

Retirement Cost of Ignoring Life Insurance (Cash Flow 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.

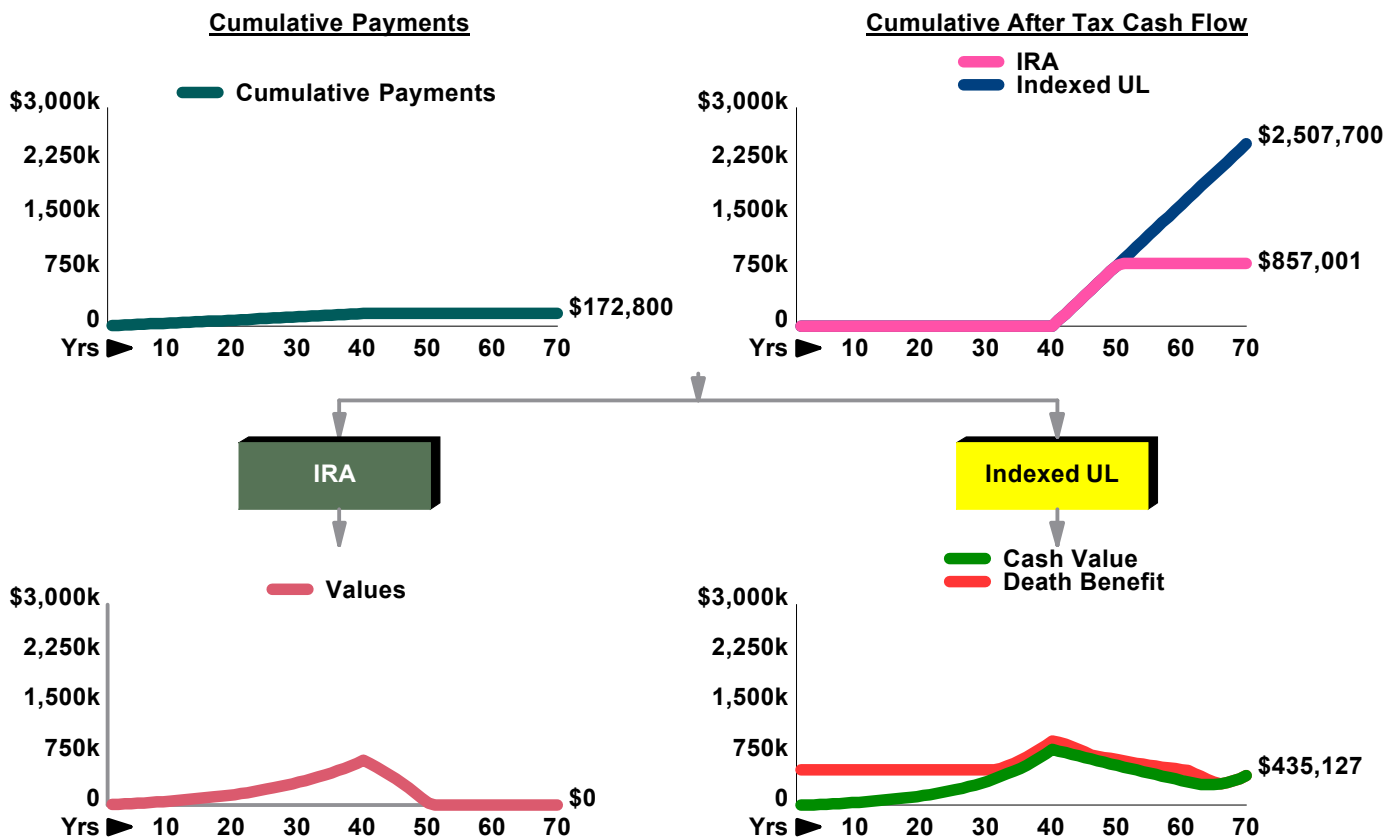
To help you make an informed decision about acquiring the policy, the accompanying presentation shows financial data regarding life insurance compared to an IRA.

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

\$116,097 total withdrawal @ 28.00% tax which nets \$83,590

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

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
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	83,590	856,488	616,671	616,671	0	83,590	892,853	805,084	939,012
42	71	0	0	83,590	784,296	564,693	564,693	0	83,590	961,243	781,315	906,277
43	72	0	0	83,590	707,823	509,633	509,633	0	83,590	1,034,040	757,346	871,091
44	73	0	0	83,590	626,816	451,308	451,308	0	83,590	1,111,583	733,285	833,328
45	74	0	0	83,590	541,004	389,523	389,523	0	83,590	1,194,250	709,268	792,866
46	75	0	0	83,590	450,104	324,075	324,075	0	83,590	1,282,465	685,464	749,587
47	76	0	0	83,590	353,813	254,745	254,745	0	83,590	1,376,246	661,626	730,438
48	77	0	0	83,590	251,812	181,305	181,305	0	83,590	1,475,936	637,815	711,612
49	78	0	0	83,590	143,763	103,509	103,509	0	83,590	1,581,891	614,095	693,190
50	79	0	0	83,590	29,307	21,101	21,101	0	83,590	1,694,489	590,534	675,258
51	80	0	0	21,101	0	0	0	0	83,590	1,814,118	567,195	657,901
52	81	0	0	0	0	0	0	0	83,590	1,941,074	544,036	641,090
53	82	0	0	0	0	0	0	0	83,590	2,075,733	521,073	624,860
54	83	0	0	0	0	0	0	0	83,590	2,218,468	498,306	609,230
55	84	0	0	0	0	0	0	0	83,590	2,369,650	475,710	594,193
56	85	0	0	0	0	0	0	0	83,590	2,529,629	453,222	579,704
57	86	0	0	0	0	0	0	0	83,590	2,698,903	430,907	565,852
58	87	0	0	0	0	0	0	0	83,590	2,877,855	408,690	552,583
59	88	0	0	0	0	0	0	0	83,590	3,066,851	386,458	539,800
60	89	0	0	0	0	0	0	0	83,590	3,266,244	364,062	527,374
		240,000	172,800	857,001				172,800	1,671,800			

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	857,001	1,671,800
Living Values	0	364,062
Death Benefit	0	527,374

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***
61	90	0	0	0	0	0	0	83,590	3,476,382	341,321	515,140
62	91	0	0	0	0	0	0	83,590	3,701,502	321,919	469,979
63	92	0	0	0	0	0	0	83,590	3,943,577	307,245	425,552
64	93	0	0	0	0	0	0	83,590	4,205,014	299,096	383,196
65	94	0	0	0	0	0	0	83,590	4,488,772	299,789	344,676
66	95	0	0	0	0	0	0	83,590	4,798,433	312,231	312,231
67	96	0	0	0	0	0	0	83,590	5,129,433	331,151	331,151
68	97	0	0	0	0	0	0	83,590	5,483,310	357,344	357,344
69	98	0	0	0	0	0	0	83,590	5,861,717	391,684	391,684
70	99	0	0	0	0	0	0	83,590	6,266,431	435,127	435,127

240,000 172,800 857,001

172,800 2,507,700

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

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

70 Year Summary

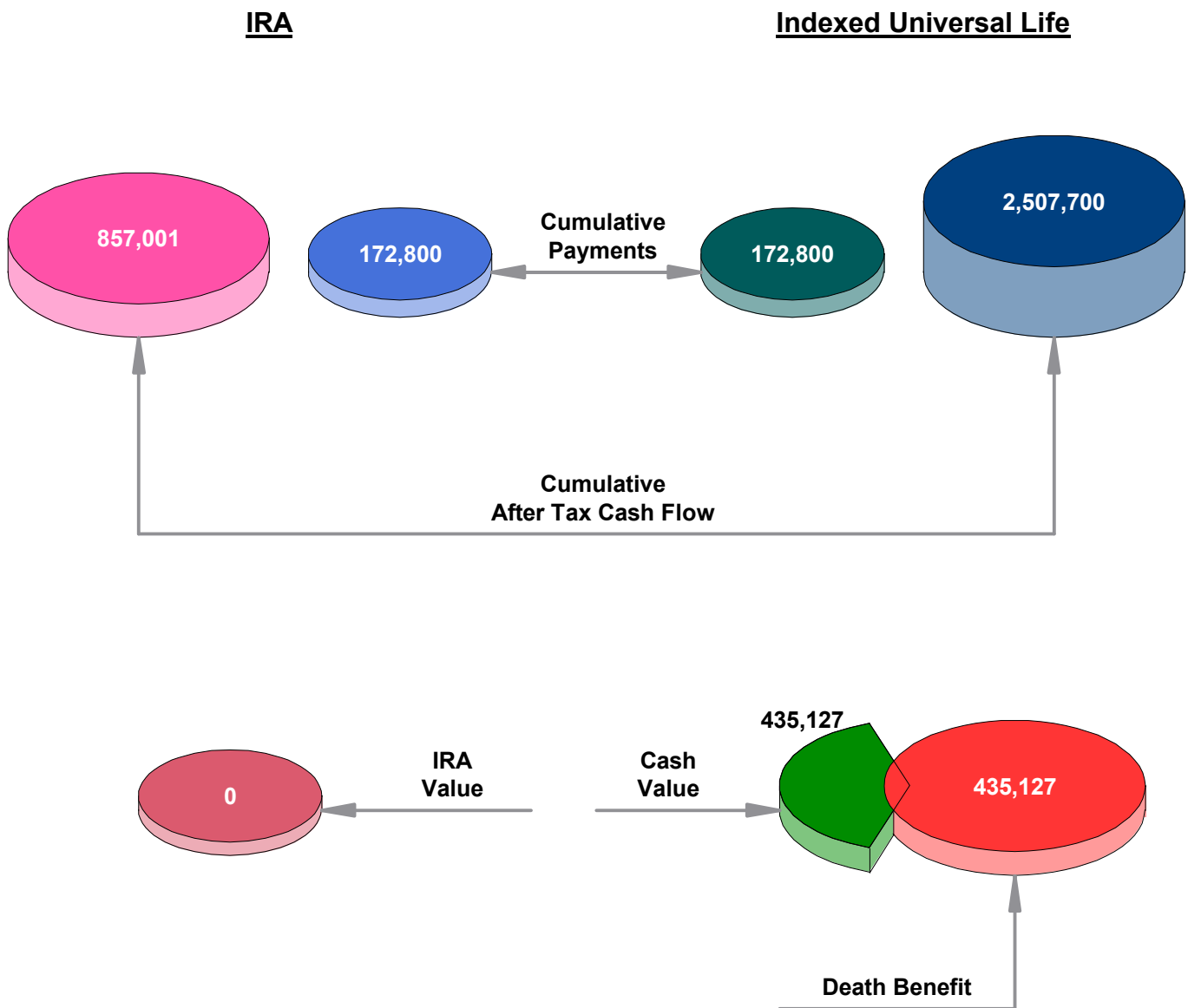
	IRA	Indexed UL
After Tax Payments	172,800	172,800
After Tax Cash Flow	857,001	2,507,700
Living Values	0	435,127
Death Benefit	0	435,127

IRA vs. Indexed Universal Life

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

Insured: Erin Coppola

A Look at Year 70

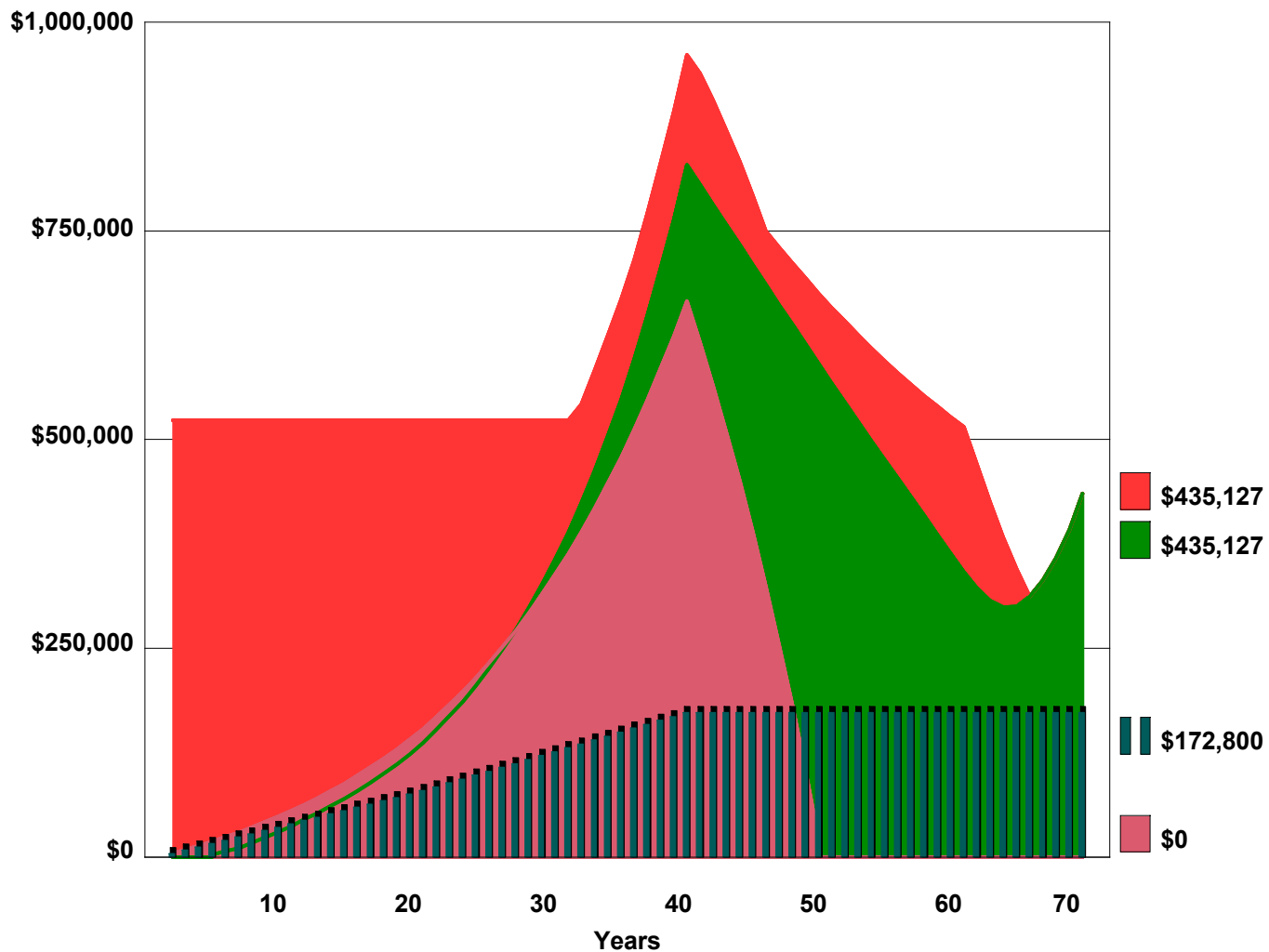


IRA vs. Indexed Universal Life

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

Insured: Erin Coppola

70 Year Analysis



At Year 70

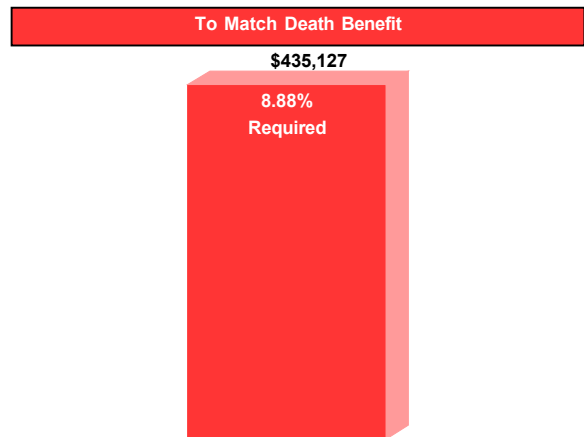
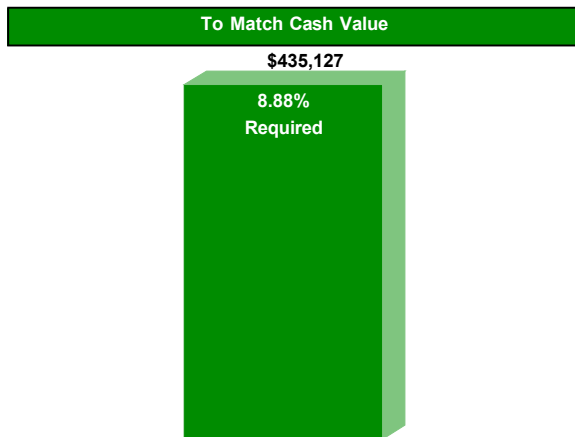
Cumulative Payments	\$172,800
IRA Values	\$0
Cash Value of Indexed UL	\$435,127
Death Benefit of Indexed UL	\$435,127

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: \$435,127	8.88%
To match Death Benefit of: \$435,127	8.88%



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.