

Solo 401(k) vs. Indexed Survivor Universal Life

For: David Bennett, MD/Lily Bennett, MD



Presented By: _____

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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.

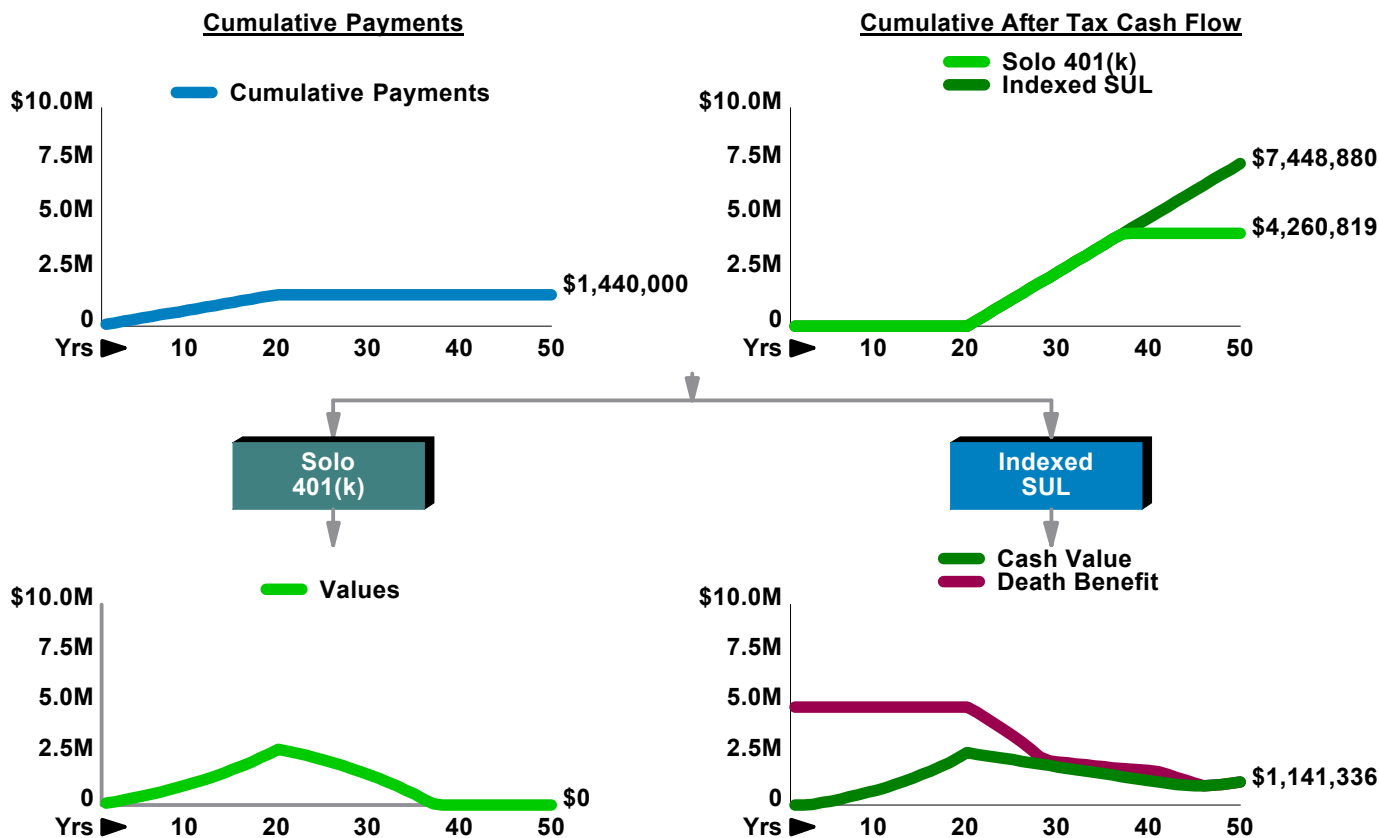
To help you make an informed decision about acquiring the policy, the accompanying presentation shows financial data regarding life insurance compared to a Solo 401(k).

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. Accumulating cash values;
2. Income tax deferred growth of cash values;
3. Competitive current interest rate;
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;
8. Advance of death benefits in certain adverse health circumstances -- as defined in the policy contract.

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.

Solo 401(k) vs. Indexed Survivor UL

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

Insured: David Bennett, MD/Lily Bennett, MD

Comparison

Solo 401(k) Yield 7.00%
 Income Tax Rate 40.00%
 Indexed SUL Interest Rate 7.00%
 Initial Payment 72,000
 Initial Death Benefit 4,891,632

		Solo 401(k)						Indexed Survivor UL				
Yr	M/F Ages	(1) Tax Deductible Deposits to the Solo 401(k)	(2) After Tax Equivalent of Solo 401(k) Deposit*	(3) After Tax Withdrawal from the Solo 401(k)**	(4) Year End Value of Solo 401(k)	(5) Year End Value of Solo 401(k) if Distributed	(6) After Tax Death Benefit of Solo 401(k)	(7) Policy Premium	(8) After Tax Policy Loan Proceeds	(9) Cash Value*** Increase	(10) Year End Cash Value***	(11) Death Benefit
1	50/50	120,000	72,000	0	127,116	63,558	76,270	72,000	0	0	0	4,891,632
2	51/51	120,000	72,000	0	261,770	130,885	157,062	72,000	0	0	0	4,891,632
3	52/52	120,000	72,000	0	404,409	202,205	242,645	72,000	0	13,725	13,725	4,891,632
4	53/53	120,000	72,000	0	555,507	277,754	333,304	72,000	0	86,226	99,951	4,891,632
5	54/54	120,000	72,000	0	715,564	357,782	429,338	72,000	0	91,020	190,971	4,891,632
6	55/55	120,000	72,000	0	885,112	442,556	531,067	72,000	0	96,199	287,170	4,891,632
7	56/56	120,000	72,000	0	1,064,715	532,358	638,829	72,000	0	101,736	388,906	4,891,632
8	57/57	120,000	72,000	0	1,254,969	627,485	752,981	72,000	0	107,658	496,564	4,891,632
9	58/58	120,000	72,000	0	1,456,505	728,253	873,903	72,000	0	114,041	610,605	4,891,632
10	59/59	120,000	72,000	0	1,669,991	834,996	1,001,995	72,000	0	120,762	731,367	4,891,632
11	60/60	120,000	72,000	0	1,896,137	1,137,682	1,137,682	72,000	0	133,255	864,622	4,891,632
12	61/61	120,000	72,000	0	2,135,694	1,281,416	1,281,416	72,000	0	142,074	1,006,696	4,891,632
13	62/62	120,000	72,000	0	2,389,457	1,433,674	1,433,674	72,000	0	167,208	1,173,904	4,891,632
14	63/63	120,000	72,000	0	2,658,268	1,594,961	1,594,961	72,000	0	161,769	1,335,673	4,891,632
15	64/64	120,000	72,000	0	2,943,020	1,765,812	1,765,812	72,000	0	174,021	1,509,694	4,891,632
16	65/65	120,000	72,000	0	3,244,657	1,946,794	1,946,794	72,000	0	187,181	1,696,875	4,891,632
17	66/66	120,000	72,000	0	3,564,181	2,138,509	2,138,509	72,000	0	201,321	1,898,196	4,891,632
18	67/67	120,000	72,000	0	3,902,653	2,341,592	2,341,592	72,000	0	216,516	2,114,712	4,891,632
19	68/68	120,000	72,000	0	4,261,197	2,556,718	2,556,718	72,000	0	232,833	2,347,545	4,891,632
20	69/69	120,000	72,000	0	4,641,002	2,784,601	2,784,601	72,000	0	250,366	2,597,911	4,891,632
21	70/70	0	0	248,296	4,477,846	2,686,708	2,686,708	0	248,296	-67,006	2,530,905	4,630,921
22	71/71	0	0	248,296	4,305,015	2,583,009	2,583,009	0	248,296	-68,383	2,462,522	4,357,175
23	72/72	0	0	248,296	4,121,935	2,473,161	2,473,161	0	248,296	-69,687	2,392,835	4,069,741
24	73/73	0	0	248,296	3,927,999	2,356,799	2,356,799	0	248,296	-70,896	2,321,939	3,767,936
25	74/74	0	0	248,296	3,722,562	2,233,537	2,233,537	0	248,296	-71,946	2,249,993	3,451,040
26	75/75	0	0	248,296	3,504,943	2,102,966	2,102,966	0	248,296	-72,725	2,177,268	3,118,300
27	76/76	0	0	248,296	3,274,419	1,964,651	1,964,651	0	248,296	-73,030	2,104,238	2,768,922
28	77/77	0	0	248,296	3,030,225	1,818,135	1,818,135	0	248,296	-72,724	2,031,514	2,402,076
29	78/78	0	0	248,296	2,771,551	1,662,931	1,662,931	0	248,296	-71,526	1,959,988	2,201,725
30	79/79	0	0	248,296	2,497,537	1,498,522	1,498,522	0	248,296	-70,576	1,889,412	2,147,842
		2,400,000	1,440,000	2,482,960				1,440,000	2,482,960			

Management fees reflected in column (6): 1.00%

Note: Solo 401(k) values do not reflect market rate adjustments, if any. Solo 401(k) is assessed:

Tax on withdrawals. Entries in Column (3) are after tax.

*Equal to Column (7)

**Solo 401(k) withdrawal has been grossed up to account for the income tax required to produce the after tax number shown in Column (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

	Solo 401(k)	Indexed SUL
After Tax Payments	1,440,000	1,440,000
After Tax Cash Flow	2,482,960	2,482,960
Living Values	1,498,522	1,889,412
Death Benefit	1,498,522	2,147,842

Solo 401(k) vs. Indexed Survivor UL

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

Insured: David Bennett, MD/Lily Bennett, MD

Comparison

Solo 401(k) Yield 7.00% Income Tax Rate 40.00% Indexed SUL Interest Rate 7.00% Initial Payment 72,000 Initial Death Benefit 4,891,632

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Yr	M/F Ages	(1) Tax Deductible Deposits to the Solo 401(k)	(2) After Tax Equivalent of Solo 401(k) Deposit*	(3) After Tax Withdrawal from the Solo 401(k)**	(4) Year End Value of Solo 401(k)	(5) Year End Value of Solo 401(k) if Distributed	(6) After Tax Death Benefit of Solo 401(k)	(7) Policy Premium	(8) After Tax Policy Loan Proceeds	(9) Cash Value*** Increase	(10) Year End Cash Value***	(11) Death Benefit
31	80/80	0	0	248,296	2,207,274	1,324,364	1,324,364	0	248,296	-70,226	1,819,186	2,095,338
32	81/81	0	0	248,296	1,899,798	1,139,879	1,139,879	0	248,296	-69,714	1,749,472	2,044,434
33	82/82	0	0	248,296	1,574,089	944,453	944,453	0	248,296	-69,067	1,680,405	1,995,324
34	83/83	0	0	248,296	1,229,065	737,439	737,439	0	248,296	-68,367	1,612,038	1,948,119
35	84/84	0	0	248,296	863,582	518,149	518,149	0	248,296	-67,606	1,544,432	1,902,942
36	85/85	0	0	248,296	476,426	285,856	285,856	0	248,296	-66,956	1,477,476	1,859,738
37	86/86	0	0	248,296	66,311	39,787	39,787	0	248,296	-66,412	1,411,064	1,818,460
38	87/87	0	0	39,787	0	0	0	0	248,296	-66,191	1,344,873	1,778,838
39	88/88	0	0	0	0	0	0	0	248,296	-66,525	1,278,348	1,740,357
40	89/89	0	0	0	0	0	0	0	248,296	-67,666	1,210,682	1,702,249
41	90/90	0	0	0	0	0	0	0	248,296	-70,023	1,140,659	1,663,312
42	91/91	0	0	0	0	0	0	0	248,296	-65,066	1,075,593	1,520,165
43	92/92	0	0	0	0	0	0	0	248,296	-56,472	1,019,121	1,373,736
44	93/93	0	0	0	0	0	0	0	248,296	-42,778	976,343	1,227,913
45	94/94	0	0	0	0	0	0	0	248,296	-22,719	953,624	1,087,590
46	95/95	0	0	0	0	0	0	0	248,296	5,204	958,828	958,828
47	96/96	0	0	0	0	0	0	0	248,296	19,502	978,330	978,330
48	97/97	0	0	0	0	0	0	0	248,296	35,583	1,013,913	1,013,913
49	98/98	0	0	0	0	0	0	0	248,296	53,622	1,067,535	1,067,535
50	99/99	0	0	0	0	0	0	0	248,296	73,801	1,141,336	1,141,336

2,400,000 1,440,000 4,260,819

1,440,000 7,448,880

Management fees reflected in column (6): 1.00%

Note: Solo 401(k) values do not reflect market rate adjustments, if any. Solo 401(k) is assessed:

Tax on withdrawals. Entries in Column (3) are after tax.

*Equal to Column (7)

**Solo 401(k) withdrawal has been grossed up to account for the income tax required to produce the after tax number shown in Column (3).

50 Year Summary

	Solo 401(k)	Indexed SUL
After Tax Payments	1,440,000	1,440,000
After Tax Cash Flow	4,260,819	7,448,880
Living Values	0	1,141,336
Death Benefit	0	1,141,336

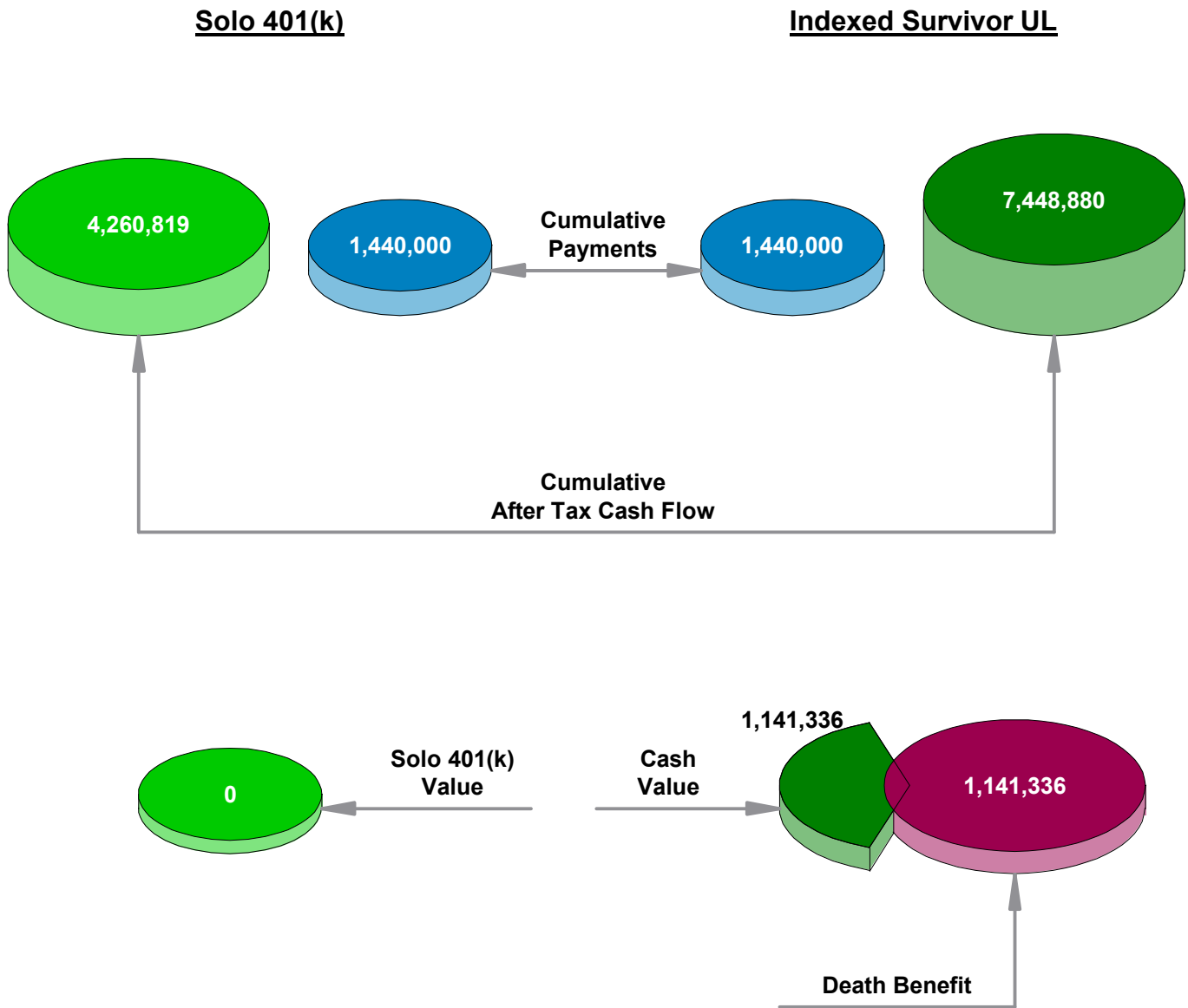
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Solo 401(k) vs. Indexed Survivor UL

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A Look at Year 50

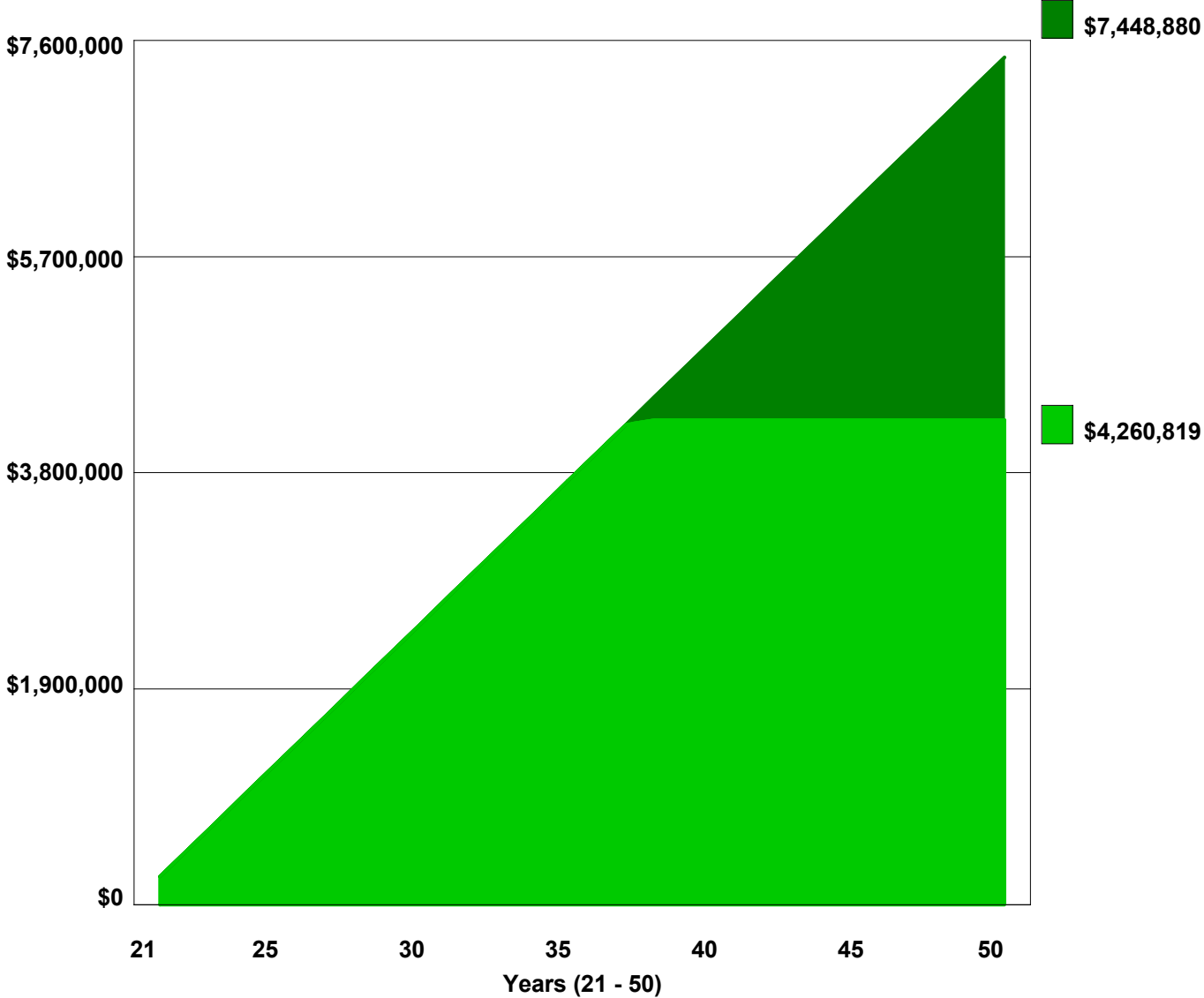


Solo 401(k) vs. Indexed Survivor UL

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Cash Flow Comparison



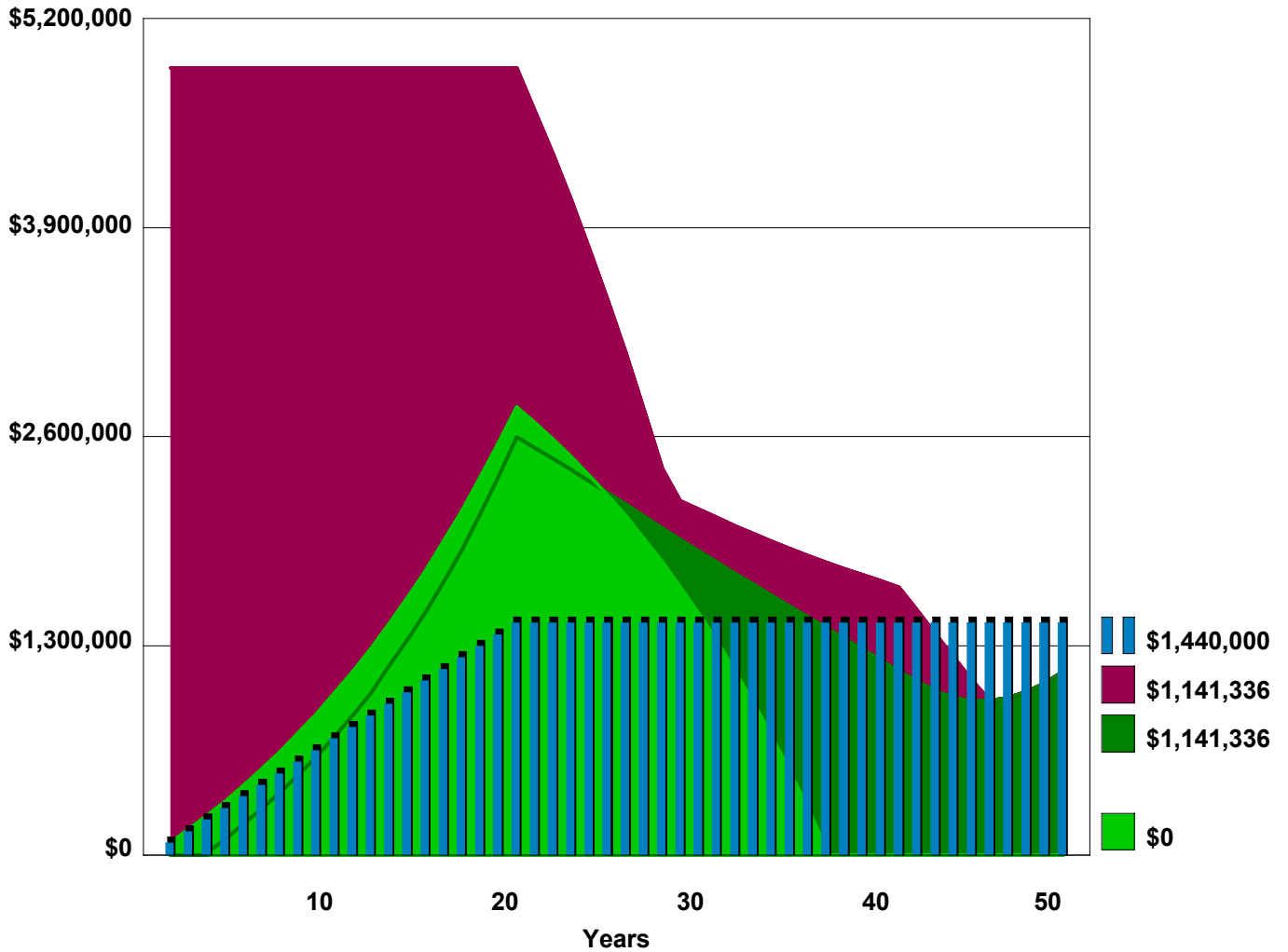
At Year 50
Cumulative After Tax Cash Flow - Solo 401(k) ■ \$4,260,819
Cumulative After Tax Policy Cash Flow - Indexed SUL ■ \$7,448,880

Solo 401(k) vs. Indexed Survivor UL

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Insured: David Bennett, MD/Lily Bennett, MD

50 Year Analysis



	<u>At Year 50</u>
Cumulative Payments	\$1,440,000
Solo 401(k) Values	\$0
Cash Value of Indexed SUL	\$1,141,336
Death Benefit of Indexed SUL	\$1,141,336

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 21

Below is an analysis of tax calculations on cash flow in the first year that cash flow from the Solo 401(k) and Indexed Survivor UL is illustrated.

Solo 401(k)

\$413,827 total withdrawal @ 40.00% tax which nets \$248,296

Indexed Survivor UL

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

On the life insurance policy, withdrawals up to cost basis (not in violation of IRC Section 7702) are income tax free.