

Indexed Universal Life vs. Term Insurance and a Tax Deductible Retirement Plan (TDRP)

For Harvey Pierce, MD



Presented By: _____

[Licensed user's name appears here]

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.

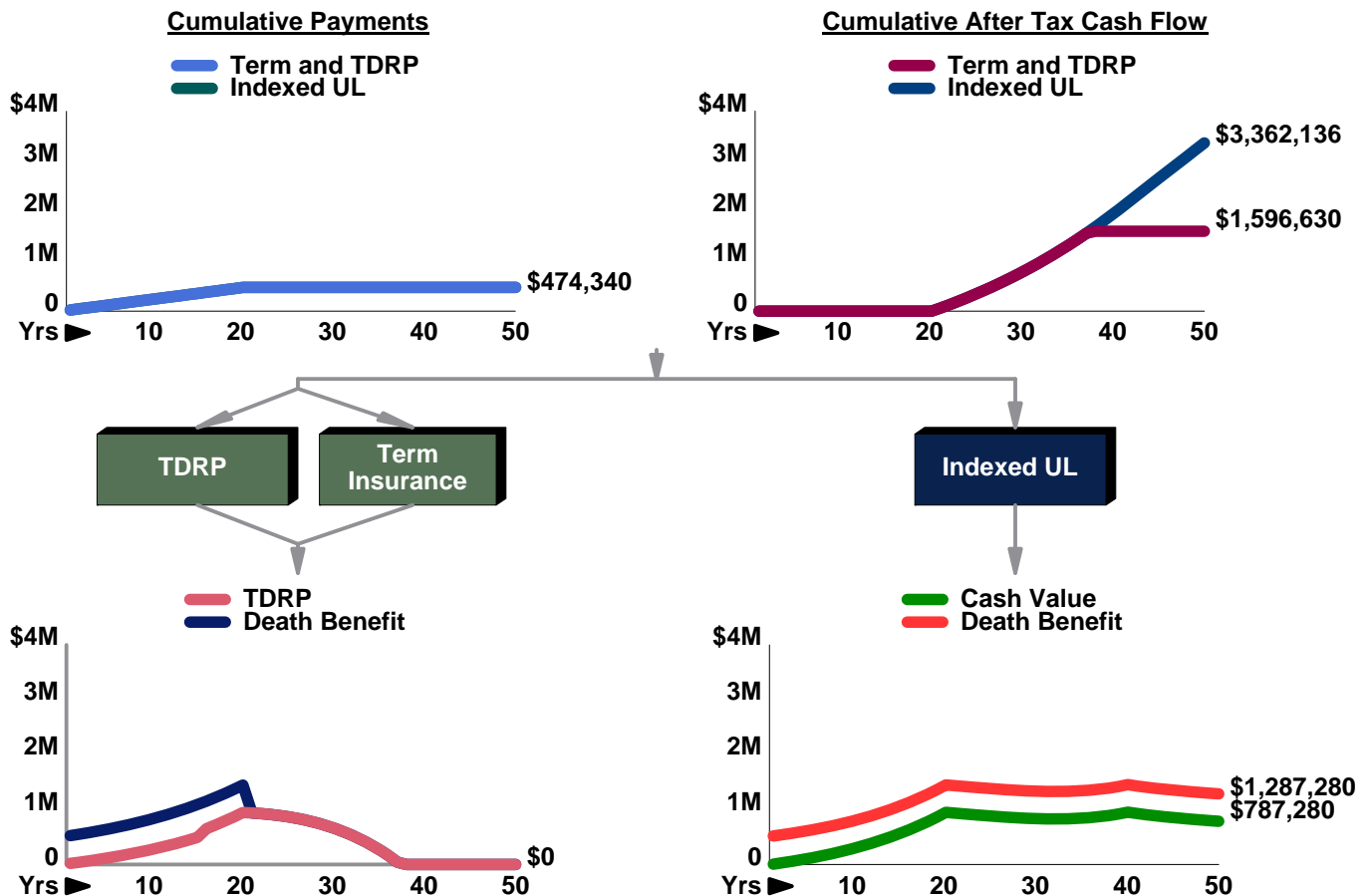
An integrated analysis of these points creates useful information that helps guide your purchasing evaluation. The precision of the conclusions, however, is contingent upon the accuracy of the data utilized. You should be positive that all premises and

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.

Indexed Universal Life vs. Term Insurance and a Tax Deductible Retirement Plan (TDRP)

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

Insured: Harvey Pierce, MD

Summary

TDRP Yield 7.50% Income Tax Rate 40.00% Indexed UL Interest Rate 7.50% Initial Death Benefit 500,000

Yr	Male Age	After Tax Payment		500,000 Term Insurance Along with a Tax Deductible Retirement Plan					Indexed UL			
		(1) Cost of the Proposed Premium	(2) After Tax Cost of Term and TDRP*	(3) After Tax Cash Flow from TDRP	(4) Value of TDRP if Distributed	(5) After Tax Death Benefit of TDRP	(6) Term Death Benefit	(7) Combined Death Benefit	(8) After Tax Policy Loan Proceeds	(9) Year End Accum Value**	(10) Year End Cash Value**	(11) Death Benefit
1	45	23,717	23,717	0	20,502	24,602	500,000	524,602	0	21,414	6,879	521,414
2	46	23,717	23,717	0	42,321	50,785	500,000	550,785	0	44,344	31,259	544,344
3	47	23,717	23,717	0	65,542	78,650	500,000	578,650	0	68,921	57,291	568,921
4	48	23,717	23,717	0	90,255	108,306	500,000	608,306	0	95,283	85,108	595,283
5	49	23,717	23,717	0	116,556	139,867	500,000	639,867	0	123,548	114,828	623,548
6	50	23,717	23,717	0	144,546	173,455	500,000	673,455	0	154,034	146,769	654,034
7	51	23,717	23,717	0	174,335	209,202	500,000	709,202	0	186,917	181,102	686,917
8	52	23,717	23,717	0	206,038	247,246	500,000	747,246	0	222,398	218,038	722,398
9	53	23,717	23,717	0	239,778	287,733	500,000	787,733	0	260,702	257,797	760,702
10	54	23,717	23,717	0	275,685	330,822	500,000	830,822	0	302,081	300,631	802,081
11	55	23,717	23,717	0	313,900	376,679	500,000	876,679	0	348,263	348,263	848,263
12	56	23,717	23,717	0	354,570	425,483	500,000	925,483	0	397,826	397,826	897,826
13	57	23,717	23,717	0	397,853	477,423	500,000	977,423	0	451,008	451,008	951,008
14	58	23,717	23,717	0	443,917	532,700	500,000	1,032,700	0	508,076	508,076	1,008,076
15	59	23,717	23,717	0	492,940	591,528	500,000	1,091,528	0	569,312	569,312	1,069,312
16	60	23,717	23,717	0	654,136	654,136	500,000	1,154,136	0	634,981	634,981	1,134,981
17	61	23,717	23,717	0	720,767	720,767	500,000	1,220,767	0	705,402	705,402	1,205,402
18	62	23,717	23,717	0	791,678	791,678	500,000	1,291,678	0	780,908	780,908	1,280,908
19	63	23,717	23,717	0	867,145	867,145	500,000	1,367,145	0	861,854	861,854	1,361,854
20	64	23,717	23,717	0	947,461	947,461	500,000	1,447,461	0	948,620	948,620	1,448,620
21	65	0	0	64,857	939,312	939,312	0	939,312	64,857	934,353	934,353	1,434,353
22	66	0	0	67,703	927,610	927,610	0	927,610	67,703	920,323	920,323	1,420,323
23	67	0	0	70,634	912,037	912,037	0	912,037	70,634	906,655	906,655	1,406,655
24	68	0	0	73,653	892,250	892,250	0	892,250	73,653	893,479	893,479	1,393,479
25	69	0	0	76,763	867,883	867,883	0	867,883	76,763	880,946	880,946	1,380,946
26	70	0	0	79,966	838,540	838,540	0	838,540	79,966	869,212	869,212	1,369,212
27	71	0	0	83,265	803,801	803,801	0	803,801	83,265	858,567	858,567	1,358,567
28	72	0	0	86,663	763,214	763,214	0	763,214	86,663	849,236	849,236	1,349,236
29	73	0	0	90,163	716,294	716,294	0	716,294	90,163	841,463	841,463	1,341,463
30	74	0	0	93,768	662,524	662,524	0	662,524	93,768	835,516	835,516	1,335,516
		474,340	474,340	787,435					787,435			

*See column (6) on Term and TDRP Detail Page.
TDRP withdrawal has been grossed up to account for the income tax required to produce the after tax number shown in Columns (2) and (3).

**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.

30 Year Summary

	Term/TDRP	Indexed UL
After Tax Payments	474,340	474,340
After Tax Cash Flow	787,435	787,435
Living Values	662,524	835,516
Death Benefit	662,524	1,335,516

Indexed Universal Life vs. Term Insurance and a Tax Deductible Retirement Plan (TDRP)

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

Insured: Harvey Pierce, MD

Summary

		After Tax Payment		500,000 Term Insurance Along with a Tax Deductible Retirement Plan					Indexed UL			
		(1) Cost of the Proposed Premium	(2) After Tax Cost of Term and TDRP*	(3) After Tax Cash Flow from TDRP	(4) Value of TDRP if Distributed	(5) After Tax Death Benefit of TDRP	(6) Term Death Benefit	(7) Combined Death Benefit	(8) After Tax Policy Loan Proceeds	(9) Year End Accum Value**	(10) Year End Cash Value**	(11) Death Benefit
Yr	Male Age											
31	75	0	0	97,482	601,345	601,345	0	601,345	97,482	831,686	831,686	1,331,686
32	76	0	0	101,306	532,167	532,167	0	532,167	101,306	830,267	830,267	1,330,267
33	77	0	0	105,246	454,351	454,351	0	454,351	105,246	831,593	831,593	1,331,593
34	78	0	0	109,303	367,217	367,217	0	367,217	109,303	836,022	836,022	1,336,022
35	79	0	0	113,482	270,037	270,037	0	270,037	113,482	843,940	843,940	1,343,940
36	80	0	0	117,787	162,032	162,032	0	162,032	117,787	855,763	855,763	1,355,763
37	81	0	0	122,221	42,368	42,368	0	42,368	122,221	872,121	872,121	1,372,121
38	82	0	0	42,368	0	0	0	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	474,340	1,596,630					3,362,136			

*See column (6) on Term and TDRP Detail Page.
TDRP withdrawal has been grossed up to account for the income tax required to produce the after tax number shown in Columns (2) and (3).

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50 Year Summary

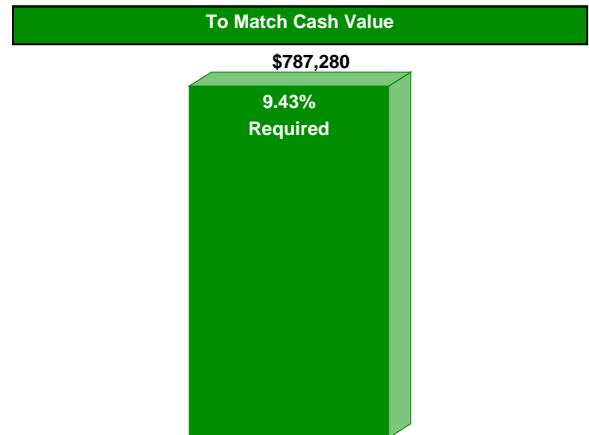
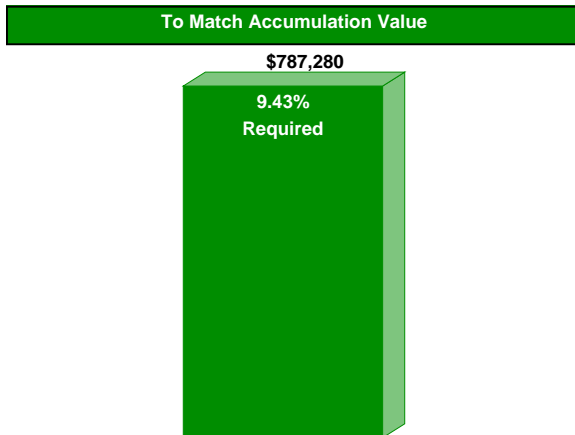
	Term/TDRP	Indexed UL
After Tax Payments	474,340	474,340
After Tax Cash Flow	1,596,630	1,596,630
Living Values	0	787,280
Death Benefit	0	1,287,280

Summary

TDRP Yield	Income Tax Rate	Indexed UL Interest Rate	Initial Death Benefit
7.50%	40.00%	7.50%	500,000

Gross Interest Rate Required on a Tax Deductible Retirement Plan to Match Indexed Universal Life Policy Values over 50 Years After Applying the Term Payment Illustrated

	Gross Interest Rate Required
To match Accumulation Value of: \$787,280	9.43%
To match Cash Value of: \$787,280	9.43%



Income Tax Considerations

1. Tax Deductible Retirement Plan: Interest is tax deferred.
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) 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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Tax Deferred Tax Calculations

Your proposal utilizing term insurance and a tax deferred investment reflects after tax values that, at first glance, may appear to be incorrect. The values illustrated are accurate. Since the only way to realize cash flow (withdrawals) from this investment is gain first, which is taxable, values of the account 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.

*A life insurance policy that is characterized as a modified endowment contract ("MEC") is taxed similarly to a tax deferred account like an annuity in that 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.

Indexed Universal Life vs. Term Insurance and a Tax Deductible Retirement Plan (TDRP)

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

Insured: Harvey Pierce, MD

Term and TDRP Detail

TDRP Yield 7.50%
Income Tax Rate 40.00%

Term Insurance and TDRP Cost Analysis								Term Insurance and TDRP Value Analysis			
Year	Male Age	(1) Cost of the Proposed Premium	(2) Alternative Term Premium	(3) After Tax Retirement Income	(4) After Tax Amount Remaining For TDRP	(5) Gross-up of Col (5) For TDRP	(6) After Tax Cost of Term and TDRP (2)+(3)+(4)	(7) Year End Value of TDRP Account	(8) Year End Value of TDRP if Distributed	(9) Year End Death Benefit of TDRP	(10) Death Benefit of Term Insurance
1	45	23,717	600	0	23,117	38,528	23,717	41,004	20,502	24,602	500,000
2	46	23,717	600	0	23,117	38,528	23,717	84,642	42,321	50,785	500,000
3	47	23,717	600	0	23,117	38,528	23,717	131,084	65,542	78,650	500,000
4	48	23,717	600	0	23,117	38,528	23,717	180,510	90,255	108,306	500,000
5	49	23,717	600	0	23,117	38,528	23,717	233,111	116,556	139,867	500,000
6	50	23,717	600	0	23,117	38,528	23,717	289,092	144,546	173,455	500,000
7	51	23,717	600	0	23,117	38,528	23,717	348,670	174,335	209,202	500,000
8	52	23,717	600	0	23,117	38,528	23,717	412,076	206,038	247,246	500,000
9	53	23,717	600	0	23,117	38,528	23,717	479,555	239,778	287,733	500,000
10	54	23,717	600	0	23,117	38,528	23,717	551,370	275,685	330,822	500,000
11	55	23,717	600	0	23,117	38,528	23,717	627,799	313,900	376,679	500,000
12	56	23,717	600	0	23,117	38,528	23,717	709,139	354,570	425,483	500,000
13	57	23,717	600	0	23,117	38,528	23,717	795,705	397,853	477,423	500,000
14	58	23,717	600	0	23,117	38,528	23,717	887,833	443,917	532,700	500,000
15	59	23,717	600	0	23,117	38,528	23,717	985,880	492,940	591,528	500,000
16	60	23,717	600	0	23,117	38,528	23,717	1,090,227	654,136	654,136	500,000
17	61	23,717	600	0	23,117	38,528	23,717	1,201,278	720,767	720,767	500,000
18	62	23,717	600	0	23,117	38,528	23,717	1,319,463	791,678	791,678	500,000
19	63	23,717	600	0	23,117	38,528	23,717	1,445,242	867,145	867,145	500,000
20	64	23,717	600	0	23,117	38,528	23,717	1,579,102	947,461	947,461	500,000
21	65	0	0	64,857	-64,857	-108,095	0	1,565,520	939,312	939,312	0
22	66	0	0	67,703	-67,703	-112,838	0	1,546,017	927,610	927,610	0
23	67	0	0	70,634	-70,634	-117,723	0	1,520,062	912,037	912,037	0
24	68	0	0	73,653	-73,653	-122,755	0	1,487,084	892,250	892,250	0
25	69	0	0	76,763	-76,763	-127,938	0	1,446,471	867,883	867,883	0
26	70	0	0	79,966	-79,966	-133,277	0	1,397,567	838,540	838,540	0
27	71	0	0	83,265	-83,265	-138,775	0	1,339,669	803,801	803,801	0
28	72	0	0	86,663	-86,663	-144,438	0	1,272,024	763,214	763,214	0
29	73	0	0	90,163	-90,163	-150,272	0	1,193,824	716,294	716,294	0
30	74	0	0	93,768	-93,768	-156,280	0	1,104,206	662,524	662,524	0
		474,340	12,000	787,435	-325,095	-541,831	474,340				

Note: Tax Deductible Retirement Plan values do not reflect market rate adjustments, if any. Tax Deductible Retirement Plan is assessed:

Tax on withdrawals. Entries in Column (4) are after tax incl. add'l tax before age 59½: 10.00%

Management fees reflected in column (7): 1.00%

Indexed Universal Life vs. Term Insurance and a Tax Deductible Retirement Plan (TDRP)

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

Insured: Harvey Pierce, MD

Term and TDRP Detail

TDRP Yield 7.50%
Income Tax Rate 40.00%

		Term Insurance and TDRP Cost Analysis						Term Insurance and TDRP Value Analysis			
Year	Male Age	(1) Cost of the Proposed Premium	(2) Alternative Term Premium	(3) After Tax Retirement Income	(4) After Tax Amount Remaining For TDRP	(5) Gross-up of Col (5) For TDRP	(6) After Tax Cost of Term and TDRP (2)+(3)+(4)	(7) Year End Value of TDRP Account	(8) Year End Value of TDRP if Distributed	(9) Year End Death Benefit of TDRP	(10) Death Benefit of Term Insurance
31	75	0	0	97,482	-97,482	-162,470	0	1,002,242	601,345	601,345	0
32	76	0	0	101,306	-101,306	-168,843	0	886,945	532,167	532,167	0
33	77	0	0	105,246	-105,246	-175,410	0	757,251	454,351	454,351	0
34	78	0	0	109,303	-109,303	-182,172	0	612,028	367,217	367,217	0
35	79	0	0	113,482	-113,482	-189,137	0	450,062	270,037	270,037	0
36	80	0	0	117,787	-117,787	-196,312	0	270,053	162,032	162,032	0
37	81	0	0	122,221	-122,221	-203,702	0	70,614	42,368	42,368	0
38	82	0	0	42,368	-42,368	-70,613	0	0	0	0	0
39	83	0	0	0	0	0	0	0	0	0	0
40	84	0	0	0	0	0	0	0	0	0	0
41	85	0	0	0	0	0	0	0	0	0	0
42	86	0	0	0	0	0	0	0	0	0	0
43	87	0	0	0	0	0	0	0	0	0	0
44	88	0	0	0	0	0	0	0	0	0	0
45	89	0	0	0	0	0	0	0	0	0	0
46	90	0	0	0	0	0	0	0	0	0	0
47	91	0	0	0	0	0	0	0	0	0	0
48	92	0	0	0	0	0	0	0	0	0	0
49	93	0	0	0	0	0	0	0	0	0	0
50	94	0	0	0	0	0	0	0	0	0	0
		474,340	12,000	1,596,630	-1,134,290	-1,890,490	474,340				

Note: Tax Deductible Retirement Plan values do not reflect market rate adjustments, if any. Tax Deductible Retirement Plan is assessed:

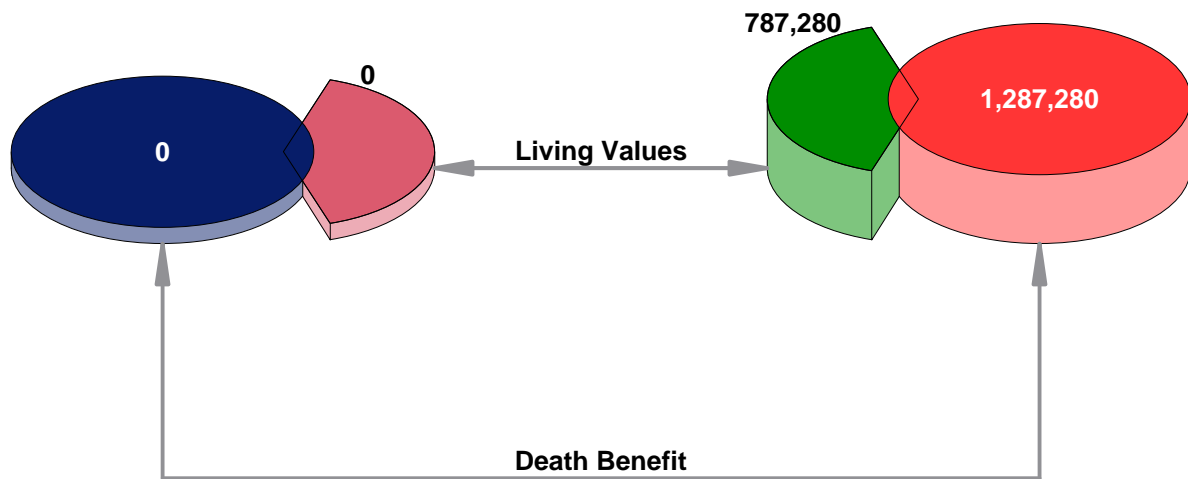
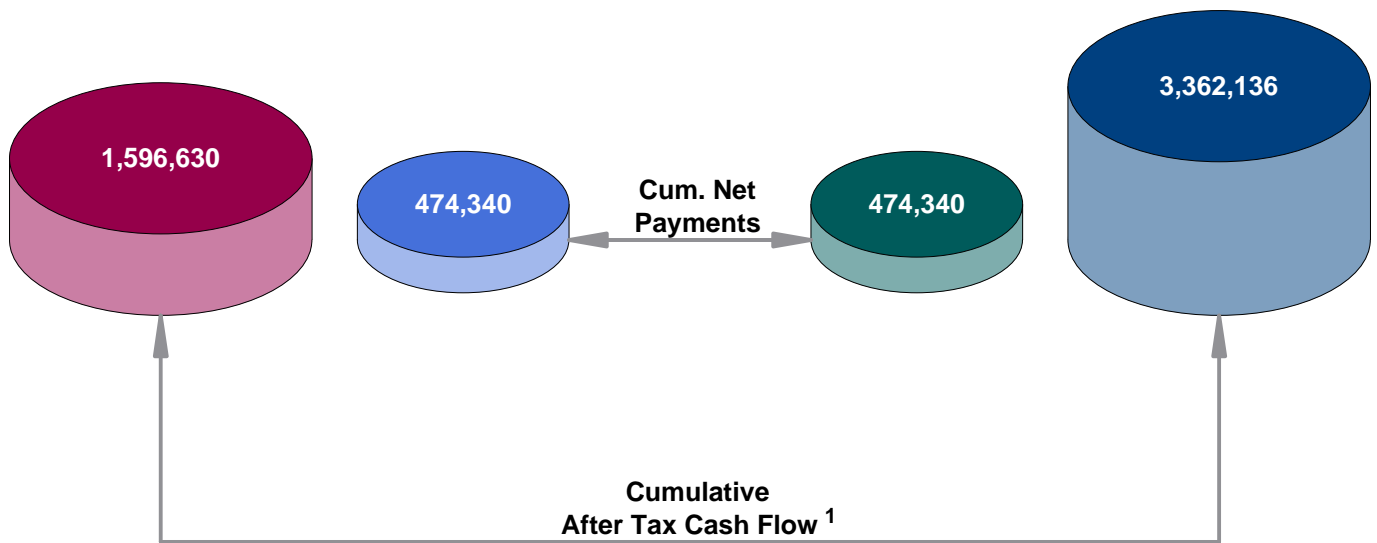
Tax on withdrawals. Entries in Column (4) are after tax incl. add'l tax before age 59½: 10.00%

Management fees reflected in column (7): 1.00%

A Look at Year 50

Term Insurance and a TDRP

Indexed Universal Life



(1) For Retirement Income

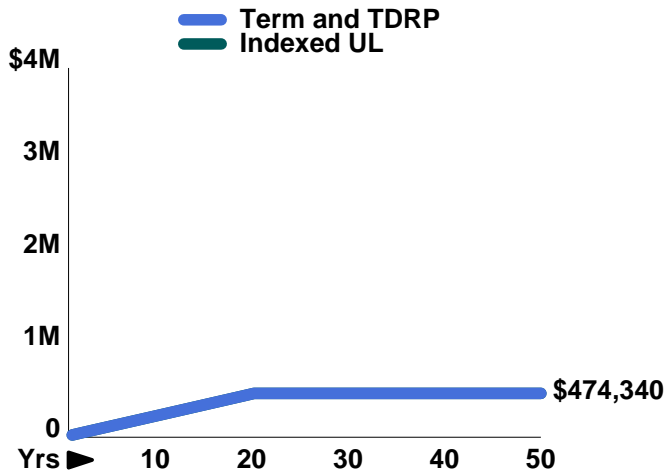
Indexed Universal Life vs. Term Insurance and a Tax Deductible Retirement Plan (TDRP)

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

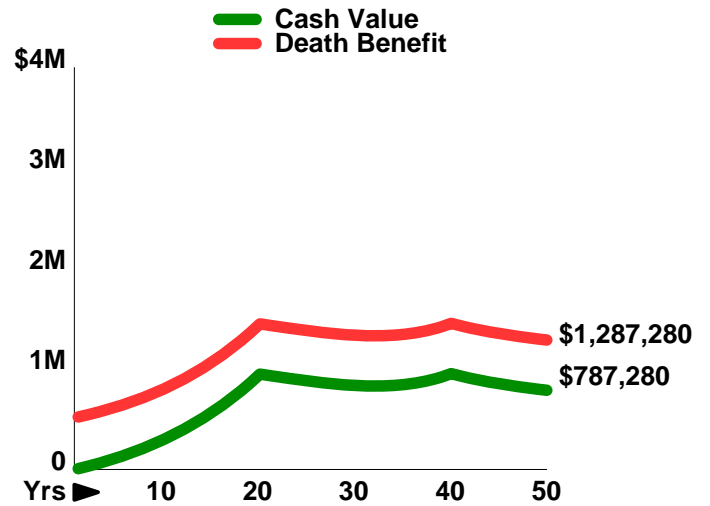
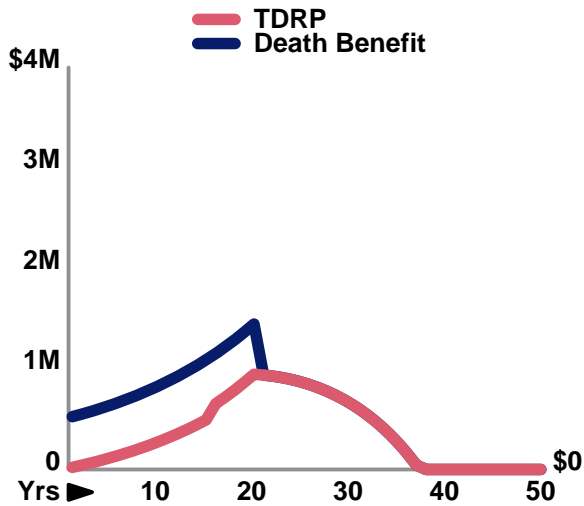
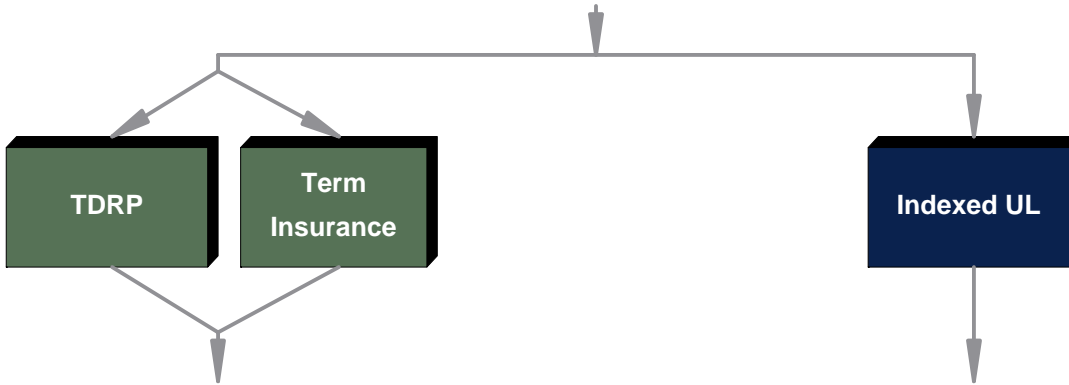
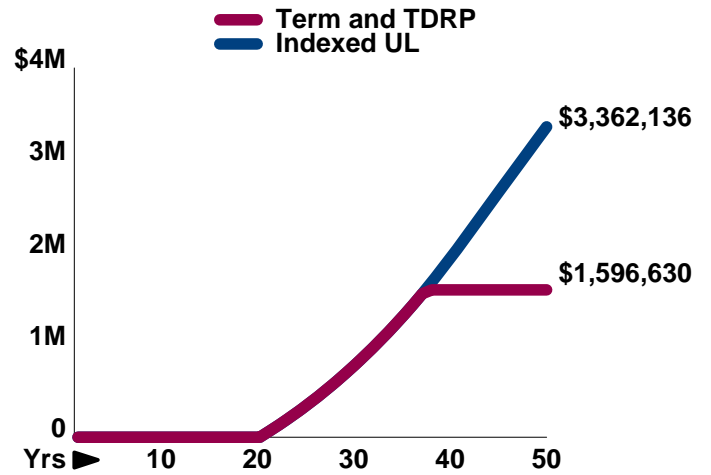
Insured: Harvey Pierce, MD

50 Year Analysis

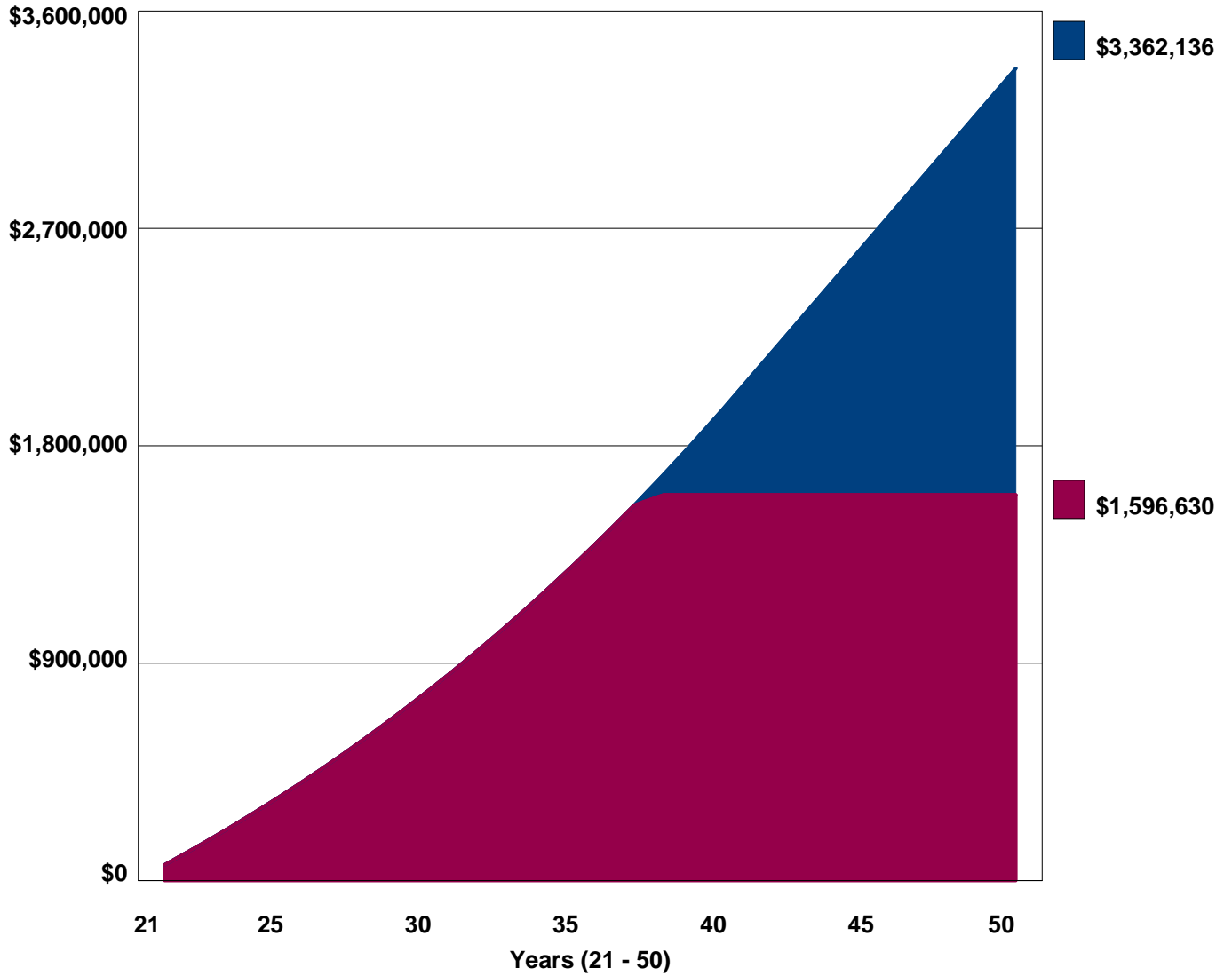
Cumulative Payments



Cumulative After Tax Cash Flow

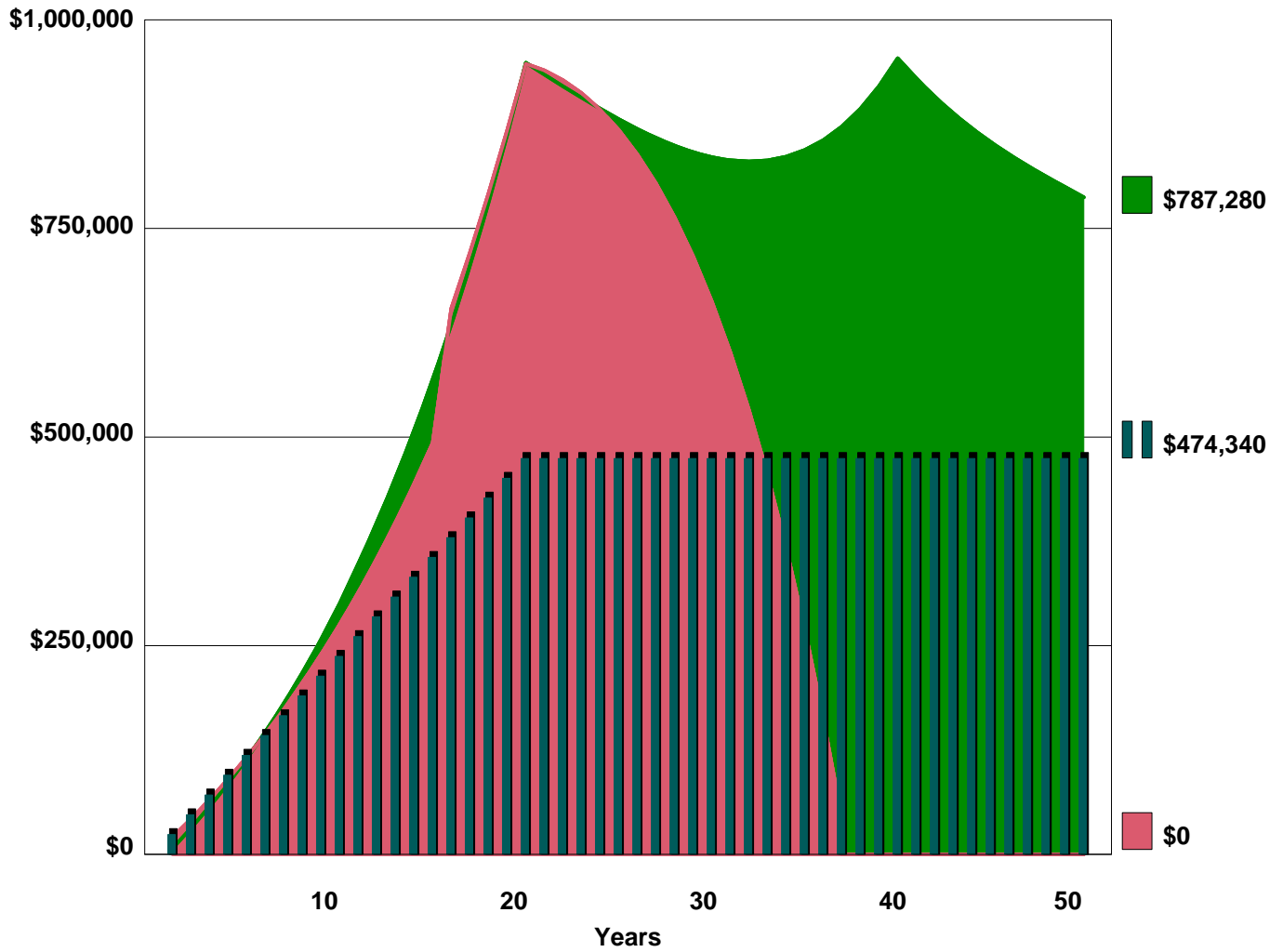


Cash Flow Comparison of Years 21 - 50



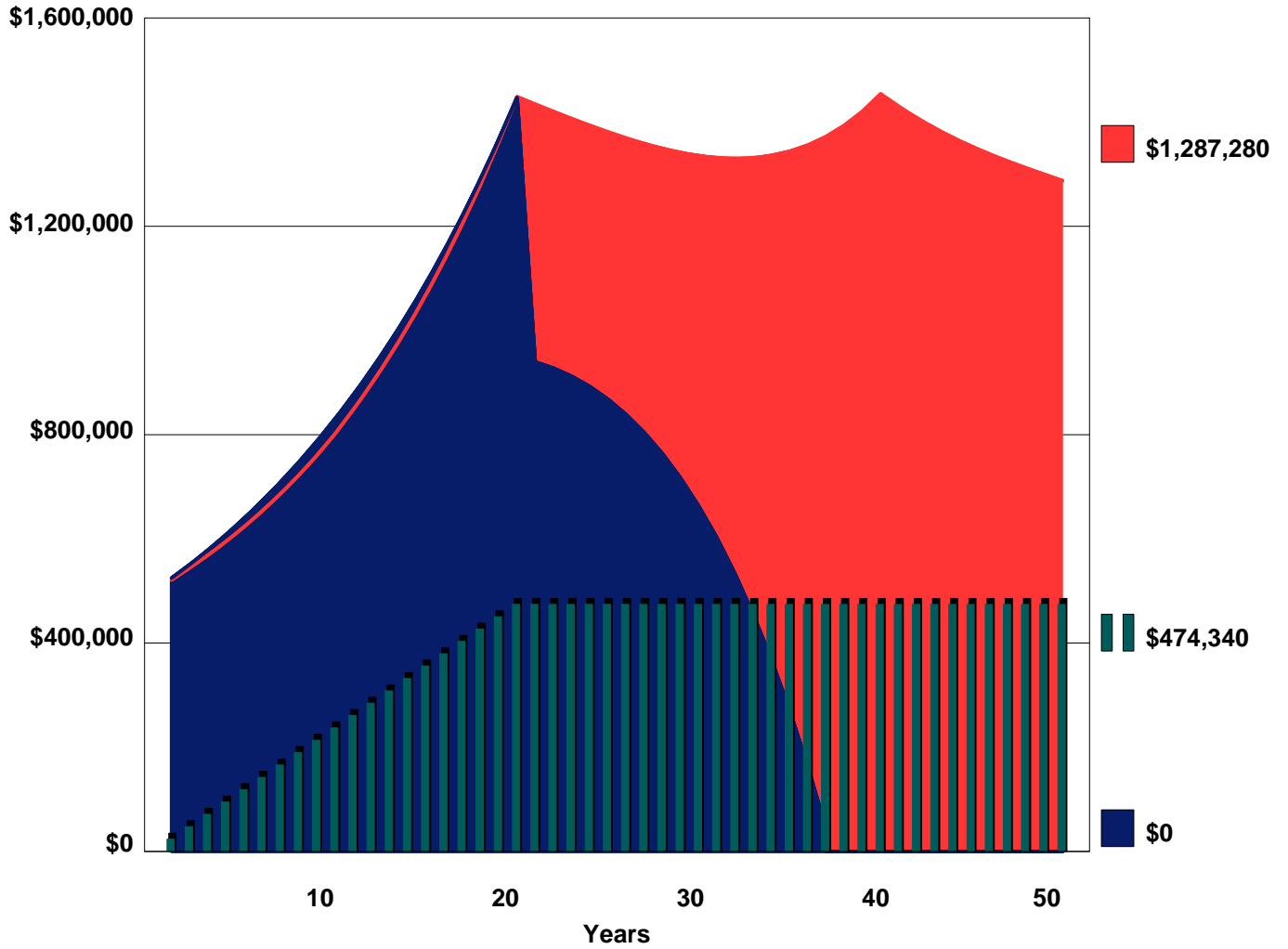
At Year 50
Cumulative After Tax Cash Flow - TDRP ■ \$1,596,630
Cumulative After Tax Policy Cash Flow - Indexed UL ■ \$3,362,136

50 Year Analysis



	At Year 50
Net Payments (Cumulative)	\$474,340
TDRP Distributed Values	\$0
Indexed UL Cash Values	\$787,280

50 Year Analysis



	At Year 50
Net Payments (Cumulative)	\$474,340
Term Plus TDRP Death Benefit	\$0
Indexed UL Policy Death Benefit	\$1,287,280