

# Term Insurance and an Equity Account vs. Indexed Universal Life

For: George Baker



*"Money is like a sixth sense which you cannot make complete use of without the other five."*

William Somerset Maugham

Presented By:

[Licensed user's name appears here]

# Term Insurance and Equity Account vs. Indexed Universal Life

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

Insured: George Baker

## 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.

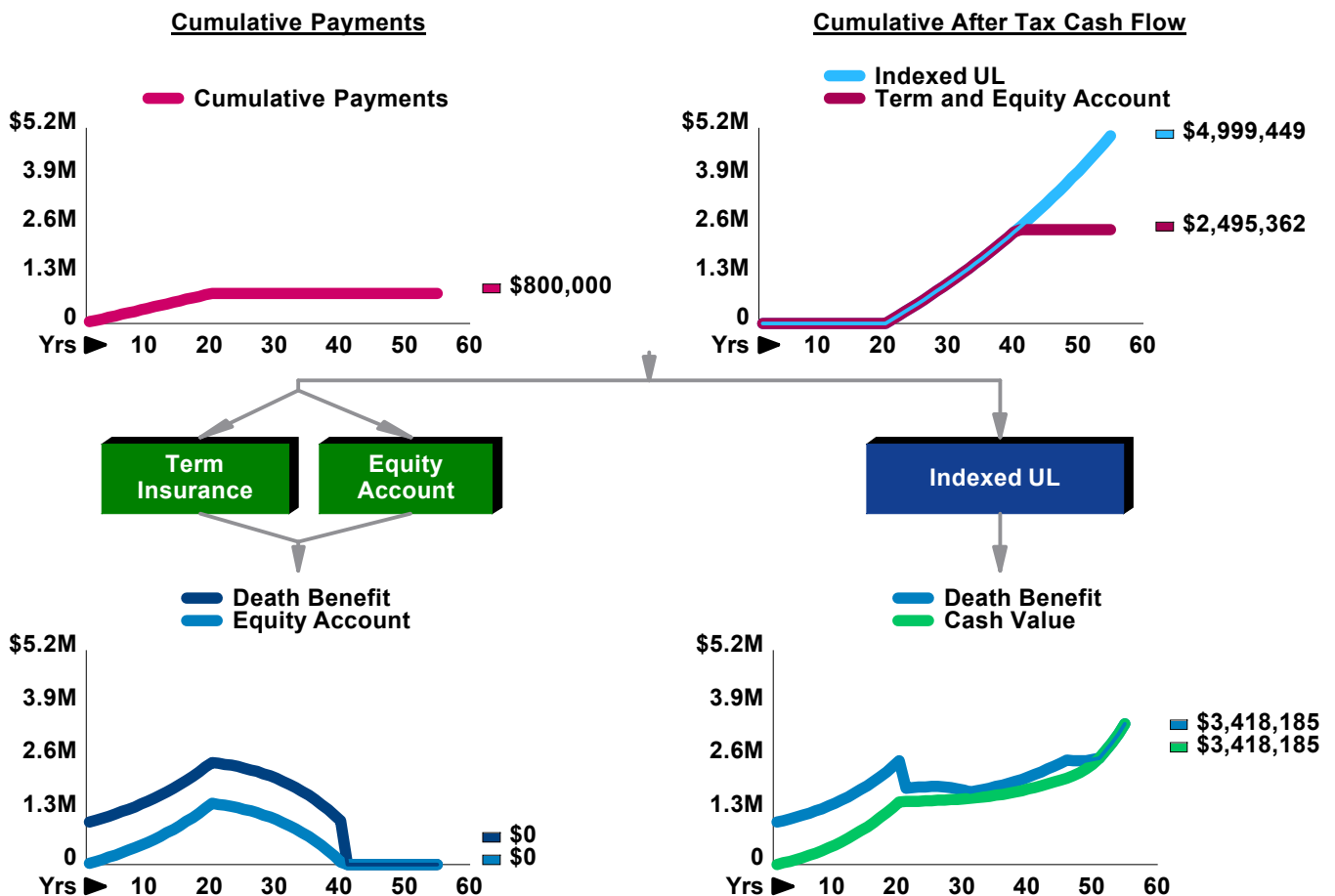
An integrated analysis of these points creates useful information that helps guide your purchasing evaluation. The precision of the conclusions, however, is contingent upon the accuracy of the data utilized. You should be positive that all premises and

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 Equity Account vs. Indexed Universal Life

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

Insured: George Baker

## Comparison of Values

Equity Account Growth 6.50%    Equity Account Dividend 2.00%    Dividend Tax Rate 25.00%    Income Tax Rate 40.00%    Indexed UL Interest Rate 6.40%    Initial Death Benefit 1,000,000

Yr	Male Age	Payment Allocation			1,000,000 Scheduled Term Insurance Along with Equity Account*				Indexed UL			
		(1) Cost of the Proposed Premium	(2) Alternative Term Policy Premium	(3) Net to Equity Account (1) - (2)	(4) After Tax Cash Flow from the Account	(5) Year End Equity Account Value	(6) Scheduled Term Death Benefit	(7) Combined Death Benefit (5) + (6)	(8) After Tax Policy Loan Proceeds	(9) Year End Accum Value**	(10) Year End Cash Value**	(11) Death Benefit
1	45	40,000	1,030	38,970	0	41,487	1,000,000	1,041,487	0	35,050	5,980	1,035,050
2	46	40,000	1,030	38,970	0	85,489	1,000,000	1,085,489	0	72,680	44,020	1,072,680
3	47	40,000	1,030	38,970	0	132,077	1,000,000	1,132,077	0	113,080	84,850	1,113,080
4	48	40,000	1,030	38,970	0	181,362	1,000,000	1,181,362	0	156,453	128,673	1,156,453
5	49	40,000	1,030	38,970	0	233,478	1,000,000	1,233,478	0	203,018	175,698	1,203,018
6	50	40,000	1,030	38,970	0	288,577	1,000,000	1,288,577	0	253,010	226,160	1,253,010
7	51	40,000	1,030	38,970	0	346,825	1,000,000	1,346,825	0	306,682	280,312	1,306,682
8	52	40,000	1,030	38,970	0	408,398	1,000,000	1,408,398	0	364,304	342,334	1,364,304
9	53	40,000	1,030	38,970	0	473,486	1,000,000	1,473,486	0	426,167	408,587	1,426,167
10	54	40,000	1,030	38,970	0	542,286	1,000,000	1,542,286	0	494,302	481,122	1,494,302
11	55	40,000	1,030	38,970	0	615,012	1,000,000	1,615,012	0	567,450	558,660	1,567,450
12	56	40,000	1,030	38,970	0	691,888	1,000,000	1,691,888	0	645,983	641,593	1,645,983
13	57	40,000	1,030	38,970	0	773,148	1,000,000	1,773,148	0	730,295	730,295	1,730,295
14	58	40,000	1,030	38,970	0	859,045	1,000,000	1,859,045	0	820,813	820,813	1,820,813
15	59	40,000	1,030	38,970	0	949,841	1,000,000	1,949,841	0	917,840	917,840	1,917,840
16	60	40,000	1,030	38,970	0	1,045,818	1,000,000	2,045,818	0	1,023,881	1,023,881	2,023,881
17	61	40,000	1,030	38,970	0	1,147,269	1,000,000	2,147,269	0	1,137,426	1,137,426	2,137,426
18	62	40,000	1,030	38,970	0	1,254,509	1,000,000	2,254,509	0	1,258,967	1,258,967	2,258,967
19	63	40,000	1,030	38,970	0	1,367,866	1,000,000	2,367,866	0	1,388,991	1,388,991	2,388,991
20	64	40,000	1,030	38,970	0	1,487,690	1,000,000	2,487,690	0	1,528,075	1,528,075	2,528,075
21	65	0	0	0	100,000	1,467,206	1,000,000	2,467,206	100,000	1,638,484	1,533,484	1,861,180
22	66	0	0	0	102,000	1,443,028	1,000,000	2,443,028	102,000	1,756,282	1,538,932	1,872,625
23	67	0	0	0	104,040	1,415,081	1,000,000	2,415,081	104,040	1,881,958	1,544,498	1,883,251
24	68	0	0	0	106,121	1,383,195	1,000,000	2,383,195	106,121	2,016,024	1,550,264	1,892,989
25	69	0	0	0	108,243	1,347,137	1,000,000	2,347,137	108,243	2,158,963	1,556,260	1,901,694
26	70	0	0	0	110,408	1,306,641	1,000,000	2,306,641	110,408	2,311,335	1,562,568	1,909,269
27	71	0	0	0	112,616	1,261,414	1,000,000	2,261,414	112,616	2,474,096	1,569,645	1,891,277
28	72	0	0	0	114,869	1,211,137	1,000,000	2,211,137	114,869	2,648,040	1,577,754	1,869,038
29	73	0	0	0	117,166	1,155,472	1,000,000	2,155,472	117,166	2,834,047	1,587,222	1,842,286
30	74	0	0	0	119,509	1,094,060	1,000,000	2,094,060	119,509	3,033,103	1,598,452	1,810,769
		800,000	20,600	779,400		1,094,972				1,094,972		

Management fees reflected in column (5): 0.50%

\*See the accompanying reports entitled "Equity Account Details" and "Portfolio Turnover Details" for year-by-year equity calculation and turnover details.

\*\*This illustration assumes the illustrated non-guaranteed values 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/Equity Account	Indexed UL
After Tax Payments	800,000	800,000
After Tax Cash Flow	1,094,972	1,094,972
Living Values	1,094,060	1,598,452
Death Benefit	2,094,060	1,810,769

# Term Insurance and Equity Account vs. Indexed Universal Life

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

Insured: George Baker

## Comparison of Values

Equity Account Growth 6.50%    Equity Account Dividend 2.00%    Dividend Tax Rate 25.00%    Income Tax Rate 40.00%    Indexed UL Interest Rate 6.40%    Initial Death Benefit 1,000,000

		Payment Allocation			1,000,000 Scheduled Term Insurance Along with Equity Account*				Indexed UL			
Yr	Age	(1) Cost of the Proposed Premium	(2) Alternative Term Policy Premium	(3) Net to Equity Account (1) - (2)	(4) After Tax Cash Flow from the Account	(5) Year End Equity Account Value	(6) Scheduled Term Death Benefit	(7) Combined Death Benefit (5) + (6)	(8) After Tax Policy Loan Proceeds	(9) Year End Accum Value**	(10) Year End Cash Value**	(11) Death Benefit
31	75	0	0	0	121,899	1,026,515	1,000,000	2,026,515	121,899	3,246,315	1,611,937	1,774,253
32	76	0	0	0	124,337	952,431	1,000,000	1,952,431	124,337	3,473,777	1,627,126	1,800,814
33	77	0	0	0	126,824	871,376	1,000,000	1,871,376	126,824	3,716,392	1,644,243	1,830,062
34	78	0	0	0	129,361	782,892	1,000,000	1,782,892	129,361	3,975,109	1,663,524	1,862,279
35	79	0	0	0	131,948	686,495	1,000,000	1,686,495	131,948	4,250,933	1,685,223	1,897,770
36	80	0	0	0	134,587	581,669	1,000,000	1,581,669	134,587	4,544,892	1,709,581	1,936,826
37	81	0	0	0	137,279	467,869	1,000,000	1,467,869	137,279	4,857,996	1,736,777	1,979,677
38	82	0	0	0	140,024	344,517	1,000,000	1,344,517	140,024	5,191,353	1,767,047	2,026,615
39	83	0	0	0	142,825	210,998	1,000,000	1,210,998	142,825	5,546,098	1,800,611	2,077,916
40	84	0	0	0	145,681	66,665	1,000,000	1,066,665	145,681	5,923,119	1,837,393	2,133,549
41	85	0	0	0	65,625	0	0	0	148,595	6,323,073	1,877,036	2,193,190
42	86	0	0	0	0	0	0	0	151,567	6,747,067	1,919,583	2,256,937
43	87	0	0	0	0	0	0	0	154,598	7,195,885	1,964,699	2,324,493
44	88	0	0	0	0	0	0	0	157,690	7,669,880	2,011,560	2,395,054
45	89	0	0	0	0	0	0	0	160,844	8,169,400	2,059,278	2,467,748
46	90	0	0	0	0	0	0	0	164,061	8,694,438	2,106,547	2,541,269
47	91	0	0	0	0	0	0	0	167,342	9,255,994	2,163,000	2,533,239
48	92	0	0	0	0	0	0	0	170,689	9,859,685	2,232,818	2,528,608
49	93	0	0	0	0	0	0	0	174,102	10,512,986	2,321,968	2,532,228
50	94	0	0	0	0	0	0	0	177,584	11,225,364	2,438,332	2,550,585
51	95	0	0	0	0	0	0	0	181,136	12,008,141	2,591,564	2,591,564
52	96	0	0	0	0	0	0	0	184,759	12,845,473	2,764,069	2,764,069
53	97	0	0	0	0	0	0	0	188,454	13,741,202	2,957,852	2,957,852
54	98	0	0	0	0	0	0	0	192,223	14,699,449	3,175,097	3,175,097
55	99	0	0	0	0	0	0	0	196,068	15,724,625	3,418,185	3,418,185
		800,000	20,600	779,400	2,495,362				4,999,449			

Management fees reflected in column (5): 0.50%

\*See the accompanying reports entitled "Equity Account Details" and "Portfolio Turnover Details" for year-by-year equity calculation and turnover details.

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### 55 Year Summary

	Term/Equity Account	Indexed UL
After Tax Payments	800,000	800,000
After Tax Cash Flow	2,495,362	4,999,449
Living Values	0	3,418,185
Death Benefit	0	3,418,185

# Term Insurance and Equity Account vs. Indexed Universal Life

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

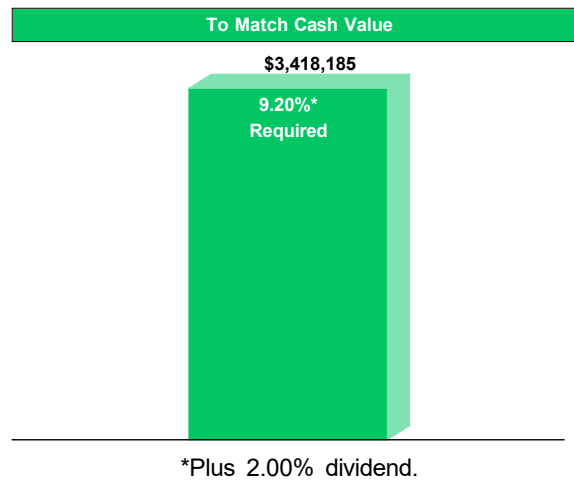
Insured: George Baker

## Matching Values at Age 99 (Year 55)

Equity Account Growth	Equity Account Dividend	Dividend Tax Rate	Income Tax Rate	Indexed UL Interest Rate	Initial Death Benefit
6.50%	2.00%	25.00%	40.00%	6.40%	1,000,000

### Growth Required on Equity Account in Addition to the Dividend Illustrated to Match Indexed Universal Life Policy Values over 55 Years After Applying the Term Payment Illustrated

	Growth Required (Plus 2.00% Dividend)
To match Cash Value of: \$3,418,185	9.20%



### Income Tax Considerations

1. Equity Account: Capital gains tax calculations are taxed based on a ratio of asset value to remaining cost basis in any given year.
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(A)) 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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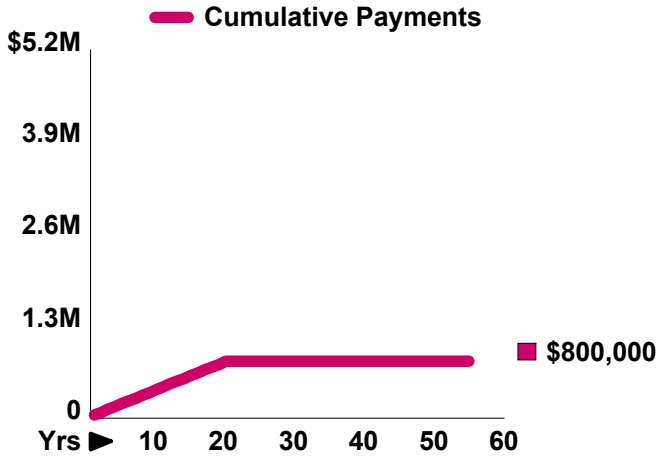
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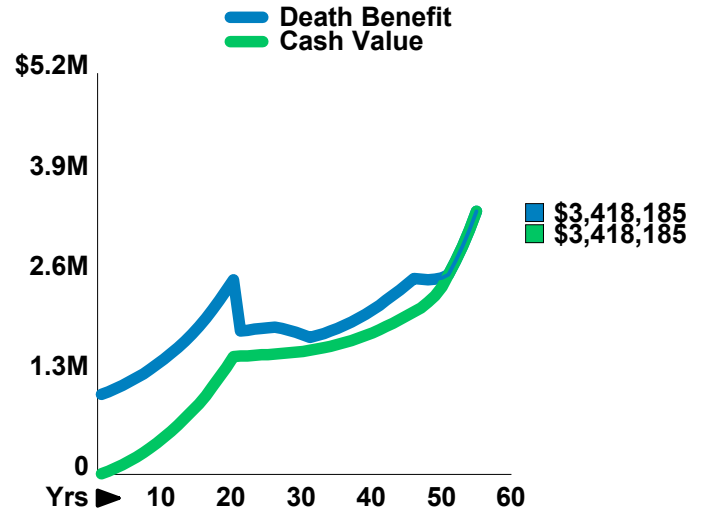
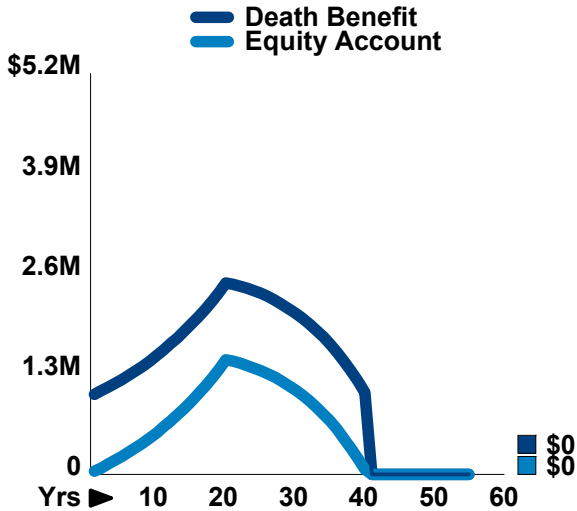
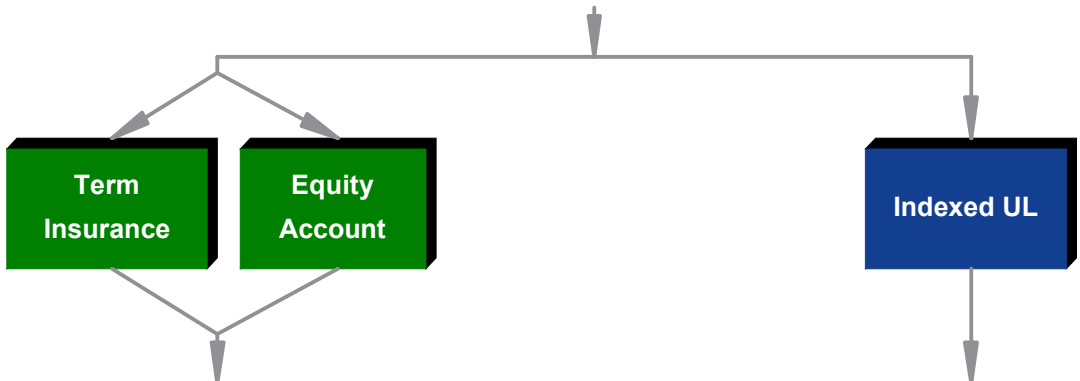
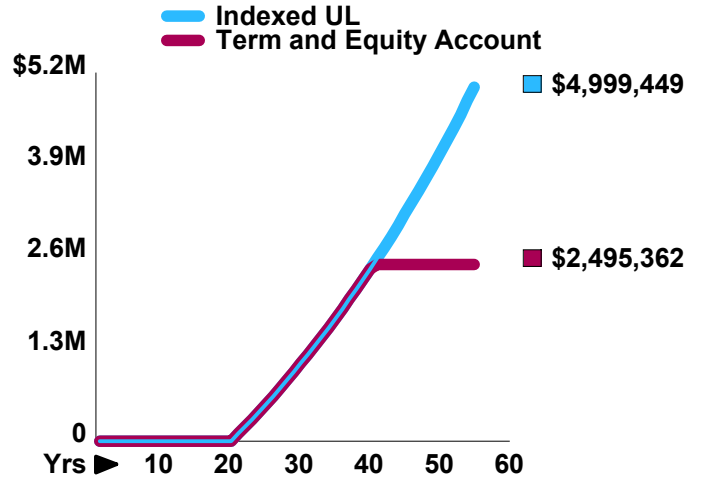
Insured: George Baker

## 55 Year Analysis

**Cumulative Payments**



**Cumulative After Tax Cash Flow**



# Term Insurance and Equity Account vs. Indexed Universal Life

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

Insured: George Baker

## Comparison of Plan Costs

		Equity Account Growth 6.50%	Equity Account Dividend 2.00%	Dividend Tax Rate 25.00%	Income Tax Rate 40.00%	Composite Capital Gains Tax Rate 31.00%	Portfolio Turnover 50.00%	Indexed UL Interest Rate 6.40%	
		Term and Equity Account						Indexed UL*	
Year	Male Age	(1) Policy Premium	(2) Term Insurance Cost	(3) Mgmt Fee	(4) Taxes	(5) Term & Equity Account Total Annual Costs	(6) Term & Equity Account Cumulative Total Costs	(7) Policy Total Annual Costs	(8) Policy Cumulative Total Costs
1	45	40,000	1,030	207	588	1,825	1,825	7,487	7,487
2	46	40,000	1,030	427	1,377	2,834	4,660	7,487	14,974
3	47	40,000	1,030	660	2,297	3,987	8,647	7,487	22,461
4	48	40,000	1,030	907	3,313	5,250	13,897	7,487	29,948
5	49	40,000	1,030	1,167	4,409	6,606	20,503	7,487	37,435
6	50	40,000	1,030	1,443	5,579	8,052	28,555	7,487	44,922
7	51	40,000	1,030	1,734	6,822	9,586	38,141	7,487	52,409
8	52	40,000	1,030	2,042	8,138	11,210	49,351	7,487	59,896
9	53	40,000	1,030	2,367	9,530	12,927	62,279	7,487	67,383
10	54	40,000	1,030	2,711	11,003	14,744	77,023	5,887	73,270
11	55	40,000	1,030	3,075	12,560	16,665	93,688	5,887	79,157
12	56	40,000	1,030	3,459	14,207	18,696	112,385	5,887	85,044
13	57	40,000	1,030	3,866	15,947	20,843	133,228	5,887	90,931
14	58	40,000	1,030	4,295	17,787	23,112	156,340	5,887	96,818
15	59	40,000	1,030	4,749	19,732	25,511	181,851	6,034	102,852
16	60	40,000	1,030	5,229	21,787	28,046	209,897	4,233	107,085
17	61	40,000	1,030	5,736	23,960	30,726	240,623	4,522	111,607
18	62	40,000	1,030	6,273	26,257	33,560	274,183	4,869	116,476
19	63	40,000	1,030	6,839	28,685	36,554	310,737	5,314	121,790
20	64	40,000	1,030	7,438	31,251	39,719	350,457	5,804	127,594
21	65	0	0	7,336	32,759	40,095	390,552	1,515	129,109
22	66	0	0	7,215	32,629	39,844	430,396	1,726	130,835
23	67	0	0	7,075	32,230	39,305	469,701	1,956	132,791
24	68	0	0	6,916	31,655	38,571	508,272	2,215	135,006
25	69	0	0	6,736	30,945	37,681	545,953	2,566	137,572
26	70	0	0	6,533	30,119	36,652	582,605	2,965	140,537
27	71	0	0	6,307	29,180	35,487	618,092	3,070	143,607
28	72	0	0	6,056	28,129	34,185	652,277	3,103	146,710
29	73	0	0	5,777	26,959	32,736	685,013	3,032	149,742
30	74	0	0	5,470	25,662	31,132	716,146	2,818	152,560
		800,000	20,600	130,045	565,496	716,141		152,560	

### 30 Year Summary

\*This illustration assumes the illustrated non-guaranteed values 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.

	Cumulative Plan Costs	After Tax Cash Flow	Living Value	Death Benefit
Term & Equity Account	716,146	1,094,972	1,094,060	1,094,060
Indexed UL	152,560	1,094,972	1,598,452	1,810,769

# Term Insurance and Equity Account vs. Indexed Universal Life

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

Insured: George Baker

## Comparison of Plan Costs

		Equity Account Growth 6.50%	Equity Account Dividend 2.00%	Dividend Tax Rate 25.00%	Income Tax Rate 40.00%	Composite Capital Gains Tax Rate 31.00%	Portfolio Turnover 50.00%	Indexed UL Interest Rate 6.40%	
		Term and Equity Account						Indexed UL*	
Year	Male Age	(1) Policy Premium	(2) Term Insurance Cost	(3) Mgmt Fee	(4) Taxes	(5) Term & Equity Account Total Annual Costs	(6) Term & Equity Account Cumulative Total Costs	(7) Policy Total Annual Costs	(8) Policy Cumulative Total Costs
31	75	0	0	5,133	24,233	29,366	745,511	2,410	154,970
32	76	0	0	4,762	22,663	27,425	772,936	2,859	157,829
33	77	0	0	4,357	20,941	25,298	798,234	3,388	161,217
34	78	0	0	3,914	19,058	22,972	821,207	4,016	165,233
35	79	0	0	3,432	17,005	20,437	841,644	4,752	169,985
36	80	0	0	2,908	14,769	17,677	859,322	5,642	175,627
37	81	0	0	2,339	12,339	14,678	874,000	6,772	182,399
38	82	0	0	1,723	9,703	11,426	885,425	8,117	190,516
39	83	0	0	1,055	6,848	7,903	893,328	9,721	200,237
40	84	0	0	333	3,757	4,090	897,419	11,902	212,139
41	85	0	0	0	1,040	1,040	898,459	14,940	227,079
42	86	0						18,442	245,521
43	87	0						22,794	268,315
44	88	0						28,459	296,774
45	89	0						35,462	332,236
46	90	0						44,163	376,399
47	91	0						43,972	420,371
48	92	0						40,838	461,209
49	93	0						33,362	494,571
50	94	0						20,153	514,724
51	95	0						90	514,814
52	96	0						90	514,904
53	97	0						90	514,994
54	98	0						90	515,084
55	99	0						90	515,174
		800,000	20,600	160,001	717,852	898,453		515,174	

### 55 Year Summary

\*This illustration assumes the illustrated non-guaranteed values 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.

	Cumulative Plan Costs	After Tax Cash Flow	Living Value	Death Benefit
Term & Equity Account	898,459	2,495,362	0	0
Indexed UL	515,174	4,999,449	3,418,185	3,418,185

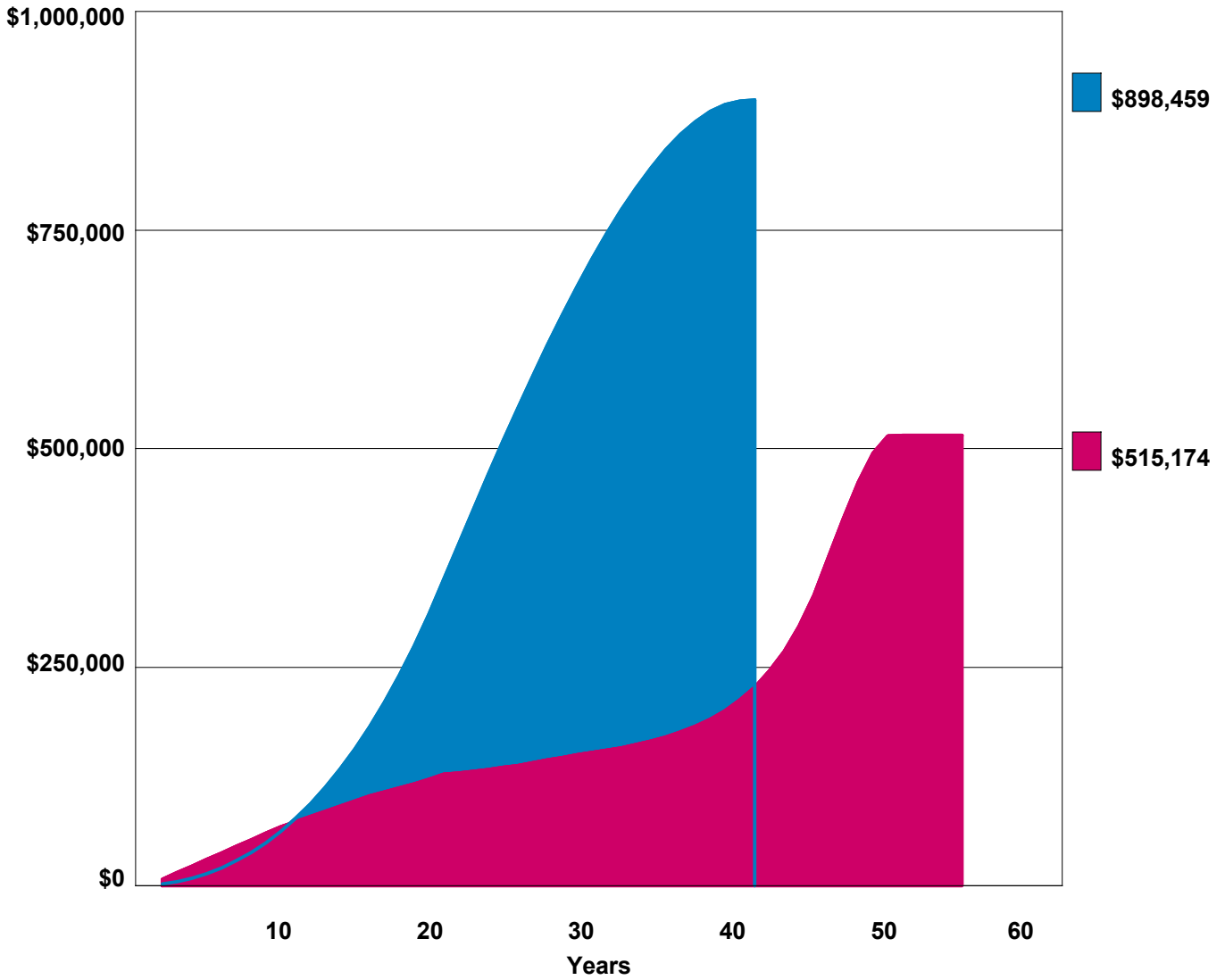


# Term Insurance and Equity Account vs. Indexed Universal Life

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

Insured: George Baker

## 55 Year Analysis of Cumulative Plan Costs



**At Year 55**

Term & Equity Account Costs\* ■ \$898,459

Indexed UL Costs\* ■ \$515,174

\*The Comparison of Plan Costs graphic above compares the management fees and/or taxes of the investment alternative to the mortality charges, policy expenses and income taxes (if applicable) associated with the life insurance policy.