

Indexed Universal Life vs. Pretend Profit Sharing Plan

For: Robert McNamara



Presented By: _____

[Licensed user's name appears here]

Indexed Universal Life vs. Pretend Profit Sharing Plan

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Insured: Robert McNamara

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.

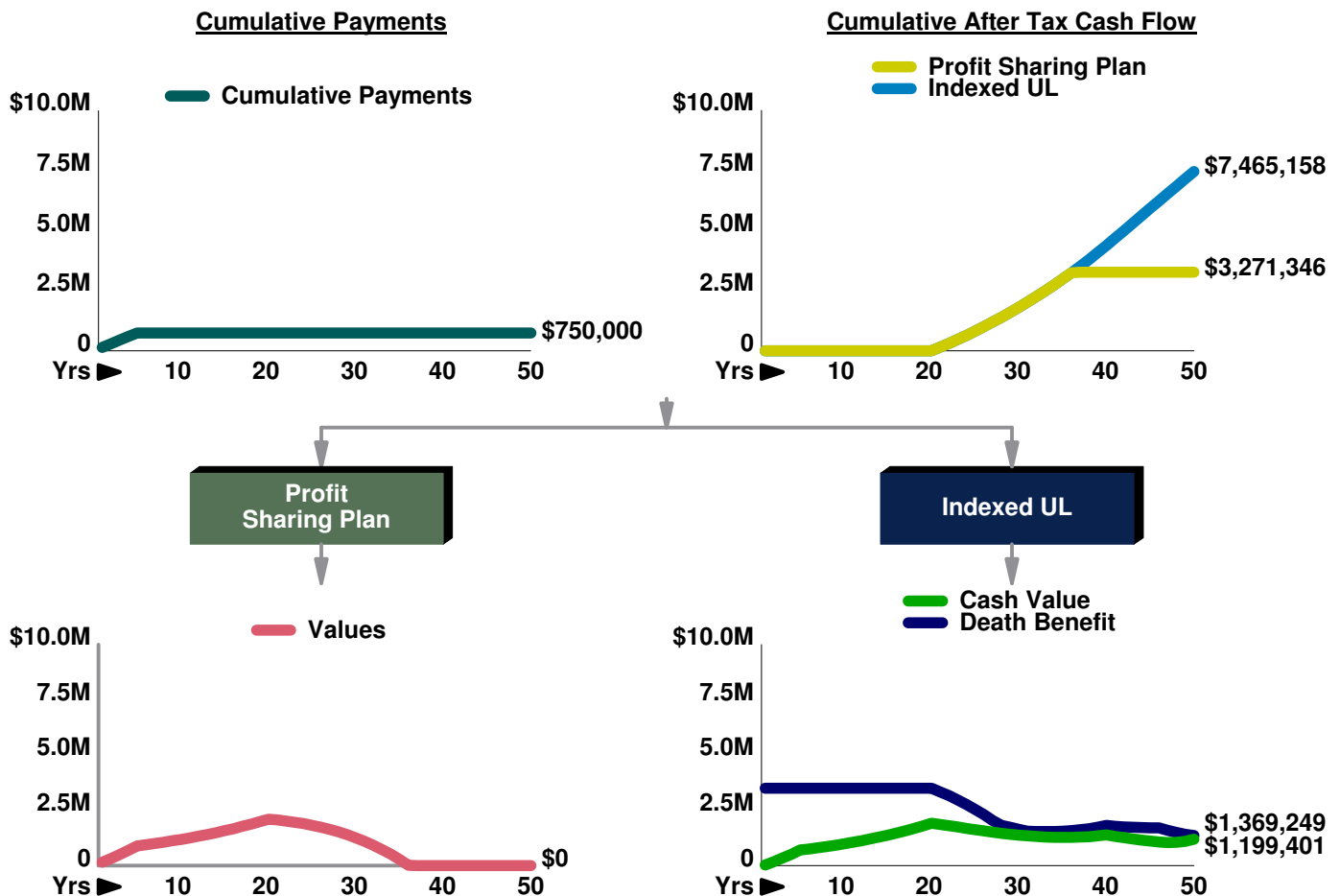
To help you make an informed decision about acquiring the policy, the accompanying presentation shows financial data regarding life insurance compared to a Pretend Profit Sharing Plan.

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.

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 21

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

Pretend Profit Sharing Plan

255,000 total withdrawal @ 40.00% tax which nets 153,000

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.

Indexed Universal Life vs. Pretend Profit Sharing Plan

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Comparison

Profit Sharing Plan Yield 7.50% Income Tax Rate 40.00% Indexed UL Interest Rate 7.50% Initial Payment 150,000 Initial Death Benefit 3,500,000

		Pretend Profit Sharing Plan						Indexed Universal Life				
Yr	Male Age	(1) Tax Deductible Deposits to the Profit Sharing Plan	(2) After Tax Equivalent of Profit Sharing Plan Deposit*	(3) After Tax Withdrawal from the Profit Sharing Plan**	(4) Year End Value of Profit Sharing Plan	(5) Year End Value of Profit Sharing Plan if Distributed	(6) After Tax Death Benefit of Profit Sharing Plan	(7) Policy Premium	(8) After Tax Policy Loan Proceeds	(9) Cash Value*** Increase	(10) Year End Cash Value***	(11) Death Benefit
1	45	250,000	150,000	0	264,719	132,360	158,831	150,000	0	31,565	31,565	3,500,000
2	46	250,000	150,000	0	545,023	272,512	327,014	150,000	0	153,134	184,699	3,500,000
3	47	250,000	150,000	0	841,830	420,915	505,098	150,000	0	163,733	348,432	3,500,000
4	48	250,000	150,000	0	1,156,111	578,056	693,667	150,000	0	175,248	523,680	3,500,000
5	49	250,000	150,000	0	1,488,895	744,448	893,337	150,000	0	187,605	711,285	3,500,000
6	50	0	0	0	1,576,554	788,277	945,932	0	0	47,901	759,186	3,500,000
7	51	0	0	0	1,669,374	834,687	1,001,624	0	0	50,831	810,017	3,500,000
8	52	0	0	0	1,767,658	883,829	1,060,595	0	0	54,064	864,081	3,500,000
9	53	0	0	0	1,871,729	935,865	1,123,037	0	0	57,600	921,681	3,500,000
10	54	0	0	0	1,981,927	990,964	1,189,156	0	0	61,489	983,170	3,500,000
11	55	0	0	0	2,098,613	1,049,307	1,259,168	0	0	78,241	1,061,411	3,500,000
12	56	0	0	0	2,222,169	1,111,085	1,333,301	0	0	72,668	1,134,079	3,500,000
13	57	0	0	0	2,353,000	1,176,500	1,411,800	0	0	77,525	1,211,604	3,500,000
14	58	0	0	0	2,491,533	1,245,767	1,494,920	0	0	82,641	1,294,245	3,500,000
15	59	0	0	0	2,638,222	1,319,111	1,582,933	0	0	88,133	1,382,378	3,500,000
16	60	0	0	0	2,793,548	1,676,129	1,676,129	0	0	94,130	1,476,508	3,500,000
17	61	0	0	0	2,958,018	1,774,811	1,774,811	0	0	100,660	1,577,168	3,500,000
18	62	0	0	0	3,132,171	1,879,303	1,879,303	0	0	107,733	1,684,901	3,500,000
19	63	0	0	0	3,316,578	1,989,947	1,989,947	0	0	115,402	1,800,303	3,500,000
20	64	0	0	0	3,511,841	2,107,105	2,107,105	0	0	123,749	1,924,052	3,500,000
21	65	0	0	153,000	3,448,587	2,069,152	2,069,152	0	153,000	-58,341	1,865,711	3,339,268
22	66	0	0	158,850	3,371,286	2,022,772	2,022,772	0	158,850	-59,169	1,806,542	3,164,439
23	67	0	0	164,795	3,278,942	1,967,365	1,967,365	0	164,795	-59,558	1,746,984	2,974,626
24	68	0	0	170,919	3,170,354	1,902,212	1,902,212	0	170,919	-59,405	1,687,579	2,768,892
25	69	0	0	177,227	3,044,240	1,826,544	1,826,544	0	177,227	-58,525	1,629,054	2,546,248
26	70	0	0	183,723	2,899,237	1,739,542	1,739,542	0	183,723	-56,768	1,572,286	2,305,651
27	71	0	0	190,415	2,733,887	1,640,332	1,640,332	0	190,415	-54,069	1,518,217	2,045,999
28	72	0	0	197,307	2,546,639	1,527,983	1,527,983	0	197,307	-49,921	1,468,296	1,820,535
29	73	0	0	204,406	2,335,838	1,401,503	1,401,503	0	204,406	-43,921	1,424,375	1,735,736
30	74	0	0	211,718	2,099,723	1,259,834	1,259,834	0	211,718	-39,061	1,385,314	1,647,434
		1,250,000	750,000	1,812,360				750,000	1,812,360			

Note: Pretend Profit Sharing Plan values do not reflect market rate adjustments, if any. Pretend Profit Sharing Plan is assessed: Tax on withdrawals. Entries in Column (3) are after tax.

*Equal to Column (7)

**Profit Sharing Plan 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.

30 Year Summary

	Profit Sharing Plan	Indexed UL
After Tax Payments	750,000	750,000
After Tax Cash Flow	1,812,360	1,812,360
Living Values	1,259,834	1,385,314
Death Benefit	1,259,834	1,647,434

Indexed Universal Life vs. Pretend Profit Sharing Plan

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Comparison

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31	75	0	0	219,249	1,836,415	1,101,849	1,101,849	0	219,249	-33,429	1,351,885	1,554,851
32	76	0	0	227,007	1,543,914	926,348	926,348	0	227,007	-28,257	1,323,628	1,543,867
33	77	0	0	234,997	1,220,091	732,055	732,055	0	234,997	-22,265	1,301,363	1,540,530
34	78	0	0	243,226	862,681	517,609	517,609	0	243,226	-15,397	1,285,966	1,545,837
35	79	0	0	251,703	469,268	281,561	281,561	0	251,703	-7,605	1,278,361	1,560,844
36	80	0	0	260,434	37,284	22,370	22,370	0	260,434	1,155	1,279,516	1,586,658
37	81	0	0	22,370	0	0	0	0	269,427	11,065	1,290,581	1,624,580
38	82	0	0	0	0	0	0	0	278,689	22,084	1,312,665	1,675,872
39	83	0	0	0	0	0	0	0	288,230	34,243	1,346,908	1,741,838
40	84	0	0	0	0	0	0	0	298,056	47,537	1,394,445	1,823,780
41	85	0	0	0	0	0	0	0	308,178	-67,854	1,326,591	1,786,693
42	86	0	0	0	0	0	0	0	308,178	-62,077	1,264,514	1,757,380
43	87	0	0	0	0	0	0	0	308,178	-56,382	1,208,132	1,735,840
44	88	0	0	0	0	0	0	0	308,178	-50,979	1,157,153	1,721,857
45	89	0	0	0	0	0	0	0	308,178	-46,134	1,111,019	1,714,938
46	90	0	0	0	0	0	0	0	308,178	-42,267	1,068,752	1,714,155
47	91	0	0	0	0	0	0	0	308,178	-20,991	1,047,761	1,599,866
48	92	0	0	0	0	0	0	0	308,178	7,694	1,055,455	1,498,605
49	93	0	0	0	0	0	0	0	308,178	46,232	1,101,687	1,418,232
50	94	0	0	0	0	0	0	0	308,178	97,714	1,199,401	1,369,249

1,250,000 750,000 3,271,346

750,000 7,465,158

Note: Pretend Profit Sharing Plan values do not reflect market rate adjustments, if any. Pretend Profit Sharing Plan is assessed: Tax on withdrawals. Entries in Column (3) are after tax.

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50 Year Summary

	Profit Sharing Plan	Indexed UL
After Tax Payments	750,000	750,000
After Tax Cash Flow	3,271,346	7,465,158
Living Values	0	1,199,401
Death Benefit	0	1,369,249

Indexed Universal Life vs. Pretend Profit Sharing Plan

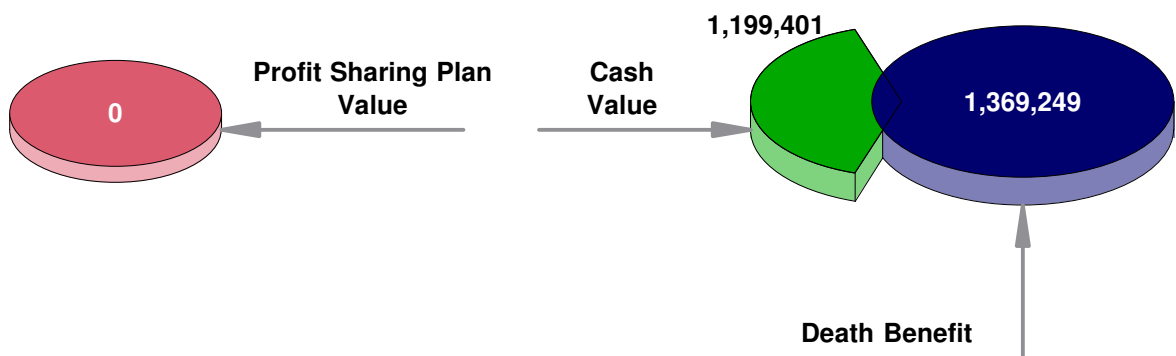
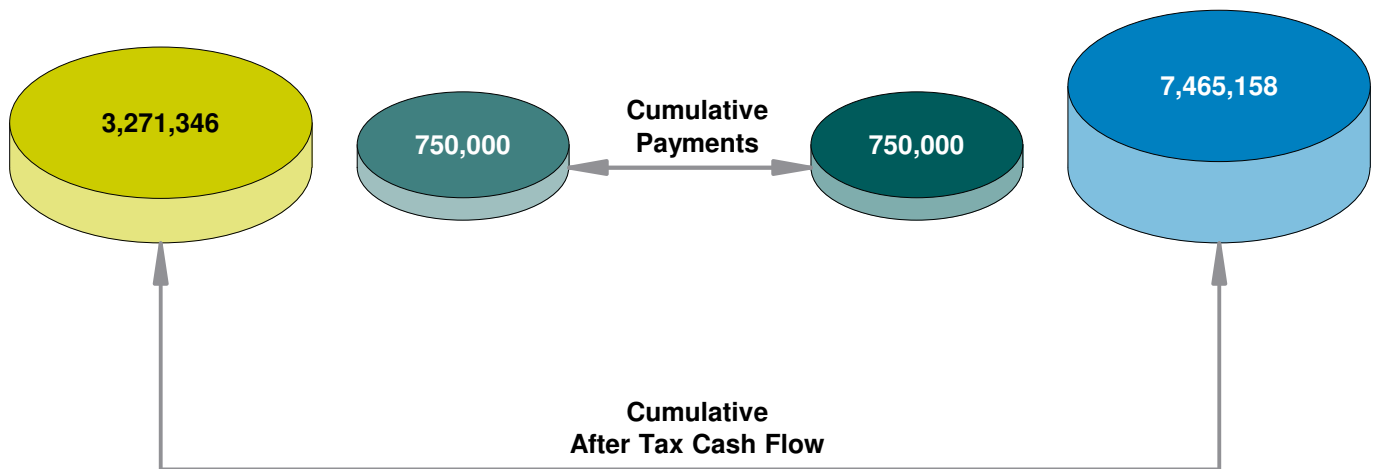
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A Look at Year 50

Pretend Profit Sharing Plan

Indexed Universal Life

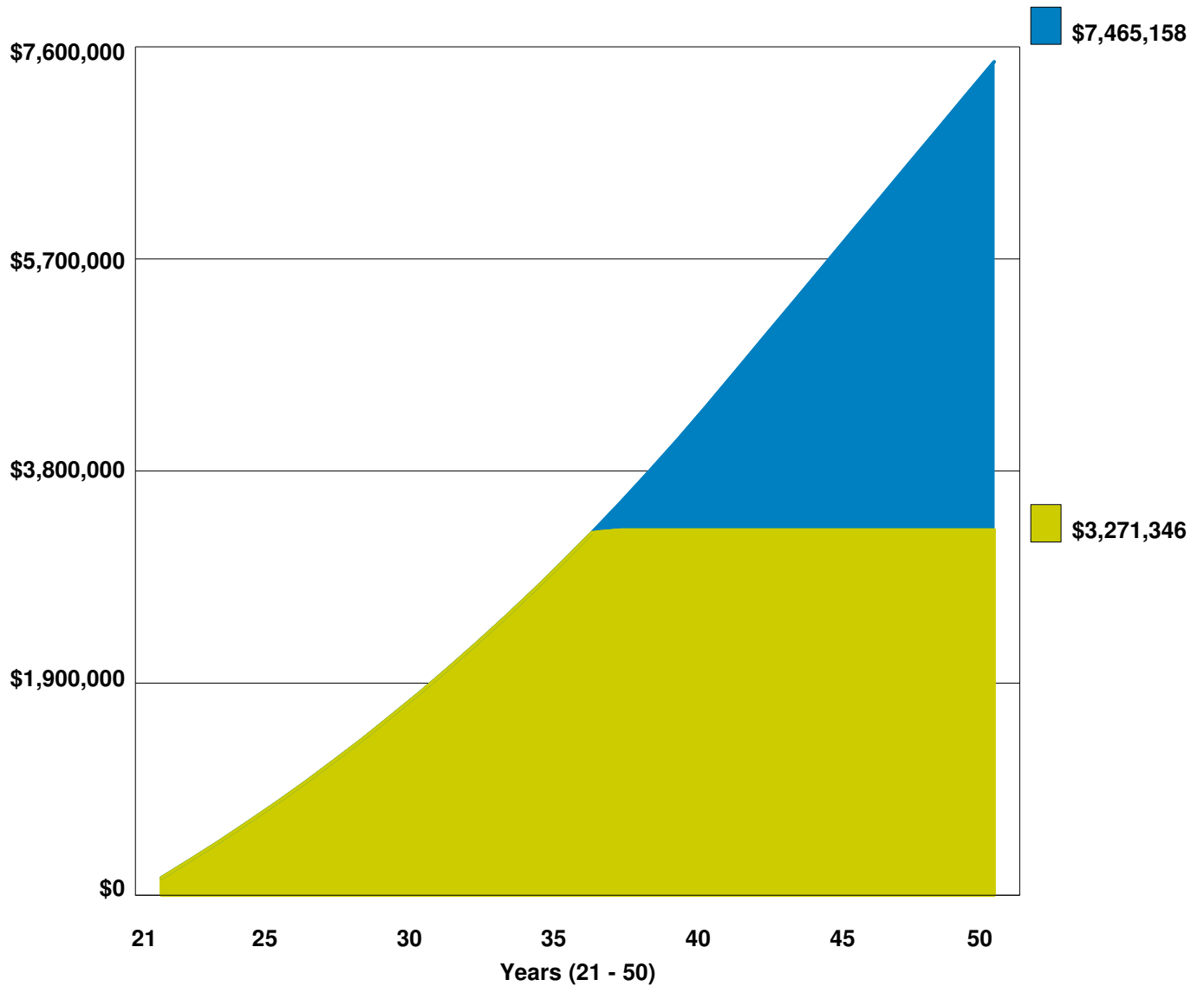


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Cash Flow Comparison



At Year 50

Cumulative After Tax Cash Flow - Pretend Profit Sharing Plan ■ \$3,271,346

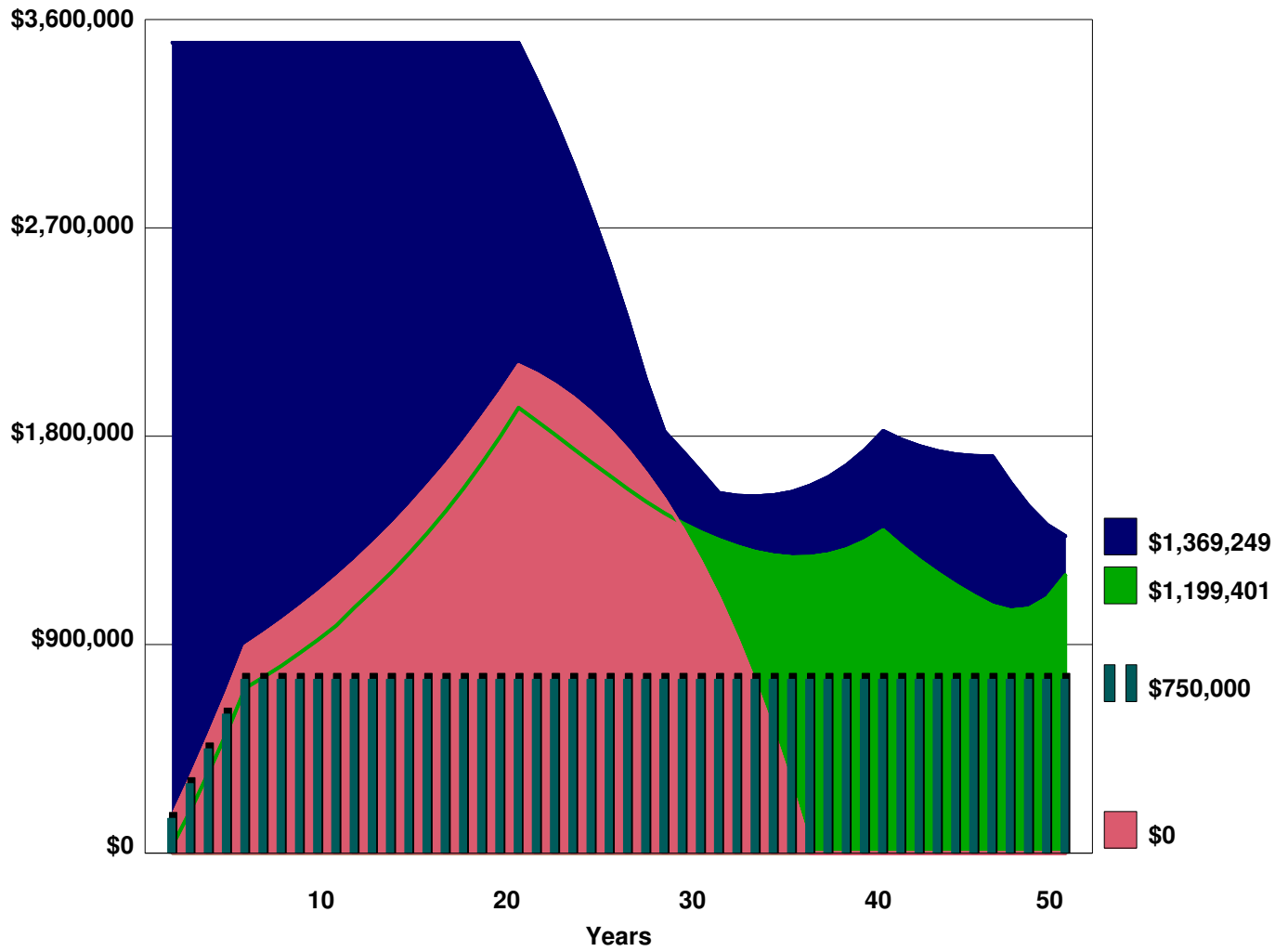
Cumulative After Tax Policy Cash Flow - Indexed UL ■ \$7,465,158

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50 Year Analysis



At Year 50

Cumulative Payments \$750,000
Pretend Profit Sharing Plan Values \$0
Cash Value of Indexed UL \$1,199,401
Death Benefit of Indexed UL \$1,369,249