

# **Various Financial Alternatives A Comparison**

## **Introduction**

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:

Taxable Account;  
Tax Exempt Account;  
Tax Deferred Account.

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 for beneficiaries;
2. Probate free death benefits for beneficiaries;
3. Accumulating cash values;
4. Income tax deferred growth of cash values;
5. Competitive current interest rate;
6. Tax free access to cash values through policy loans;
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 is particularly evident in the following presentation.

# Indexed Universal Life vs. Various Financial Alternatives

Comparison Page: 1  
Date: [Current date appears here]

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

For: George Baker

Male Age 45	Taxable Account Yield 5.00%	Tax Exempt Account Yield 4.00%	Tax Deferred Account Yield 7.50%	Income Tax Rate 40.00%	Indexed UL Interest Rate 7.50%	Initial Death Benefit 500,000
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After Tax Values of Identical Allocation to Various Financial Alternatives								Indexed UL			
Year	(1) Life Insurance Premium	(2a) After Tax Cash Flow from Taxable Account	(2b) Taxable Account	(3a) After Tax Cash Flow from Tax Exempt Account	(3b) Tax Exempt Account	(4a) After Tax Cash Flow from Tax Deferred Account	(4b) Tax Deferred Account	(5a) After Tax Policy Cash Flow	(5b) Year End Accum Value*	(5c) Year End Cash Value*	(5d) Death Benefit
1	20,000	0	20,600	0	20,800	0	20,900	0	20,144	13,144	520,144
2	20,000	0	41,818	0	42,432	0	42,768	0	41,890	27,890	541,890
3	20,000	0	63,673	0	64,929	0	65,675	0	65,264	50,364	565,264
4	20,000	0	86,183	0	88,326	0	89,701	0	90,383	75,483	590,383
5	20,000	0	109,368	0	112,660	0	114,929	0	117,375	102,475	617,375
6	20,000	0	133,249	0	137,966	0	141,448	0	146,383	132,228	646,383
7	20,000	0	157,847	0	164,285	0	169,357	0	177,526	164,265	677,526
8	20,000	0	183,182	0	191,656	0	198,759	0	210,961	198,743	710,961
9	20,000	0	209,278	0	220,122	0	229,766	0	246,847	235,821	746,847
10	20,000	0	236,156	0	249,727	0	262,498	0	285,356	275,671	785,356
11	20,000	0	263,841	0	280,516	0	297,086	0	326,678	318,483	826,678
12	20,000	0	292,356	0	312,537	0	333,667	0	371,015	364,459	871,015
13	20,000	0	321,726	0	345,838	0	372,392	0	418,570	413,802	918,570
14	20,000	0	351,978	0	380,472	0	413,421	0	469,576	466,745	969,576
15	20,000	0	383,138	0	416,491	0	456,928	0	524,279	524,279	1,024,279
16	20,000	0	415,232	0	453,950	0	503,098	0	582,925	582,925	1,082,925
17	20,000	0	448,289	0	492,908	0	552,130	0	645,798	645,798	1,145,798
18	20,000	0	482,337	0	533,425	0	604,240	0	713,194	713,194	1,213,194
19	20,000	0	517,407	0	575,562	0	659,658	0	785,420	785,420	1,285,420
20	20,000	0	553,530	0	619,384	0	718,632	0	862,807	862,807	1,362,807
	400,000	0		0		0		0			

See the accompanying reports for year-by-year calculations:  
Details of the Tax Deferred Account

\*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.

Note: Tax Deferred Account values do not reflect surrender charges or market rate adjustments, if any.

Tax Deferred Account is assessed:  
Tax on withdrawals. Entries in column (4a) are after tax.

# Indexed Universal Life vs. Various Financial Alternatives

Comparison Page: 2  
Date: [Current date appears here]

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

For: George Baker

Male Age 45	Taxable Account Yield 5.00%	Tax Exempt Account Yield 4.00%	Tax Deferred Account Yield 7.50%	Income Tax Rate 40.00%	Indexed UL Interest Rate 7.50%	Initial Death Benefit 500,000
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### After Tax Values of Identical Allocation to Various Financial Alternatives

Year	(1) Life Insurance Premium	After Tax Values of Identical Allocation to Various Financial Alternatives						Indexed UL			
		(2a) After Tax Cash Flow from Taxable Account	(2b) Taxable Account	(3a) After Tax Cash Flow from Tax Exempt Account	(3b) Tax Exempt Account	(4a) After Tax Cash Flow from Tax Deferred Account	(4b) Tax Deferred Account	(5a) After Tax Policy Cash Flow	(5b) Year End Accum Value*	(5c) Year End Cash Value*	(5d) Death Benefit
21	0	60,000	508,336	60,000	581,759	60,000	696,029	60,000	859,671	859,671	1,302,782
22	0	60,000	461,786	60,000	542,630	60,000	671,732	60,000	856,539	856,539	1,242,757
23	0	60,000	413,839	60,000	501,935	60,000	645,611	60,000	853,529	853,529	1,182,732
24	0	60,000	364,454	60,000	459,612	60,000	617,532	60,000	850,800	850,800	1,122,707
25	0	60,000	313,588	60,000	415,597	60,000	587,346	60,000	848,539	848,539	1,062,682
26	0	60,000	261,196	60,000	369,821	60,000	554,897	60,000	846,990	846,990	1,002,657
27	0	60,000	207,232	60,000	322,214	60,000	520,014	60,000	846,869	846,869	965,230
28	0	60,000	151,649	60,000	272,702	60,000	482,516	60,000	846,719	846,719	954,270
29	0	60,000	94,398	60,000	221,210	60,000	442,204	60,000	846,641	846,641	941,062
30	0	60,000	35,430	60,000	167,659	60,000	399,403	60,000	846,778	846,778	925,528
31	0	35,430	0	60,000	111,965	60,000	354,676	60,000	847,329	847,328	907,621
32	0	0	0	60,000	54,044	60,000	307,937	60,000	847,501	847,501	912,058
33	0	0	0	54,044	0	60,000	259,094	60,000	847,200	847,200	916,252
34	0	0	0	0	0	60,000	208,053	60,000	846,311	846,311	920,101
35	0	0	0	0	0	60,000	154,715	60,000	844,701	844,701	923,479
36	0	0	0	0	0	60,000	98,978	60,000	842,213	842,213	926,239
37	0	0	0	0	0	60,000	40,732	60,000	838,658	838,658	928,201
38	0	0	0	0	0	40,732	0	60,000	833,818	833,818	929,155
39	0	0	0	0	0	0	0	60,000	827,434	827,434	928,851
40	0	0	0	0	0	0	0	60,000	819,204	819,204	926,992
	400,000	635,430		774,044		1,060,732		1,200,000			

See the accompanying reports for year-by-year calculations:  
Details of the Tax Deferred Account

\*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.

Note: Tax Deferred Account values do not reflect surrender charges or market rate adjustments, if any.

Tax Deferred Account is assessed:  
Tax on withdrawals. Entries in column (4a) are after tax.

# Indexed Universal Life vs. Various Financial Alternatives

Comparison Page: 3  
Date: [Current date appears here]

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

For: George Baker

	Male Age 45	Taxable Account Yield 5.00%	Tax Exempt Account Yield 4.00%	Tax Deferred Account Yield 7.50%	Income Tax Rate 40.00%	Indexed UL Interest Rate 7.50%	Initial Death Benefit 500,000
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After Tax Values of Identical Allocation to Various Financial Alternatives								Indexed UL			
	(1)	(2a)	(2b)	(3a)	(3b)	(4a)	(4b)	(5a)	(5b)	(5c)	(5d)
Year	Life Insurance Premium	After Tax Cash Flow from Taxable Account	Taxable Account	After Tax Cash Flow from Tax Exempt Account	Tax Exempt Account	After Tax Cash Flow from Tax Deferred Account	Tax Deferred Account	After Tax Policy Cash Flow	Year End Accum Value*	Year End Cash Value*	Death Benefit
41	0	0	0	0	0	0	0	60,000	808,774	808,774	923,231
42	0	0	0	0	0	0	0	60,000	795,735	795,735	917,160
43	0	0	0	0	0	0	0	60,000	779,601	779,601	908,298
44	0	0	0	0	0	0	0	60,000	759,816	759,816	896,087
45	0	0	0	0	0	0	0	60,000	735,732	735,732	879,875
46	0	0	0	0	0	0	0	60,000	706,593	706,593	858,901
47	0	0	0	0	0	0	0	60,000	677,002	677,002	805,824
48	0	0	0	0	0	0	0	60,000	648,223	648,223	750,462
49	0	0	0	0	0	0	0	60,000	621,718	621,718	693,931
50	0	0	0	0	0	0	0	60,000	599,295	599,295	637,607

400,000

635,430

774,044

1,060,732

1,800,000

See the accompanying reports for year-by-year calculations:  
Details of the Tax Deferred Account

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Note: Tax Deferred Account values do not reflect surrender charges or market rate adjustments, if any.

Tax Deferred Account is assessed:  
Tax on withdrawals. Entries in column (4a) are after tax.

# Indexed Universal Life

vs.

## Various Financial Alternatives

MV Page: 1  
Date: [Current date appears here]

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

For: George Baker

Male Age	Taxable Account Yield	Tax Exempt Account Yield	Tax Deferred Account Yield	Income Tax Rate	Indexed UL Interest Rate	Initial Death Benefit
45	5.00%	4.00%	7.50%	40.00%	7.50%	500,000

### Matching Values

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

Investment	Interest Rate	Indexed UL
Taxable Account	11.65%	Accumulation Value \$599,295
Taxable Account	11.65%	Cash Value \$599,295
Taxable Account	11.69%	Death Benefit \$637,607
Tax Exempt Account	6.99%	Accumulation Value \$599,295
Tax Exempt Account	6.99%	Cash Value \$599,295
Tax Exempt Account	7.02%	Death Benefit \$637,607
Tax Deferred Account	9.25%	Accumulation Value \$599,295
Tax Deferred Account	9.25%	Cash Value \$599,295
Tax Deferred Account	9.27%	Death Benefit \$637,607

#### Income Tax Considerations

1. Taxable Account: Interest is taxed as earned.
2. Tax Exempt Account: Interest is tax exempt.
3. Tax Deferred Account: Interest is tax deferred.  
(Values assume tax is assessed in year shown only)
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

Date: [Current date appears here]

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

For: George Baker

## 50th Year Summary Analysis

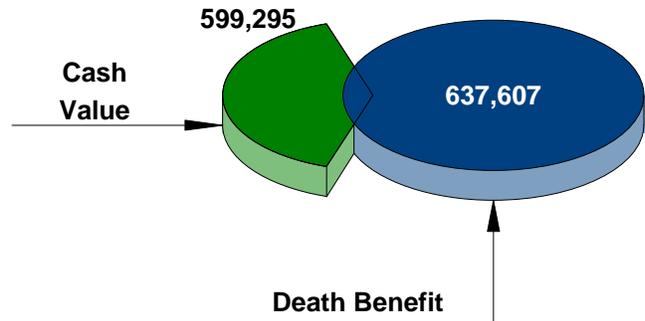
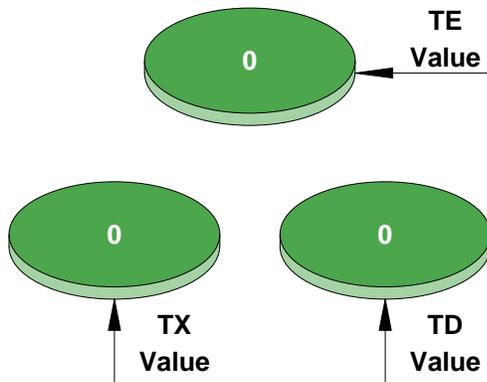
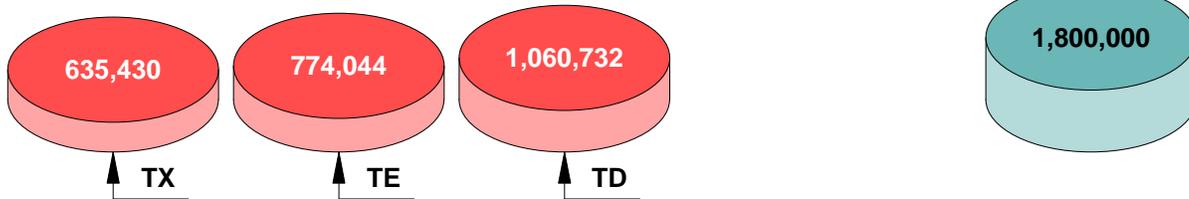
### Various Financial Alternatives

### Indexed Universal Life

Cumulative  
Payments



Cumulative  
After Tax Cash Flow



TX - Taxable Account  
TE - Tax Exempt Account  
TD - Tax Deferred Account

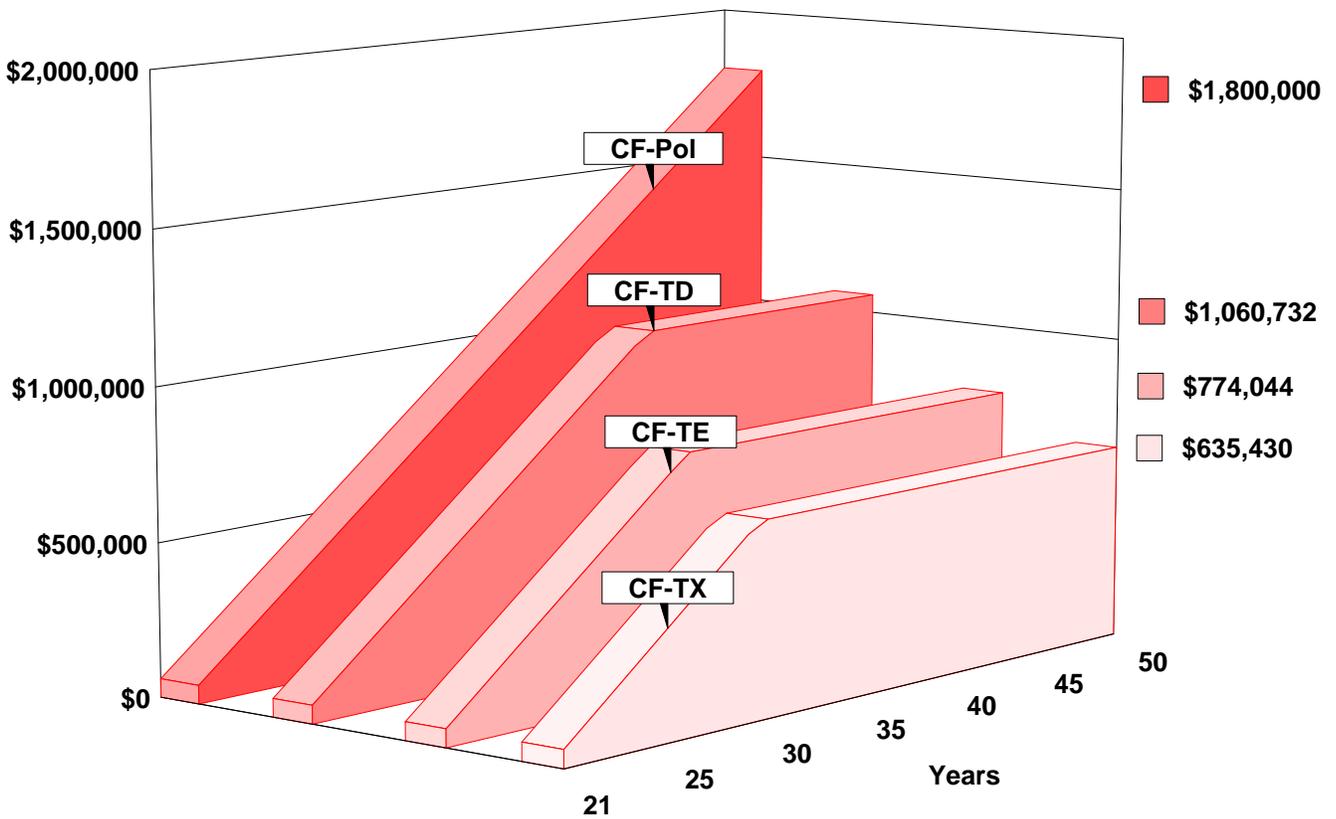
# Indexed Universal Life vs. Various Financial Alternatives

Date: [Current date appears here]

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

For: George Baker

## Cash Flow Comparison Years 21 - 50



- CF-TX - Cumulative After Tax Cash Flow from Taxable Account
- CF-TE - Cumulative After Tax Cash Flow from Tax Exempt Account
- CF-TD - Cumulative After Tax Cash Flow from A Tax Deferred Account
- CF-Pol - Cumulative After Tax Policy Cash Flow from Indexed UL

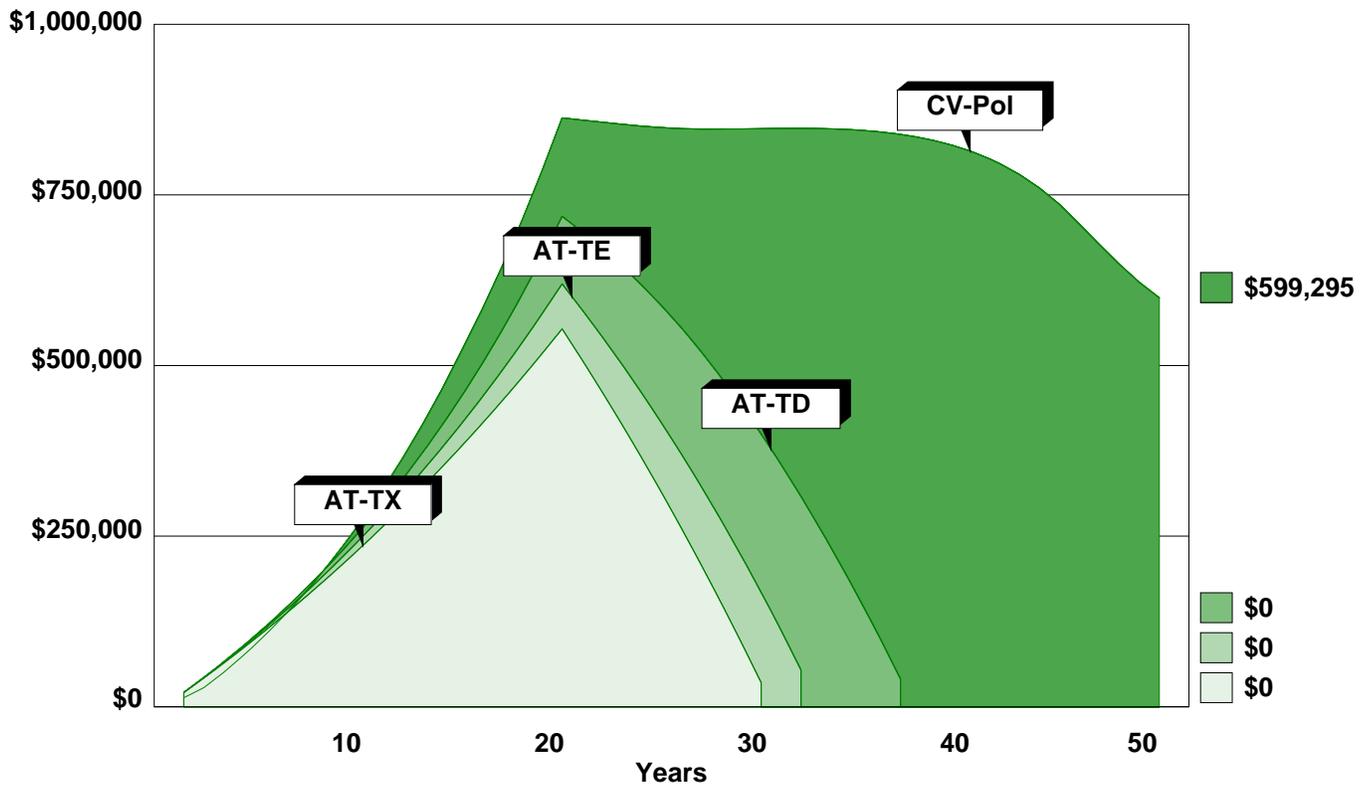
# Indexed Universal Life vs. Various Financial Alternatives

Date: [Current date appears here]

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

For: George Baker

## 50 Year Graphic of Values



- AT-TX - After Tax Values of Taxable Account
- AT-TE - After Tax Values of Tax Exempt Account
- AT-TD - After Tax Values of A Tax Deferred Account
- CV-Pol - Cash Value of Indexed UL

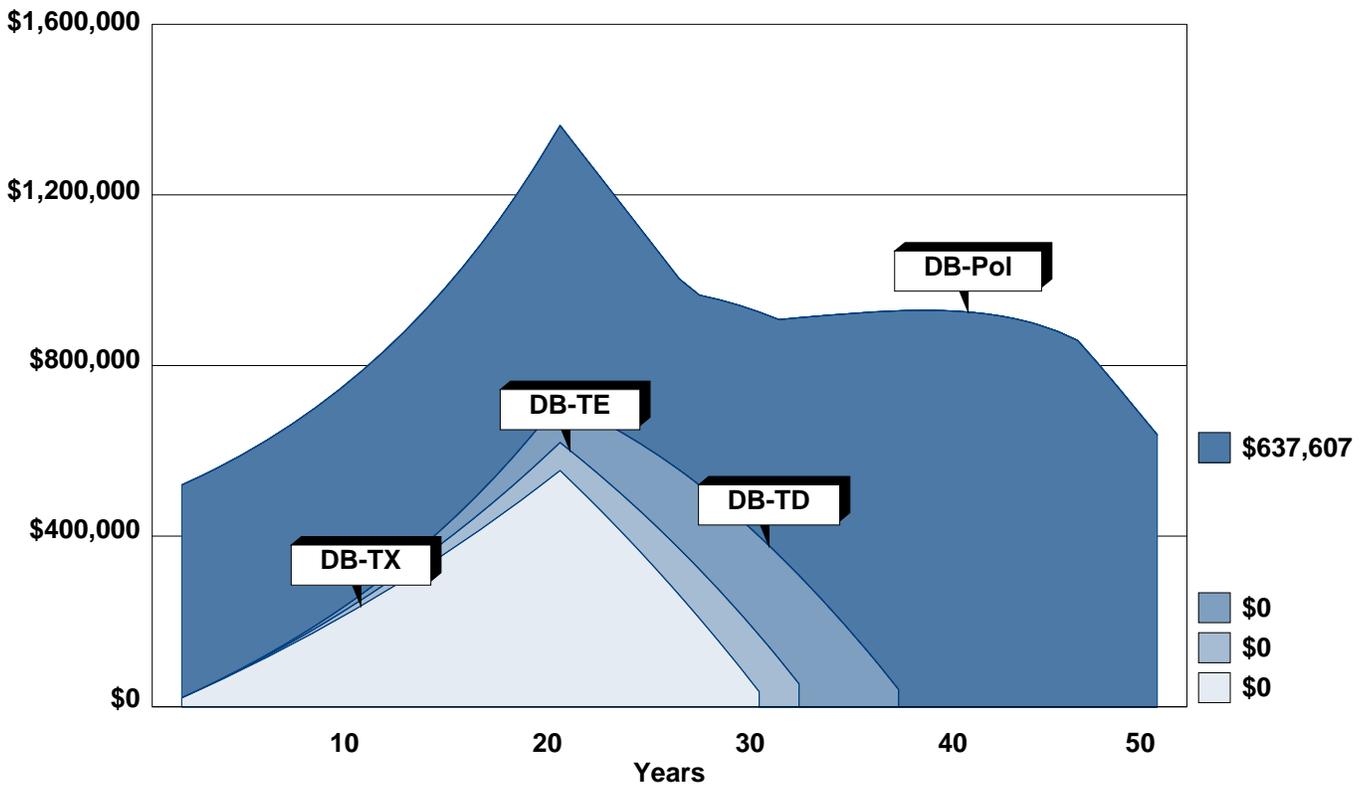
# Indexed Universal Life vs. Various Financial Alternatives

Date: [Current date appears here]

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

For: George Baker

## 50 Year Graphic of Death Benefit



- DB-TX - Death Benefit of Taxable Account
- DB-TE - Death Benefit of Tax Exempt Account
- DB-TD - Death Benefit of A Tax Deferred Account
- DB-Pol - Death Benefit of Indexed UL

## **Tax Calculations**

The tax deferred investment illustrated in the accompanying material reflects after tax values. Since withdrawals are taxable until any gain is exhausted, 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.

## Details of the Tax Deferred Account

Tax Deferred Account Detail Page: 1  
Date: [Current date appears here]

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

For: George Baker

	Tax Deferred		
Male	Account	Income	Initial
Age	Yield	Tax Rate	Payment
45	7.50%	40.00%	20,000

Tax Deferred Account					
Year	(1) Annual Deposit	(2) After Tax Cash Flow	(3) Gross Yield 7.50%	(4) Tax Deferred Ending Balance	(5) After Tax Values
1	20,000	0	1,500	21,500	20,900
2	20,000	0	3,113	44,613	42,768
3	20,000	0	4,846	69,459	65,675
4	20,000	0	6,709	96,168	89,701
5	20,000	0	8,713	124,881	114,929
6	20,000	0	10,866	155,747	141,448
7	20,000	0	13,181	188,928	169,357
8	20,000	0	15,670	224,598	198,759
9	20,000	0	18,345	262,943	229,766
10	20,000	0	21,221	304,164	262,498
11	20,000	0	24,312	348,476	297,086
12	20,000	0	27,636	396,112	333,667
13	20,000	0	31,208	447,320	372,392
14	20,000	0	35,049	502,369	413,421
15	20,000	0	39,178	561,547	456,928
16	20,000	0	43,616	625,163	503,098
17	20,000	0	48,387	693,550	552,130
18	20,000	0	53,516	767,066	604,240
19	20,000	0	59,030	846,096	659,658
20	20,000	0	64,957	931,053	718,632
	400,000	0			

Note: Tax Deferred Account values do not reflect surrender charges or market rate adjustments, if any.

Tax Deferred Account values are not guaranteed and may be higher or lower than illustrated.

Tax Deferred Account is assessed:

Tax on withdrawals. Entries in Column (2) are after tax.

Withdrawals are taxable until gain is exhausted. Due to this, any withdrawals reflected in Column (2) have been grossed up so the after tax net is equal to the amount shown.

### 20 Year Summary

	Tax Deferred Account
After Tax Payments	400,000
After Tax Cash Flow	0
Living Values	931,053
Death Benefit	718,632

## Details of the Tax Deferred Account

Tax Deferred Account Detail Page: 2  
Date: [Current date appears here]

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

For: George Baker

	Tax Deferred		
Male	Account	Income	Initial
Age	Yield	Tax Rate	Payment
45	7.50%	40.00%	20,000

Tax Deferred Account					
Year	(1) Annual Deposit	(2) After Tax Cash Flow	(3) Gross Yield 7.50%	(4) Tax Deferred Ending Balance	(5) After Tax Values
21	0	60,000	62,329	893,382	696,029
22	0	60,000	59,504	852,886	671,732
23	0	60,000	56,466	809,352	645,611
24	0	60,000	53,201	762,553	617,532
25	0	60,000	49,691	712,244	587,346
26	0	60,000	45,918	658,162	554,897
27	0	60,000	41,862	600,024	520,014
28	0	60,000	37,502	537,526	482,516
29	0	60,000	32,814	470,340	442,204
30	0	60,000	28,665	410,869	399,403
31	0	60,000	25,455	364,858	354,676
32	0	60,000	22,101	316,777	307,937
33	0	60,000	18,595	266,532	259,094
34	0	60,000	14,932	214,026	208,053
35	0	60,000	11,104	159,157	154,715
36	0	60,000	7,104	101,819	98,978
37	0	60,000	2,923	41,901	40,732
38	0	40,732	0	0	0
39	0	0	0	0	0
40	0	0	0	0	0
	400,000	1,060,732			

Note: Tax Deferred Account values do not reflect surrender charges or market rate adjustments, if any.

Tax Deferred Account values are not guaranteed and may be higher or lower than illustrated.

Tax Deferred Account is assessed:

Tax on withdrawals. Entries in Column (2) are after tax.

Withdrawals are taxable until gain is exhausted. Due to this, any withdrawals reflected in Column (2) have been grossed up so the after tax net is equal to the amount shown.

### 40 Year Summary

	Tax Deferred Account
After Tax Payments	400,000
After Tax Cash Flow	1,060,732
Living Values	0
Death Benefit	0

## Details of the Tax Deferred Account

Tax Deferred Account Detail Page: 3  
Date: [Current date appears here]

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

For: George Baker

Male	Tax Deferred	Income	Initial
Age	Account	Tax Rate	Payment
45	Yield 7.50%	40.00%	20,000

Tax Deferred Account					
Year	(1) Annual Deposit	(2) After Tax Cash Flow	(3) Gross Yield 7.50%	(4) Tax Deferred Ending Balance	(5) After Tax Values
41	0	0	0	0	0
42	0	0	0	0	0
43	0	0	0	0	0
44	0	0	0	0	0
45	0	0	0	0	0
46	0	0	0	0	0
47	0	0	0	0	0
48	0	0	0	0	0
49	0	0	0	0	0
50	0	0	0	0	0

400,000	1,060,732
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Note: Tax Deferred Account values do not reflect surrender charges or market rate adjustments, if any.

Tax Deferred Account values are not guaranteed and may be higher or lower than illustrated.

Tax Deferred Account is assessed:

Tax on withdrawals. Entries in Column (2) are after tax.

Withdrawals are taxable until gain is exhausted. Due to this, any withdrawals reflected in Column (2) have been grossed up so the after tax net is equal to the amount shown.

### 50 Year Summary

	Tax Deferred Account
After Tax Payments	400,000
After Tax Cash Flow	1,060,732
Living Values	0
Death Benefit	0