

Retirement Cost of Ignoring Life Insurance (Capital Loss)

For: Erin Coppola



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 involves the comparison of the life insurance policy to alternative investment possibilities.

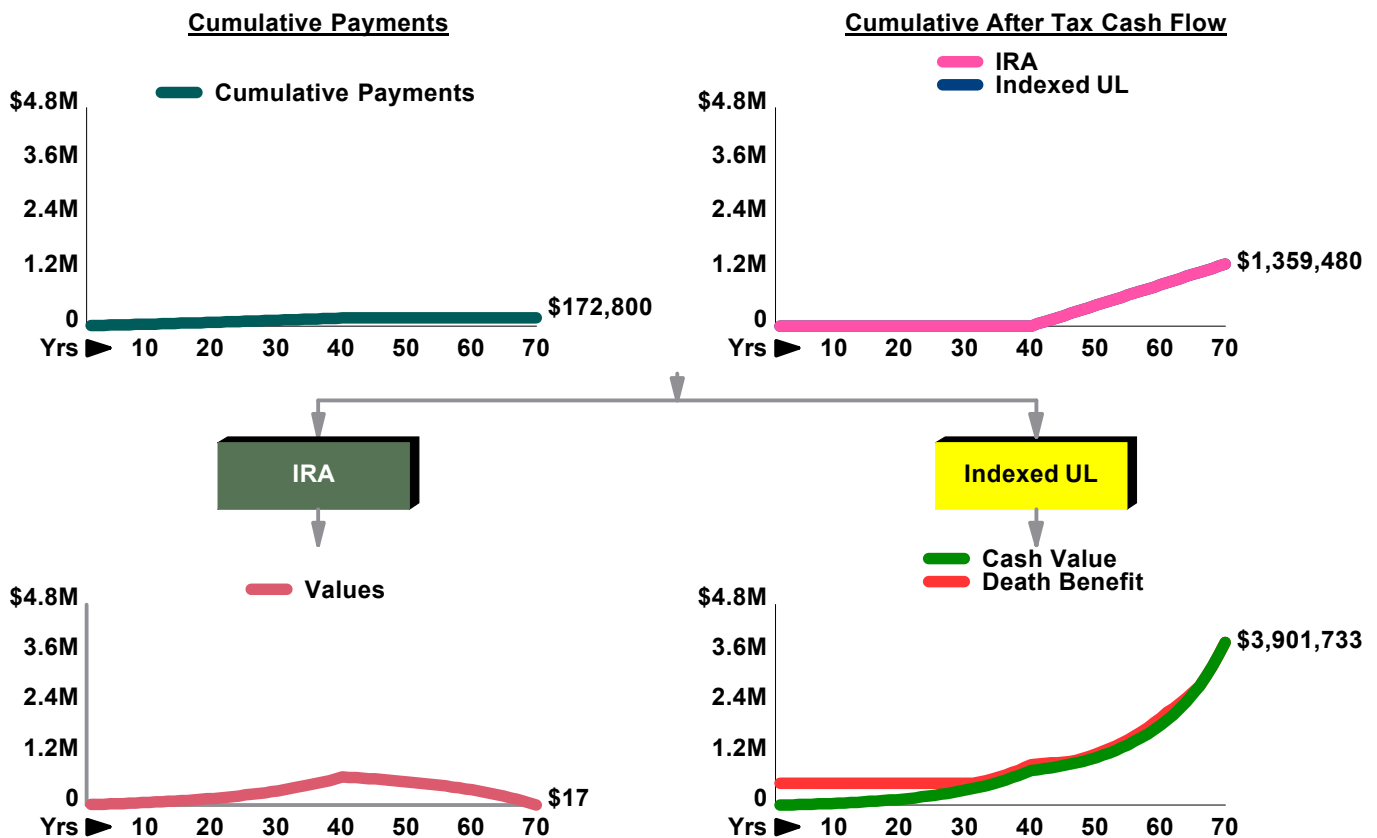
To help you make an informed decision about acquiring the policy, the accompanying presentation shows financial data regarding life insurance compared to an IRA.

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. Accumulating cash values;
2. Income tax deferred growth of cash values;
3. Competitive current interest rate;
4. Tax free access to cash values via policy loans;
5. Income tax free death benefits;
6. Probate free death benefits;
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 graphic assumes the non-guaranteed values shown continue in all years. This is not likely, and actual results may be more or less favorable.

Taxation of Cash Flow

With tax deductible retirement plans, withdrawals (partial surrenders) are taxable. Due to this, cash flow illustrated from the tax deductible retirement plan 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 income-tax free up to cost basis and taxable thereafter. Policy loans are income-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 41

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

IRA

\$62,939 total withdrawal @ 28.00% tax which nets \$45,316

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.

IRA vs. Indexed Universal Life

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

Insured: Erin Coppola

Comparison

IRA Yield 7.00% Income Tax Rate 28.00% Indexed UL Interest Rate 7.00% Initial Payment 3,960 Initial Death Benefit 522,862

Yr	Female Age	IRA					Indexed Universal Life					
		(1) Tax Deductible Deposits to the IRA	(2) After Tax Equivalent of IRA Deposit*	(3) After Tax Withdrawal from the IRA**	(4) Year End Value of IRA Account	(5) Year End Value of IRA if Distributed	(6) After Tax Death Benefit of IRA	(7) Policy Premium	(8) After Tax Policy Loan Proceeds	(9) Year End Accum Value***	(10) Year End Cash Value***	(11) Death Benefit
1	30	5,500	3,960	0	5,826	3,612	4,195	3,960	0	2,746	0	522,862
2	31	5,500	3,960	0	11,998	7,439	8,639	3,960	0	5,694	0	522,862
3	32	5,500	3,960	0	18,536	11,492	13,346	3,960	0	8,859	0	522,862
4	33	5,500	3,960	0	25,462	15,786	18,333	3,960	0	12,255	2,807	522,862
5	34	5,500	3,960	0	32,798	20,335	23,615	3,960	0	15,899	6,524	522,862
6	35	5,500	3,960	0	40,569	25,153	29,210	3,960	0	19,807	10,505	522,862
7	36	5,500	3,960	0	48,801	30,257	35,137	3,960	0	23,998	16,558	522,862
8	37	5,500	3,960	0	57,521	35,663	41,415	3,960	0	28,495	22,916	522,862
9	38	5,500	3,960	0	66,758	41,390	48,066	3,960	0	33,326	29,608	522,862
10	39	5,500	3,960	0	76,543	47,457	55,111	3,960	0	38,512	36,656	522,862
11	40	5,500	3,960	0	86,908	53,883	62,574	3,960	0	45,355	45,355	522,862
12	41	5,500	3,960	0	97,888	60,691	70,479	3,960	0	52,737	52,737	522,862
13	42	5,500	3,960	0	109,519	67,902	78,854	3,960	0	60,698	60,698	522,862
14	43	5,500	3,960	0	121,839	75,540	87,724	3,960	0	69,284	69,284	522,862
15	44	5,500	3,960	0	134,890	83,632	97,121	3,960	0	78,536	78,536	522,862
16	45	5,500	3,960	0	148,715	92,203	107,075	3,960	0	88,504	88,504	522,862
17	46	5,500	3,960	0	163,360	101,283	117,619	3,960	0	99,249	99,249	522,862
18	47	5,500	3,960	0	178,873	110,901	128,789	3,960	0	110,827	110,827	522,862
19	48	5,500	3,960	0	195,306	121,090	140,620	3,960	0	123,301	123,301	522,862
20	49	5,500	3,960	0	212,713	131,882	153,153	3,960	0	136,739	136,739	522,862
21	50	6,500	4,680	0	232,212	143,971	167,193	4,680	0	151,949	151,949	522,862
22	51	6,500	4,680	0	252,868	156,778	182,065	4,680	0	168,344	168,344	522,862
23	52	6,500	4,680	0	274,749	170,344	197,819	4,680	0	186,017	186,017	522,862
24	53	6,500	4,680	0	297,927	184,715	214,507	4,680	0	205,072	205,072	522,862
25	54	6,500	4,680	0	322,480	199,938	232,186	4,680	0	225,620	225,620	522,862
26	55	6,500	4,680	0	348,489	216,063	250,912	4,680	0	247,777	247,777	522,862
27	56	6,500	4,680	0	376,040	233,145	270,749	4,680	0	271,693	271,693	522,862
28	57	6,500	4,680	0	405,225	251,240	291,762	4,680	0	297,522	297,522	522,862
29	58	6,500	4,680	0	436,141	270,407	314,022	4,680	0	325,430	325,430	522,862
30	59	6,500	4,680	0	468,890	290,712	337,601	4,680	0	355,601	355,601	522,862
		175,000	126,000	0				126,000	0			

Management fees reflected in column (4): 1.00%

*Equal to Column (7)

**IRA withdrawal has been grossed up to account for the income tax required to produce the after tax number shown in Column (3).

***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.

Note: IRA values do not reflect market rate adjustments, if any. IRA is assessed:

Tax on withdrawals. Entries in Column (3) are after tax.

30 Year Summary

	IRA	Indexed UL
After Tax Payments	126,000	126,000
After Tax Cash Flow	0	0
Living Values	337,601	355,601
Death Benefit	337,601	522,862

IRA vs. Indexed Universal Life

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

Insured: Erin Coppola

Comparison

IRA Yield 7.00% Income Tax Rate 28.00% Indexed UL Interest Rate 7.00% Initial Payment 3,960 Initial Death Benefit 522,862

		IRA						Indexed Universal Life				
Yr	Age	(1) Tax Deductible Deposits to the IRA	(2) After Tax Equivalent of IRA Deposit*	(3) After Tax Withdrawal from the IRA**	(4) Year End Value of IRA Account	(5) Year End Value of IRA if Distributed	(6) After Tax Death Benefit of IRA	(7) Policy Premium	(8) After Tax Policy Loan Proceeds	(9) Year End Accum Value***	(10) Year End Cash Value***	(11) Death Benefit
31	60	6,500	4,680	0	503,580	362,578	362,578	4,680	0	388,244	388,244	522,862
32	61	6,500	4,680	0	540,328	389,036	389,036	4,680	0	423,590	423,590	542,195
33	62	6,500	4,680	0	579,255	417,064	417,064	4,680	0	461,819	461,819	581,892
34	63	6,500	4,680	0	620,490	446,753	446,753	4,680	0	503,075	503,075	623,813
35	64	6,500	4,680	0	664,170	478,202	478,202	4,680	0	547,599	547,599	668,070
36	65	6,500	4,680	0	710,441	511,518	511,518	4,680	0	595,650	595,650	714,780
37	66	6,500	4,680	0	759,456	546,808	546,808	4,680	0	647,471	647,471	770,491
38	67	6,500	4,680	0	811,377	584,191	584,191	4,680	0	703,350	703,350	829,952
39	68	6,500	4,680	0	866,377	623,791	623,791	4,680	0	763,600	763,600	893,412
40	69	6,500	4,680	0	924,638	665,739	665,739	4,680	0	828,563	828,563	961,133
41	70	0	0	45,316	912,798	657,215	657,215	0	45,316	893,315	845,733	979,731
42	71	0	0	45,316	900,256	648,184	648,184	0	45,316	962,689	865,146	990,296
43	72	0	0	45,316	886,970	638,618	638,618	0	45,316	1,037,057	887,055	1,001,132
44	73	0	0	45,316	872,896	628,485	628,485	0	45,316	1,116,832	911,748	1,012,263
45	74	0	0	45,316	857,987	617,751	617,751	0	45,316	1,202,470	939,550	1,023,723
46	75	0	0	45,316	842,194	606,380	606,380	0	45,316	1,294,483	970,835	1,035,560
47	76	0	0	45,316	825,465	594,335	594,335	0	45,316	1,392,983	1,005,572	1,075,221
48	77	0	0	45,316	807,744	581,576	581,576	0	45,316	1,498,418	1,044,054	1,118,975
49	78	0	0	45,316	788,972	568,060	568,060	0	45,316	1,611,254	1,086,590	1,167,153
50	79	0	0	45,316	769,086	553,742	553,742	0	45,316	1,731,992	1,133,513	1,220,113
51	80	0	0	45,316	748,021	538,575	538,575	0	45,316	1,861,154	1,185,170	1,278,227
52	81	0	0	45,316	725,708	522,510	522,510	0	45,316	1,999,177	1,241,812	1,341,771
53	82	0	0	45,316	702,071	505,491	505,491	0	45,316	2,146,591	1,303,775	1,411,105
54	83	0	0	45,316	677,032	487,463	487,463	0	45,316	2,303,935	1,371,397	1,486,593
55	84	0	0	45,316	650,509	468,366	468,366	0	45,316	2,471,756	1,445,009	1,568,597
56	85	0	0	45,316	622,413	448,137	448,137	0	45,316	2,650,595	1,524,929	1,657,458
57	86	0	0	45,316	592,651	426,709	426,709	0	45,316	2,841,157	1,611,626	1,753,684
58	87	0	0	45,316	561,124	404,009	404,009	0	45,316	3,044,046	1,705,456	1,857,658
59	88	0	0	45,316	527,727	379,963	379,963	0	45,316	3,259,855	1,806,754	1,969,747
60	89	0	0	45,316	492,350	354,492	354,492	0	45,316	3,489,184	1,915,847	2,090,306
		240,000	172,800	906,320				172,800	906,320			

Management fees reflected in column (4): 1.00%

*Equal to Column (7)

**IRA withdrawal has been grossed up to account for the income tax required to produce the after tax number shown in Column (3).

***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.

Note: IRA values do not reflect market rate adjustments, if any. IRA is assessed:

Tax on withdrawals. Entries in Column (3) are after tax.

60 Year Summary

	IRA	Indexed UL
After Tax Payments	172,800	172,800
After Tax Cash Flow	906,320	906,320
Living Values	354,492	1,915,847
Death Benefit	354,492	2,090,306

IRA vs. Indexed Universal Life

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Insured: Erin Coppola

Comparison

IRA Yield 7.00% Income Tax Rate 28.00% Indexed UL Interest Rate 7.00% Initial Payment 3,960 Initial Death Benefit 522,862

		IRA						Indexed Universal Life				
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61	90	0	0	45,316	454,875	327,510	327,510	0	45,316	3,732,640	2,033,054	2,219,686
62	91	0	0	45,316	415,178	298,928	298,928	0	45,316	3,995,022	2,162,875	2,322,676
63	92	0	0	45,316	373,127	268,651	268,651	0	45,316	4,278,764	2,307,427	2,435,790
64	93	0	0	45,316	328,582	236,579	236,579	0	45,316	4,586,815	2,469,330	2,561,066
65	94	0	0	45,316	281,396	202,605	202,605	0	45,316	4,922,777	2,651,836	2,701,064
66	95	0	0	45,316	231,412	166,617	166,617	0	45,316	5,290,998	2,858,928	2,858,928
67	96	0	0	45,316	178,463	128,493	128,493	0	45,316	5,686,915	3,085,660	3,085,660
68	97	0	0	45,316	122,375	88,110	88,110	0	45,316	6,112,661	3,333,761	3,333,761
69	98	0	0	45,316	62,961	45,332	45,332	0	45,316	6,570,533	3,605,107	3,605,107
70	99	0	0	45,316	24	17	17	0	45,316	7,063,013	3,901,733	3,901,733

240,000 172,800 1,359,480

172,800 1,359,480

Management fees reflected in column (4): 1.00%

*Equal to Column (7)

**IRA withdrawal has been grossed up to account for the income tax required to produce the after tax number shown in Column (3).

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Tax on withdrawals. Entries in Column (3) are after tax.

70 Year Summary

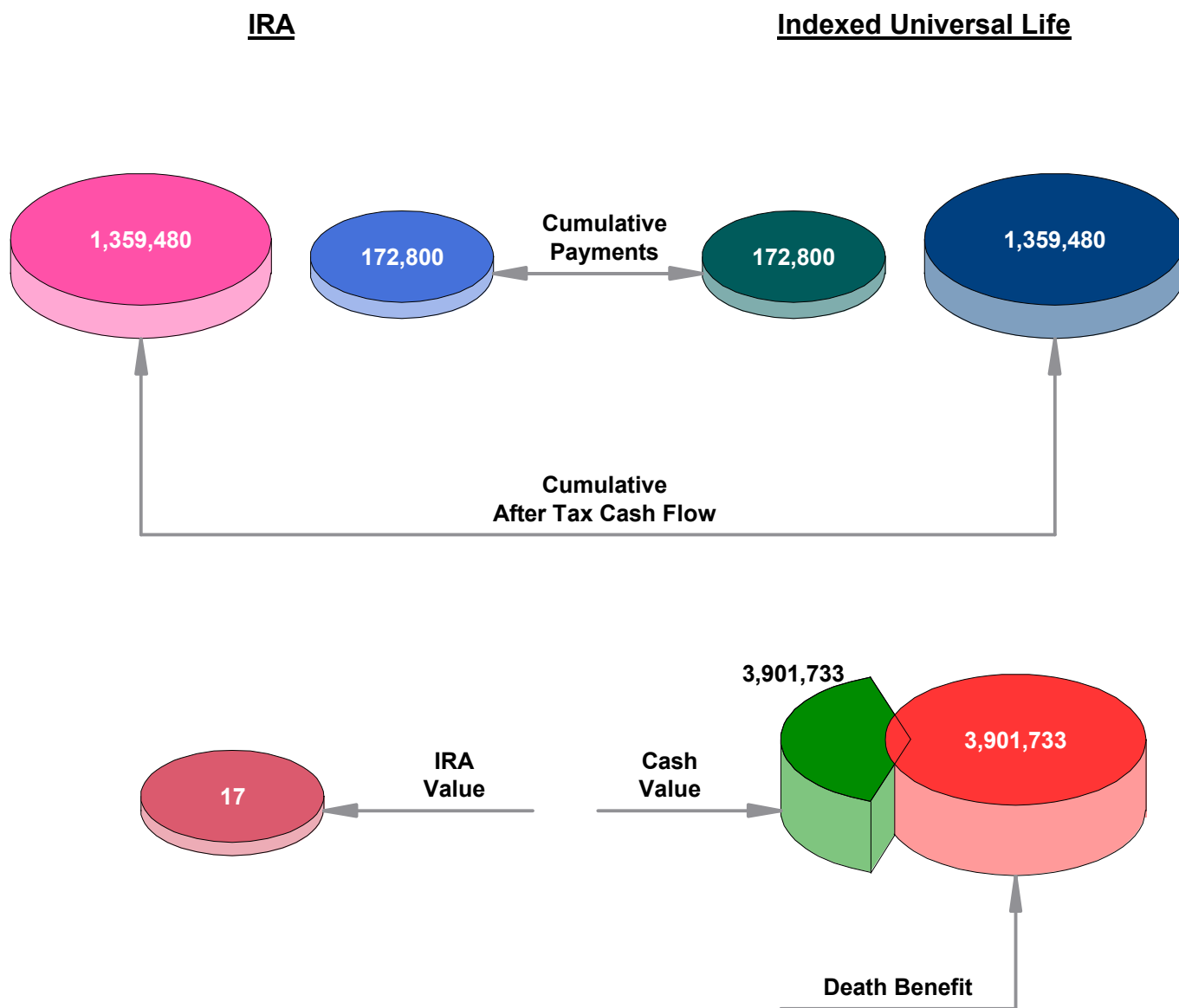
	IRA	Indexed UL
After Tax Payments	172,800	172,800
After Tax Cash Flow	1,359,480	1,359,480
Living Values	17	3,901,733
Death Benefit	17	3,901,733

IRA vs. Indexed Universal Life

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

Insured: Erin Coppola

A Look at Year 70

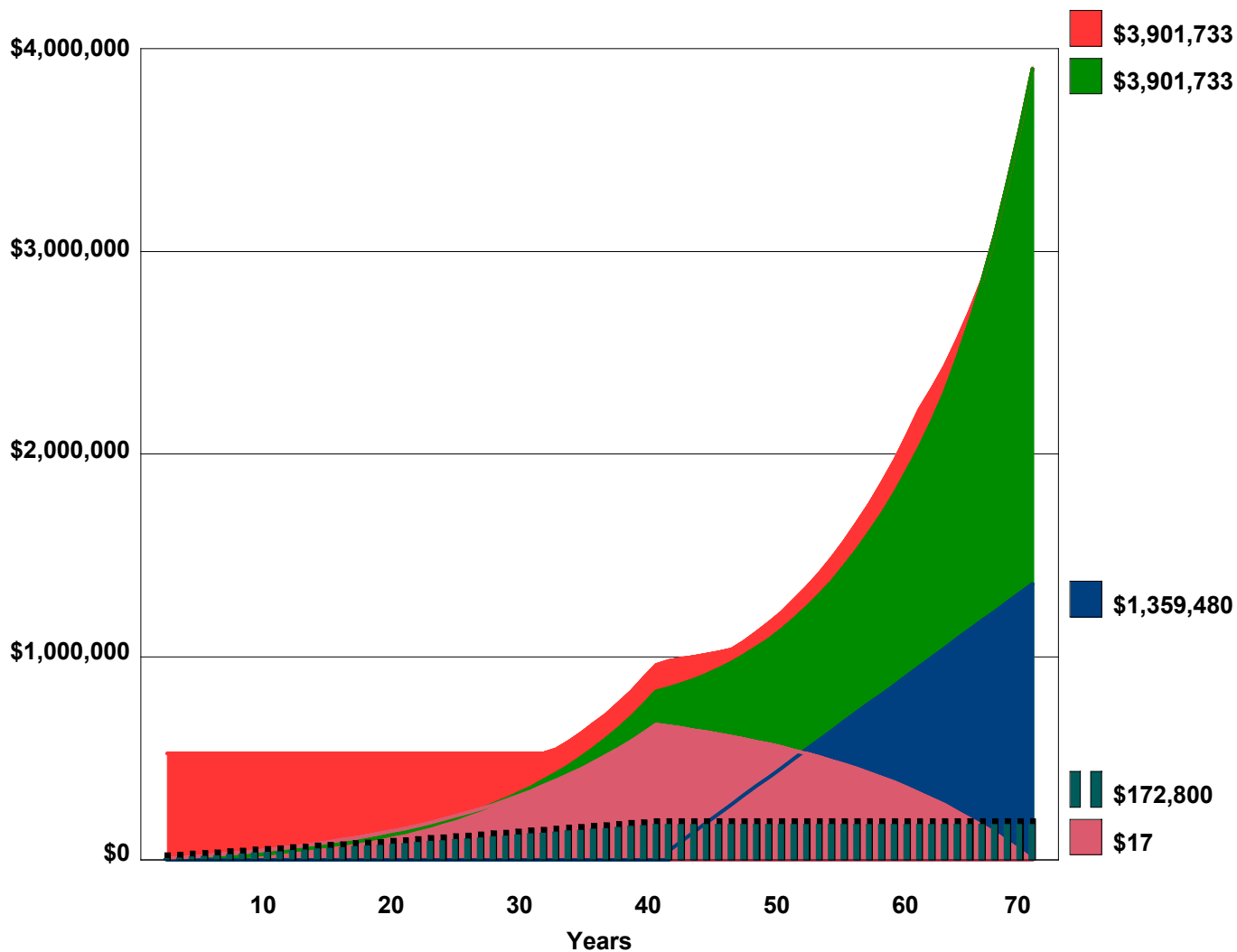


IRA vs. Indexed Universal Life

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

Insured: Erin Coppola

70 Year Analysis



At Year 70

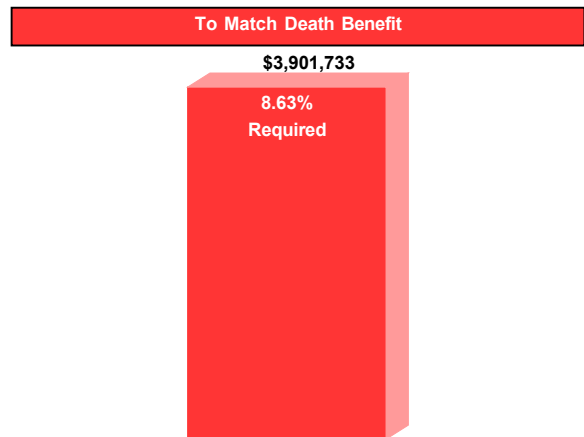
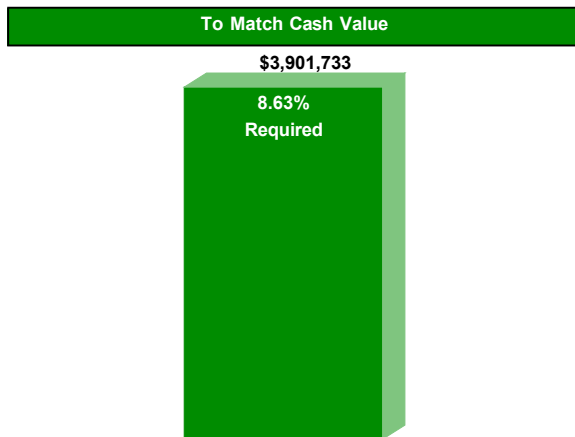
Cumulative Payments	\$172,800
IRA Values	\$17
After Tax Cash Flow (Cumulative)	\$1,359,480
Cash Value of Indexed UL	\$3,901,733
Death Benefit of Indexed UL	\$3,901,733

Matching Values at Age 99 (Year 70)

Female Age	IRA Yield	Income Tax Rate	Indexed UL Interest Rate	Initial Payment	Initial Death Benefit
30	7.00%	28.00%	7.00%	3,960	522,862

Gross Interest Rate Required on IRA to Match Indexed Universal Life Policy Values over 70 Years.

	Gross Interest Rate Required
To match Cash Value of: \$3,901,733	8.63%
To match Death Benefit of: \$3,901,733	8.63%



Income Tax Considerations

1. IRA: 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.

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.