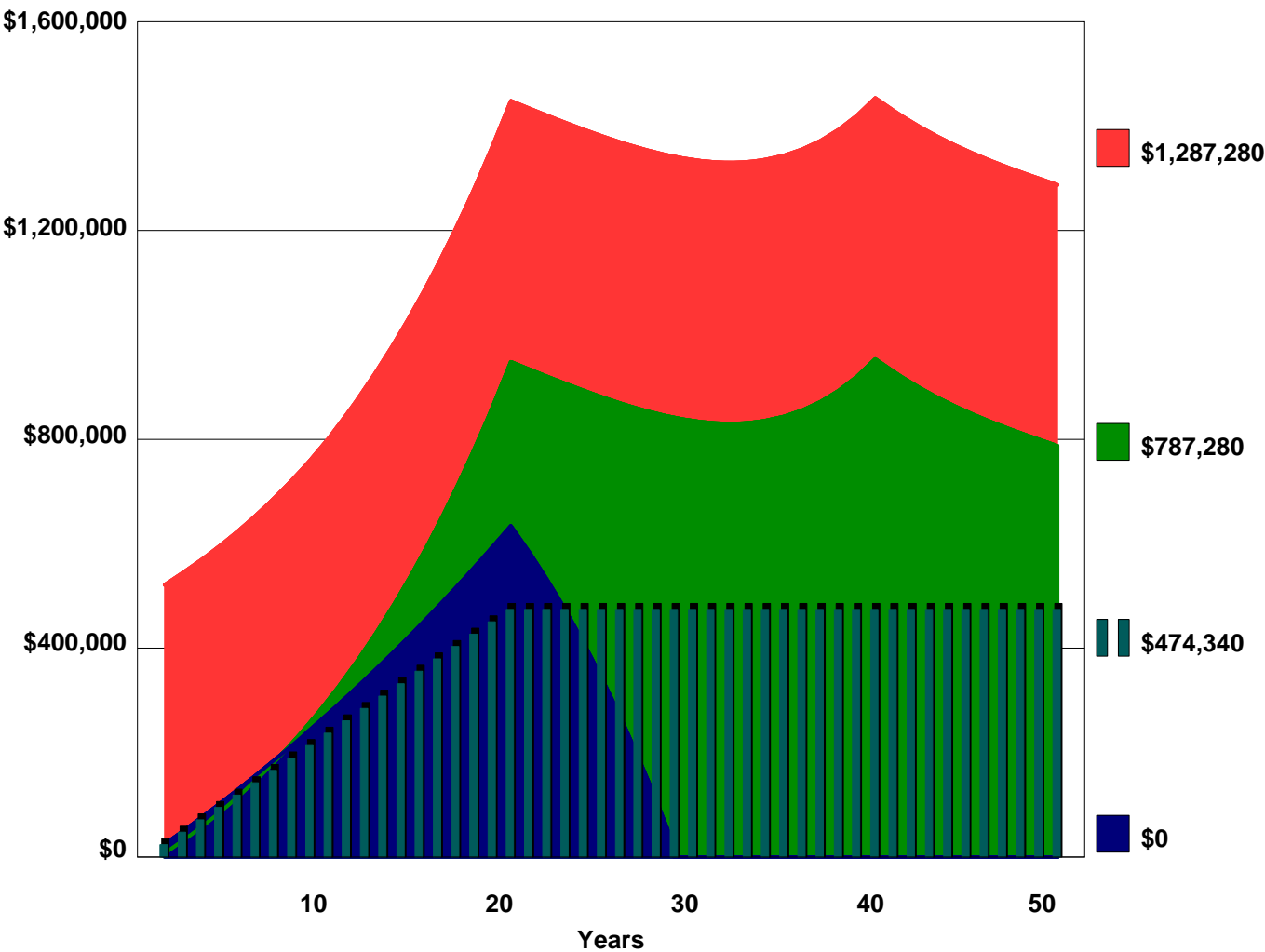


Indexed Universal Life vs. Various Financial Alternatives

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50 Year Comparison to Tax Exempt Account



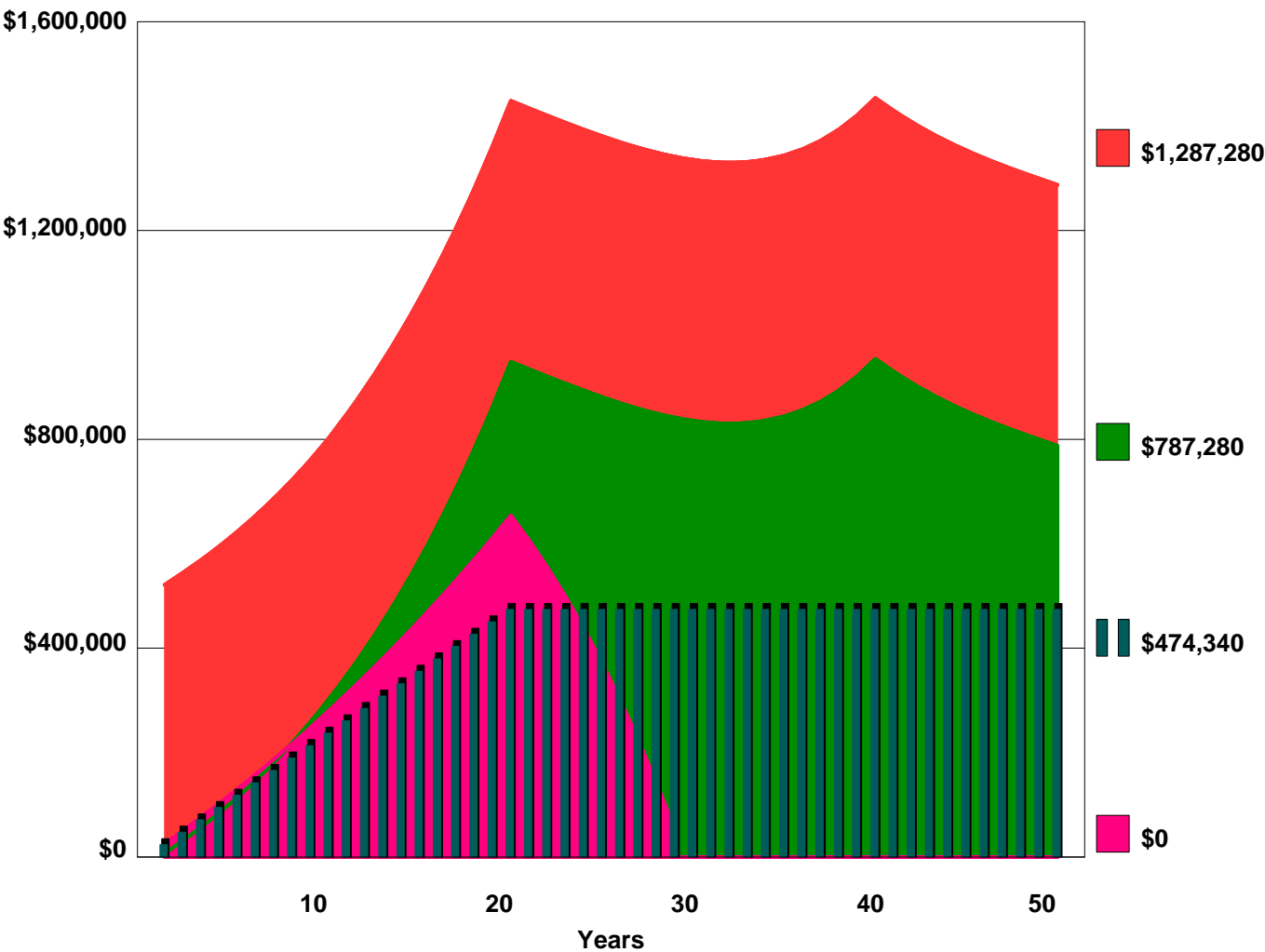
	At Year 50
Cumulative Payments	\$474,340
Tax Exempt Account Values	\$0
Cash Value of Indexed UL	\$787,280
Death Benefit of Indexed UL	\$1,287,280

Indexed Universal Life vs. Various Financial Alternatives

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50 Year Comparison to Taxable Account



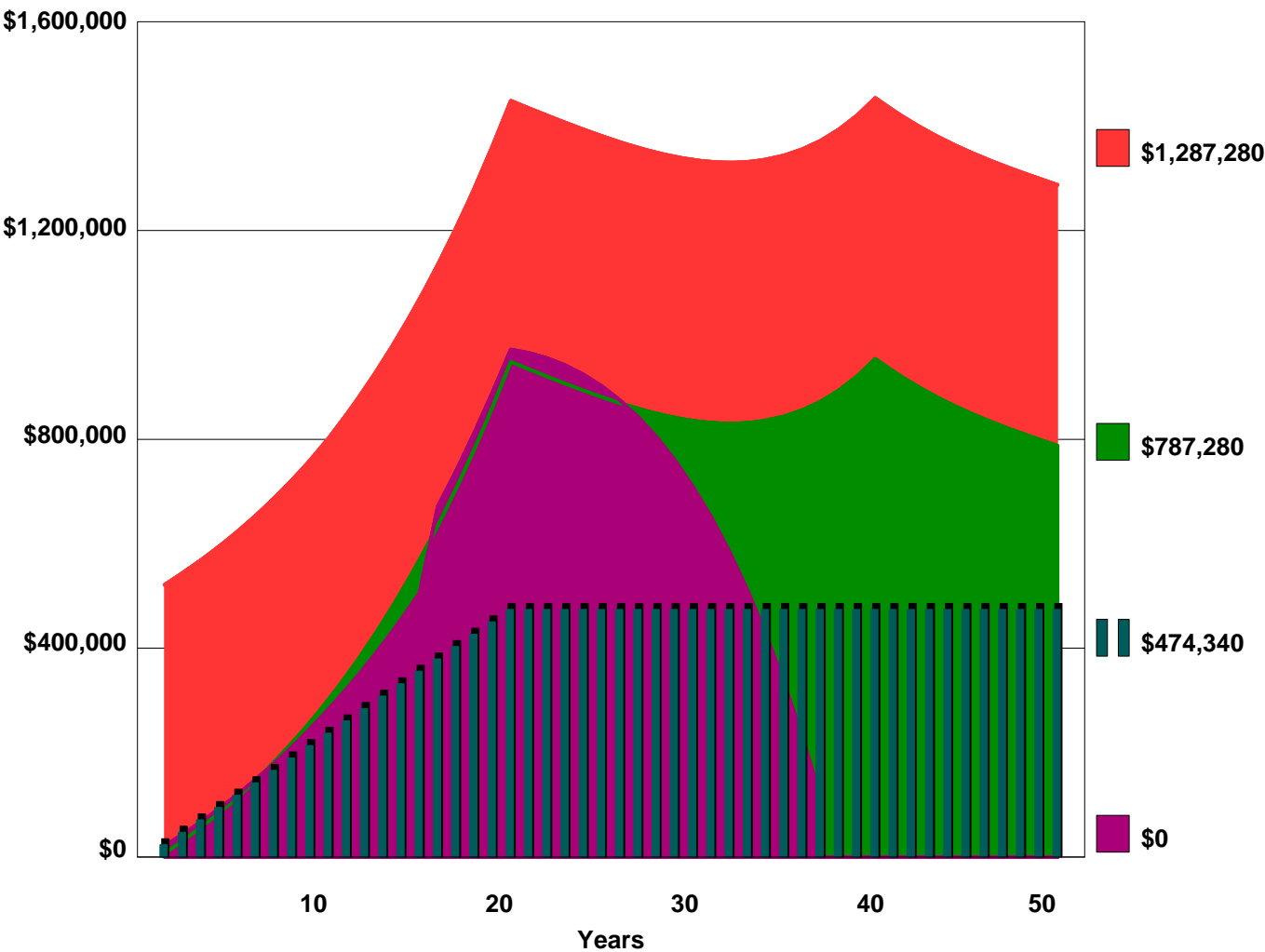
	At Year 50
Cumulative Payments	\$474,340
Taxable Account Values	\$0
Cash Value of Indexed UL	\$787,280
Death Benefit of Indexed UL	\$1,287,280

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50 Year Comparison to a Tax Deductible Retirement Plan (TDRP)



	At Year 50
Cumulative Payments	\$474,340
Tax Deductible Retirement Plan (TDRP) Values	\$0
Cash Value of Indexed UL	\$787,280
Death Benefit of Indexed UL	\$1,287,280

Tax Deferred Tax Calculations

The Tax Deferred Retirement Plan (TDRP) illustrated in the accompanying material reflects after tax values. Since all withdrawals are taxable, account values 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.

*With a life insurance policy that is characterized as a modified endowment contract ("MEC"), 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.