



Below is a view of the Workbook Main Window from the InsMark Illustration System Digital Workbook used for Blog #166 along with a description of its contents.

| Proposals for the workbook: Blog #166 | | | | | |
|---------------------------------------|------------------------|-----------------------------|-----------------|---------------|-----------------|
| Proposal Description | Sales Concept | Policy Data (if applicable) | | | |
| | | Policy Notation | Initial Premium | Death Benefit | Name of Product |
| 1. IRA Only | IRA Calculator | n/a | n/a | n/a | n/a |
| 2. IRA vs. IUL | Investments vs. Policy | Blog #166 | \$3,960 | \$522,862 | Indexed UL |
| 3. IRA vs. IUL (more cash flow) | Investments vs. Policy | Blog #166 (more cash flo... | \$3,960 | \$522,862 | Indexed UL |

Workbook file name: Blog #166.lli This file can be imported into your InsMark Illustration System to see exactly how data was entered in the prompts to create the life insurance illustrations featured in Blog #166.

Proposal 1. IRA Only: This proposal is from the IRA Calculator on the InsCalc tab in the InsMark Illustration System. I used it simply as a calculator to determine the maximum possible, level, retirement cash flow from the IRA that would last until age 100. I needed this pre-tax number (\$62,939) to design the IUL loans (\$45,316) illustrated in Proposal 2.

Proposal 2. IRA vs. IUL: The module in the InsMark Illustration System used for this proposal for a female, age 30, was *Other Investments vs. Your Policy* located on the Personal Insurance tab. We started with source data for an Indexed Universal Life ("IUL") illustration with a premium of \$3,960 for 20 years which is the after tax cost of a \$5,500* contribution to an IRA in a 28% income tax bracket: $(1 - .28) \times (\$5,500)$. In year 21, the illustrated IUL premium was increased to \$4,680 which is the after tax cost of a \$6,500** contribution to an IRA in a 28% income tax bracket: $(1 - .28) \times (\$6,500)$.

*\$5,500 is the current maximum IRA contribution under age 50.

**\$6,500 is the maximum IRA contribution beginning at age 50.

The illustration module compared \$5,500 deductible (\$3,960) for the IRA to \$3,960 non-deductible for the IUL.

The IUL illustration included a level \$45,316 in [participating loans](#) starting at age 70. Level withdrawals from the IRA of \$62,939 were made that netted the same \$45,316 after tax. Both the IRA and the IUL lasted until age 100 with the IRA containing a residual value of \$17 and the IUL containing \$3,901,733.

All this was automatically calculated in the illustration module.

Proposal 3. IRA vs. IUL (more cash flow): We copied Proposal 1 to Proposal 2 and made one change to the IUL data. We increased [participating loans](#) starting at age 70 to \$83,590, the maximum level amount that could be sustained to age 100 by the IUL. This automatically increased the IRA withdrawals to \$116,097 in order to net the same \$83,590 as the IUL. The IRA was depleted by age 80 with \$0 value thereafter. The loans on the IUL lasted until age 100 with a residual value of \$435,127. After tax retirement cash flow from the IRA was \$857,001. After tax retirement cash flow from the IUL is \$2,507,700. That is \$1,650,699 of essentially "free money" created by the use of the IUL with no corresponding increase in funding costs.

Note: Any client that eliminates cash value life insurance as a funding resource for retirement cash flow is effectively saying, "I'm not interested in free money."

Important Note: The information in this report is for educational purposes only. In all cases, the approval of a client's legal and tax advisers must be secured regarding the implementation or modification of any planning technique as well as the applicability and consequences of new cases, rulings, or legislation upon existing or impending plans.

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