



Permanent vs. Term Designing the Illustration

The Equity Account (Blog #147)

In order to prepare the life insurance illustration, you need to know the amount of loan that will deplete the equity account when matched as a withdrawal.

To do this:

- Establish the face amount of the cash value policy you want to illustrate.
- Use increasing death benefit until just before you want the loan transactions to start (year 31 in Tom's case who is currently age 35).
- Max fund the policy just short of a MEC (either short- or long-pay, but no longer than the point loans begin – \$20,000 a year for 30 years in Tom's case).
- Establish the term premium you intend to use (in Tom's case it is \$525 for \$600,000 of 30-year level term).
- Determine the amount of loan you will need to wipe out the alternate investment (an equity account in year 31 in Tom's case).

Note: This can appear complicated, but there is an easy way I calculated it for Tom assuming a continuous-pay IUL policy for Tom up to the first year of policy loans:

Go to the Equity Account Calculator on the InsCalc tab in the InsMark Illustration System. (If you download the digital Workbook file for Blog #147, you can review the Calculator with the data for Tom's case.)

[Click here](#) to view the illustration from the Equity Account Calculator. Below is the procedure to duplicate it:

Illustrate to the year/age of the first loan transaction (year 31, age 65 in Tom's case).

Calculate the "Payment to the Account" using the difference between your life policy premium and the term premium (in Tom's case this is \$20,000 for the IUL premium less \$525 in term premium for a net of \$19,475 each year for 30 years.)

Then go to the Distributions tab, select "Level after tax distributions which deplete the account over the distribution years illustrated". There should only be one year illustrated, and the after tax number that will extinguish the equity account is in the next-to-last column. In Tom's case, it is \$1,643,952 which defines the loan amount you want to show in your life insurance illustration. If there is more than one Distribution year listed, you made a mistake.

See Page 2 for replication of the Workbook Main Window for Blog #147 from the InsMark Illustration System with descriptions of each illustration.

Below is a view of the Workbook Main Window for Blog #147 from the InsMark Illustration System along with a more complete description of each illustration.

Client Workbook Edit Tools Options Help

Workbook Main Window

Proposals for the workbook: Blog #147

Proposal Description	Sales Concept	Policy Data (if applicable)			
		Policy Notation	Initial Premium	Death Benefit	Name of Product
1a. IUL vs. Equity Acc't	Permanent vs. Term	Cash Out Equities @ 65 ...	\$20,000	\$601,839	Indexed UL
1b. Calc Equity Surrender @65	Equity Calculator	n/a	n/a	n/a	n/a
2a. IUL vs Equity Acc't Income	Permanent vs. Term	Use Equities for Income ...	\$20,000	\$601,839	Indexed UL
2b. IUL vs Equity (high 1st CV)	Permanent vs. Term	2a with High Early CV ...	\$20,000	\$601,839	Indexed UL

Proposal

New...

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Proposal Description 1a: IUL vs. Equity Account – Equity Account Surrendered at Age 65

(Permanent vs. Term module - available on the Personal Insurance tab)

Proposal Description 1b: Equity Account Calculator Used to Calculate IUL Loan in Proposal Description 1a

(Permanent vs. Term module - available on the Personal Insurance tab)

Proposal Description 2a: IUL vs. Equity Account – Equity Account Retained for Income

(Permanent vs. Term module - available on the Personal Insurance tab)

Proposal Description 2b: IUL vs. Equity Account – High Early Cash Value for the IUL

(Permanent vs. Term module - available on the Personal Insurance tab)

Note: Some InsMark-linked companies may have blocked some/all of the calculators on the InsCalc tab in the InsMark Illustration System. If so, contact Julie Nayeri at InsMark (julien@insmark.com) or 888-InsMark (467-6275) to purchase an upgrade that includes the InsCalc calculators.