

# A Tax-Advantaged Life Insurance and Retirement Plan

For: Laura Lake Johnson



Presented By: \_\_\_\_\_

[Licensed user's name appears here]

# Indexed Universal Life vs. Various Financial Alternatives

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

Insured: Laura Lake Johnson

## 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 these alternatives:

Any Taxable Investment;  
Tax Deferred Account;  
Equity Account.

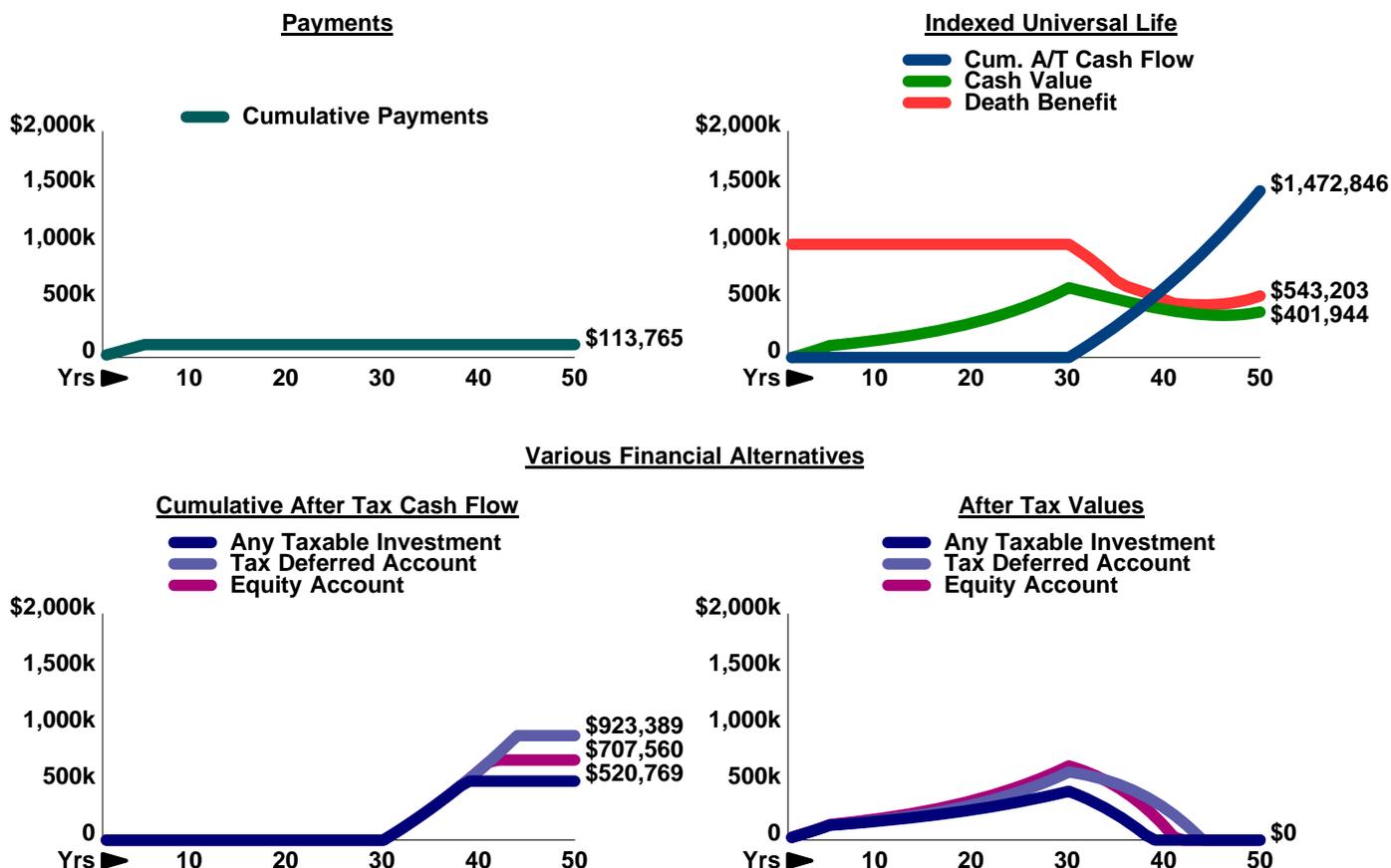
The study offers information from which you and your advisers can draw informed conclusions about the suitability of either plan.

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;
2. Probate free death benefits;
3. Accumulating cash values;
4. Income tax deferred growth of cash values;
5. Competitive current interest rate;
6. Tax free access to cash values via policy loans;
7. Privacy of all transactions.

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.

# Indexed Universal Life vs. Various Financial Alternatives

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

Insured: Laura Lake Johnson

## Comparison of Values

Any Taxable Investment Yield 7.50%    Tax Deferred Account Yield 7.50%    Equity Account Growth 6.50%    Equity Account Dividend 1.00%    Dividend Tax Rate 25.00%    Income Tax Rate 35.00%    Indexed UL Interest Rate 7.50%    Initial Death Benefit 1,000,000

### After Tax Values of Identical Allocation to Various Financial Alternatives

### Indexed UL

Yr	Female Age	After Tax Values of Identical Allocation to Various Financial Alternatives						Indexed UL			
		(1) Life Insurance Premium	(2a) After Tax Cash Flow from Any Taxable Investment	(2b) Any Taxable Investment	(3a) After Tax Cash Flow from Tax Deferred Account	(3b) Tax Deferred Account	(4a) After Tax Cash Flow from Equity Account	(4b) Equity Account	(5a) After Tax Policy Loan Proceeds	(5b) Year End Cash Value*	(5c) Death Benefit
1	35	22,753	0	23,862	0	23,862	0	24,220	0	0	1,000,000
2	36	22,753	0	48,888	0	48,917	0	50,000	0	23,782	1,000,000
3	37	22,753	0	75,133	0	75,253	0	77,443	0	49,278	1,000,000
4	38	22,753	0	102,658	0	102,967	0	106,654	0	76,505	1,000,000
5	39	22,753	0	131,525	0	132,163	0	137,748	0	105,609	1,000,000
6	40	0	0	137,937	0	139,089	0	146,627	0	113,584	1,000,000
7	41	0	0	144,661	0	146,534	0	156,079	0	122,101	1,000,000
8	42	0	0	151,713	0	154,538	0	166,140	0	131,203	1,000,000
9	43	0	0	159,109	0	163,142	0	176,849	0	140,933	1,000,000
10	44	0	0	166,866	0	172,391	0	188,247	0	151,383	1,000,000
11	45	0	0	175,001	0	182,334	0	200,381	0	164,446	1,000,000
12	46	0	0	183,532	0	193,023	0	213,297	0	176,269	1,000,000
13	47	0	0	192,479	0	204,513	0	227,045	0	188,952	1,000,000
14	48	0	0	201,863	0	216,865	0	241,680	0	202,554	1,000,000
15	49	0	0	211,703	0	230,144	0	257,258	0	217,138	1,000,000
16	50	0	0	222,024	0	244,419	0	273,840	0	232,773	1,000,000
17	51	0	0	232,848	0	259,764	0	291,491	0	249,547	1,000,000
18	52	0	0	244,199	0	276,260	0	310,279	0	267,536	1,000,000
19	53	0	0	256,104	0	293,993	0	330,278	0	286,829	1,000,000
20	54	0	0	268,589	0	313,056	0	351,566	0	307,512	1,000,000
21	55	0	0	281,682	0	333,550	0	374,227	0	329,680	1,000,000
22	56	0	0	295,414	0	355,579	0	398,349	0	353,430	1,000,000
23	57	0	0	309,816	0	379,261	0	424,026	0	378,871	1,000,000
24	58	0	0	324,919	0	404,720	0	451,357	0	406,113	1,000,000
25	59	0	0	340,759	0	432,088	0	480,449	0	435,286	1,000,000
26	60	0	0	357,371	0	461,508	0	511,416	0	466,535	1,000,000
27	61	0	0	374,793	0	493,135	0	544,380	0	500,034	1,000,000
28	62	0	0	393,064	0	527,134	0	579,469	0	535,959	1,000,000
29	63	0	0	412,226	0	563,683	0	616,819	0	574,506	1,000,000
30	64	0	0	432,322	0	602,973	0	656,576	0	615,896	1,000,000
		113,765	0		0		0		0		

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

\*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.

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

Management fee reflected in column (4b):  
 EQ = 0.75%

Tax Deferred Account is assessed:  
 Income tax each year. Column (3b) values are after tax.

# Indexed Universal Life vs. Various Financial Alternatives

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

Insured: Laura Lake Johnson

## Comparison of Values

Any Taxable Investment Yield 7.50%    Tax Deferred Account Yield 7.50%    Equity Account Growth 6.50%    Equity Account Dividend 1.00%    Dividend Tax Rate 25.00%    Income Tax Rate 35.00%    Indexed UL Interest Rate 7.50%    Initial Death Benefit 1,000,000

### After Tax Values of Identical Allocation to Various Financial Alternatives

### Indexed UL

Yr	Female Age	(1) Life Insurance Premium	After Tax Values of Identical Allocation to Various Financial Alternatives						Indexed UL		
			(2a) After Tax Cash Flow from Any Taxable Investment	(2b) Any Taxable Investment	(3a) After Tax Cash Flow from Tax Deferred Account	(3b) Tax Deferred Account	(4a) After Tax Cash Flow from Equity Account	(4b) Equity Account	(5a) After Tax Policy Loan Proceeds	(5b) Year End Cash Value*	(5c) Death Benefit
31	65	0	52,485	398,354	52,485	588,788	52,485	629,610	52,485	595,559	944,891
32	66	0	54,333	360,792	54,333	571,552	54,333	597,966	54,333	575,030	885,086
33	67	0	56,236	319,403	56,236	550,978	56,236	561,241	56,236	554,461	820,293
34	68	0	58,196	273,941	58,196	526,755	58,196	519,000	58,196	534,020	750,201
35	69	0	60,215	224,145	60,215	498,544	60,215	470,777	60,215	513,909	674,486
36	70	0	62,295	169,740	62,295	465,982	62,295	416,073	62,295	494,378	629,614
37	71	0	64,437	110,437	64,437	428,674	64,437	354,349	64,437	475,635	601,846
38	72	0	66,643	45,929	66,643	386,198	66,643	285,031	66,643	457,636	572,871
39	73	0	45,929	0	68,915	338,092	68,915	207,500	68,915	440,627	542,547
40	74	0	0	0	71,256	283,862	71,256	121,091	71,256	424,901	510,729
41	75	0	0	0	73,667	222,973	73,667	25,093	73,667	410,797	477,268
42	76	0	0	0	76,150	154,849	18,882	0	76,150	398,372	470,517
43	77	0	0	0	78,707	79,854	0	0	78,707	387,930	466,296
44	78	0	0	0	79,854	0	0	0	81,342	379,799	464,978
45	79	0	0	0	0	0	0	0	84,055	374,341	466,969
46	80	0	0	0	0	0	0	0	86,850	371,946	472,709
47	81	0	0	0	0	0	0	0	89,729	373,035	482,672
48	82	0	0	0	0	0	0	0	92,694	378,065	497,369
49	83	0	0	0	0	0	0	0	95,748	387,523	517,346
50	84	0	0	0	0	0	0	0	98,893	401,944	543,203

113,765

520,769

923,389

707,560

1,472,846

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

\*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.

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

Management fee reflected in column (4b):  
 EQ = 0.75%

Tax Deferred Account is assessed:  
 Income tax each year. Column (3b) values are after tax.

# Indexed Universal Life vs. Various Financial Alternatives

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

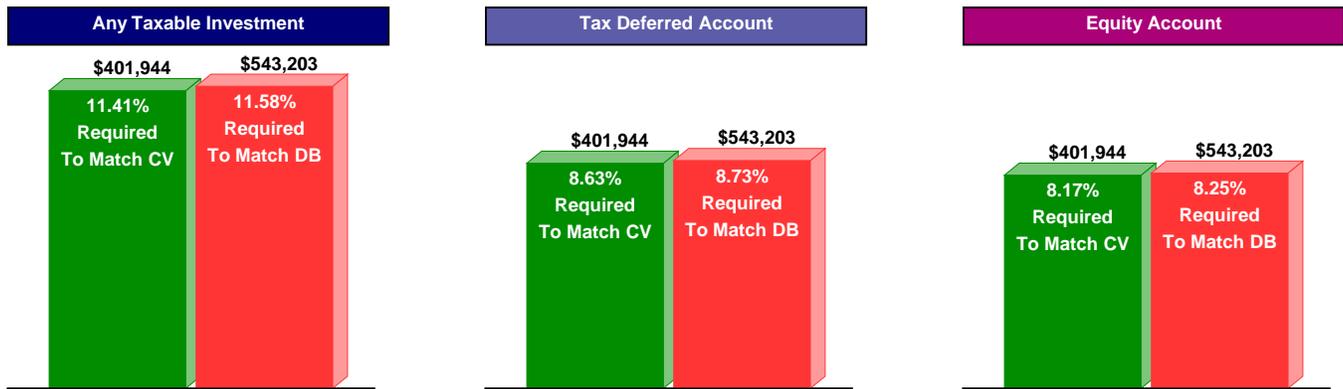
Insured: Laura Lake Johnson

## Matching Values

Any Taxable Investment Yield 7.50%	Tax Deferred Account Yield 7.50%	Equity Account Growth 6.50%	Equity Account Dividend 1.00%	Dividend Tax Rate 25.00%	Income Tax Rate 35.00%	Indexed UL Interest Rate 7.50%	Initial Death Benefit 1,000,000
---------------------------------------	-------------------------------------	--------------------------------	----------------------------------	-----------------------------	---------------------------	-----------------------------------	------------------------------------

### Yield/Growth Required by Various Investments in Addition to the Dividend Illustrated for the Equity Account to Match Indexed UL Policy Values over 50 years

Investment	Yield/Growth	Indexed UL
Any Taxable Investment	11.41%	Cash Value \$401,944
Any Taxable Investment	11.58%	Death Benefit \$543,203
Tax Deferred Account	8.63%	Cash Value \$401,944
Tax Deferred Account	8.73%	Death Benefit \$543,203
Equity Account	8.17%*	Cash Value \$401,944
Equity Account	8.25%*	Death Benefit \$543,203



#### Income Tax Considerations

- Any Taxable Investment: Interest is taxed as earned.
- Tax Deferred Account: Interest is tax deferred.  
(Values assume tax is assessed in year shown only)
- Equity Account: Capital gains tax calculations are taxed based on a ratio of asset value to remaining cost basis in any given year.
- Indexed Universal Life:
  - Death Benefit including cash value component is income tax free.
  - Loans are income tax free as long as the policy is kept in force.
  - 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.
  - Cash values shown assume most favorable combination of b and/or c.

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.

\*Plus 1.00% dividend.

# Indexed Universal Life vs. Various Financial Alternatives

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

Insured: Laura Lake Johnson

## Tax Deferred Account Details

Tax Deferred Account Yield 7.50%  
 Income Tax Rate 35.00%  
 Initial Payment 22,753

		A Tax Deferred Account				
Year	Female Age	(1) Annual Deposit	(2) After Tax Cash Flow	(3) Gross Yield 7.50%	(4) Tax Deferred Ending Balance	(5) After Tax Values
1	35	22,753	0	1,706	24,459	23,862
2	36	22,753	0	3,541	50,753	48,917
3	37	22,753	0	5,513	79,019	75,253
4	38	22,753	0	7,633	109,405	102,967
5	39	22,753	0	9,912	142,070	132,163
6	40	0	0	10,655	152,725	139,089
7	41	0	0	11,454	164,179	146,534
8	42	0	0	12,313	176,492	154,538
9	43	0	0	13,237	189,729	163,142
10	44	0	0	14,230	203,959	172,391
11	45	0	0	15,297	219,256	182,334
12	46	0	0	16,444	235,700	193,023
13	47	0	0	17,678	253,378	204,513
14	48	0	0	19,003	272,381	216,865
15	49	0	0	20,429	292,810	230,144
16	50	0	0	21,961	314,771	244,419
17	51	0	0	23,608	338,379	259,764
18	52	0	0	25,378	363,757	276,260
19	53	0	0	27,282	391,039	293,993
20	54	0	0	29,328	420,367	313,056
21	55	0	0	31,528	451,895	333,550
22	56	0	0	33,892	485,787	355,579
23	57	0	0	36,434	522,221	379,261
24	58	0	0	39,167	561,388	404,720
25	59	0	0	42,104	603,492	432,088
26	60	0	0	45,262	648,754	461,508
27	61	0	0	48,657	697,411	493,135
28	62	0	0	52,306	749,717	527,134
29	63	0	0	56,229	805,946	563,683
30	64	0	0	60,446	866,392	602,973
		113,765	0			

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

Tax Deferred Account is assessed:  
 Income tax each year. Column (5) values 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.

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

### 30 Year Summary

	Tax Deferred Account
After Tax Payments	113,765
After Tax Cash Flow	0
Living Values	866,392
Death Benefit	602,973

# Indexed Universal Life vs. Various Financial Alternatives

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

Insured: Laura Lake Johnson

## Tax Deferred Account Details

Tax Deferred Account Yield 7.50%  
 Income Tax Rate 35.00%  
 Initial Payment 22,753

		A Tax Deferred Account				
Year	Female Age	(1) Annual Deposit	(2) After Tax Cash Flow	(3) Gross Yield 7.50%	(4) Tax Deferred Ending Balance	(5) After Tax Values
31	65	0	52,485	58,923	844,569	588,788
32	66	0	54,333	57,073	818,053	571,552
33	67	0	56,236	54,865	786,401	550,978
34	68	0	58,196	52,265	749,134	526,755
35	69	0	60,215	49,237	705,733	498,544
36	70	0	62,295	45,742	655,637	465,982
37	71	0	64,437	41,738	598,241	428,674
38	72	0	66,643	37,179	532,892	386,198
39	73	0	68,915	32,015	458,884	338,092
40	74	0	71,256	26,194	375,453	283,862
41	75	0	73,667	19,659	281,778	222,973
42	76	0	76,150	12,347	176,971	154,849
43	77	0	78,707	5,711	81,853	79,854
44	78	0	79,854	0	0	0
45	79	0	0	0	0	0
46	80	0	0	0	0	0
47	81	0	0	0	0	0
48	82	0	0	0	0	0
49	83	0	0	0	0	0
50	84	0	0	0	0	0
		113,765	923,389			

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

Tax Deferred Account is assessed:  
 Income tax each year. Column (5) values 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.

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

### 50 Year Summary

	Tax Deferred Account
After Tax Payments	113,765
After Tax Cash Flow	923,389
Living Values	0
Death Benefit	0

# Indexed Universal Life vs. Various Financial Alternatives

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

Insured: Laura Lake Johnson

## Equity Account Details

		EQ Growth 6.50%	Equity Account Dividend 1.00%	Dividend Tax Rate 25.00%	Income Tax Rate 35.00%	Composite Capital Gains Tax Rate* 29.00%				
Year	Female Age	(1) Beginning of Year Account Value	(2) Annual Deposit	(3) Sale of Equities	(4) Capital Growth	(5) After Tax Reinvested Dividends	(6) Net Year End Value of Account**	(7) After Tax Dividend Cash Flow	(8) After Tax Cash Flow from Equity Sales	(9) Combined After Tax Cash Flow
1	35	0	22,753	0	1,479	171	24,220	0	0	0
2	36	24,220	22,753	0	3,053	352	50,000	0	0	0
3	37	50,000	22,753	0	4,729	546	77,443	0	0	0
4	38	77,443	22,753	0	6,513	751	106,654	0	0	0
5	39	106,654	22,753	0	8,411	971	137,748	0	0	0
6	40	137,748	0	0	8,954	1,033	146,627	0	0	0
7	41	146,627	0	0	9,531	1,100	156,079	0	0	0
8	42	156,079	0	0	10,145	1,171	166,140	0	0	0
9	43	166,140	0	0	10,799	1,246	176,849	0	0	0
10	44	176,849	0	0	11,495	1,326	188,247	0	0	0
11	45	188,247	0	0	12,236	1,412	200,381	0	0	0
12	46	200,381	0	0	13,025	1,503	213,297	0	0	0
13	47	213,297	0	0	13,864	1,600	227,045	0	0	0
14	48	227,045	0	0	14,758	1,703	241,680	0	0	0
15	49	241,680	0	0	15,709	1,813	257,258	0	0	0
16	50	257,258	0	0	16,722	1,929	273,840	0	0	0
17	51	273,840	0	0	17,800	2,054	291,491	0	0	0
18	52	291,491	0	0	18,947	2,186	310,279	0	0	0
19	53	310,279	0	0	20,168	2,327	330,278	0	0	0
20	54	330,278	0	0	21,468	2,477	351,566	0	0	0
21	55	351,566	0	0	22,852	2,637	374,227	0	0	0
22	56	374,227	0	0	24,325	2,807	398,349	0	0	0
23	57	398,349	0	0	25,893	2,988	424,026	0	0	0
24	58	424,026	0	0	27,562	3,180	451,357	0	0	0
25	59	451,357	0	0	29,338	3,385	480,449	0	0	0
26	60	480,449	0	0	31,229	3,603	511,416	0	0	0
27	61	511,416	0	0	33,242	3,836	544,380	0	0	0
28	62	544,380	0	0	35,385	4,083	579,469	0	0	0
29	63	579,469	0	0	37,665	4,346	616,819	0	0	0
30	64	616,819	0	0	40,093	4,626	656,576	0	0	0
			113,765	0	547,390	63,162		0	0	0

\*The composite capital gains tax rate includes 40.00% short-term gains subject to ordinary income tax and 60.00% long-term gains subject to capital gains tax. The individual tax rates used to create the composite tax rate are:

Capital Gains Tax: 25.00%  
Income Tax: 35.00%

\*\*Column (6) is reduced by a 0.75% management fee.

Capital gains tax calculations are based upon a ratio of asset value to remaining cost basis in any given year.

# Indexed Universal Life vs. Various Financial Alternatives

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

Insured: Laura Lake Johnson

## Equity Account Details

		EQ Growth 6.50%	Equity Account Dividend 1.00%	Dividend Tax Rate 25.00%	Income Tax Rate 35.00%	Composite Capital Gains Tax Rate* 29.00%				
Year	Female Age	(1) Beginning of Year Account Value	(2) Annual Deposit	(3) Sale of Equities	(4) Capital Growth	(5) After Tax Reinvested Dividends	(6) Net Year End Value of Account**	(7) After Tax Dividend Cash Flow	(8) After Tax Cash Flow from Equity Sales	(9) Combined After Tax Cash Flow
31	65	656,576	0	60,925	38,717	0	629,610	4,467	48,018	52,485
32	66	629,610	0	63,896	36,771	0	597,966	4,243	50,090	54,333
33	67	597,966	0	66,997	34,513	0	561,241	3,982	52,254	56,236
34	68	561,241	0	70,234	31,915	0	519,000	3,682	54,514	58,196
35	69	519,000	0	73,615	28,950	0	470,777	3,340	56,875	60,215
36	70	470,777	0	77,146	25,586	0	416,073	2,952	59,343	62,295
37	71	416,073	0	80,836	21,790	0	354,349	2,514	61,923	64,437
38	72	354,349	0	84,692	17,528	0	285,031	2,022	64,621	66,643
39	73	285,031	0	88,723	12,760	0	207,500	1,472	67,443	68,915
40	74	207,500	0	92,940	7,446	0	121,091	859	70,397	71,256
41	75	121,091	0	97,351	1,543	0	25,093	178	73,489	73,667
42	76	25,093	0	25,093	0	0	0	0	18,882	18,882
43	77	0	0	0	0	0	0	0	0	0
44	78	0	0	0	0	0	0	0	0	0
45	79	0	0	0	0	0	0	0	0	0
46	80	0	0	0	0	0	0	0	0	0
47	81	0	0	0	0	0	0	0	0	0
48	82	0	0	0	0	0	0	0	0	0
49	83	0	0	0	0	0	0	0	0	0
50	84	0	0	0	0	0	0	0	0	0
			113,765	882,448	804,909	63,162		29,711	677,849	707,560

\*The composite capital gains tax rate includes 40.00% short-term gains subject to ordinary income tax and 60.00% long-term gains subject to capital gains tax. The individual tax rates used to create the composite tax rate are:

Capital Gains Tax: 25.00%  
Income Tax: 35.00%

\*\*Column (6) is reduced by a 0.75% management fee.

Capital gains tax calculations are based upon a ratio of asset value to remaining cost basis in any given year.

## Taxation of Tax Deferred Account Cash Flow

With tax deferred accounts, withdrawals (partial surrenders) are taxable until gain is exhausted. Due to this, cash flow illustrated from the tax deferred account 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 tax free up to cost basis and taxable thereafter. Policy loans are 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 31

Below is an analysis of tax calculations on cash flow in the first year that cash flow from the Tax Deferred Account and Indexed Universal Life is illustrated.

#### Tax Deferred Account

80,746 gain in contract withdrawn @ 35.00% tax to net	52,485
+ 0 additional non-taxed withdrawal to net	+ 0
<hr/>	<hr/>
80,746 total withdrawal which nets, after tax	52,485

#### Indexed Universal Life

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.

## Taxation of Equity Account Cash Flow

With equity accounts, dividends are taxed and the after tax balance is either reinvested or used for scheduled cash flow. Capital gains tax calculations are based upon a ratio of asset value to remaining cost basis in any given year.

With cash value life insurance policies, withdrawals (also known as partial surrenders) are tax free up to cost basis and taxable thereafter. Policy loans are 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.