

Indexed Universal Life vs. Term Insurance and a Side Fund

For: Cliff Havers



Presented By: _____

[Licensed user's name appears here]

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Insured: Cliff Havers

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 will involve your selection of the appropriate life insurance policy.

There are several important factors to consider which include:

1. The time frame for the insurance need;
2. Your available cash flow;
3. Your alternative uses for the cash flow;
4. The income tax considerations.

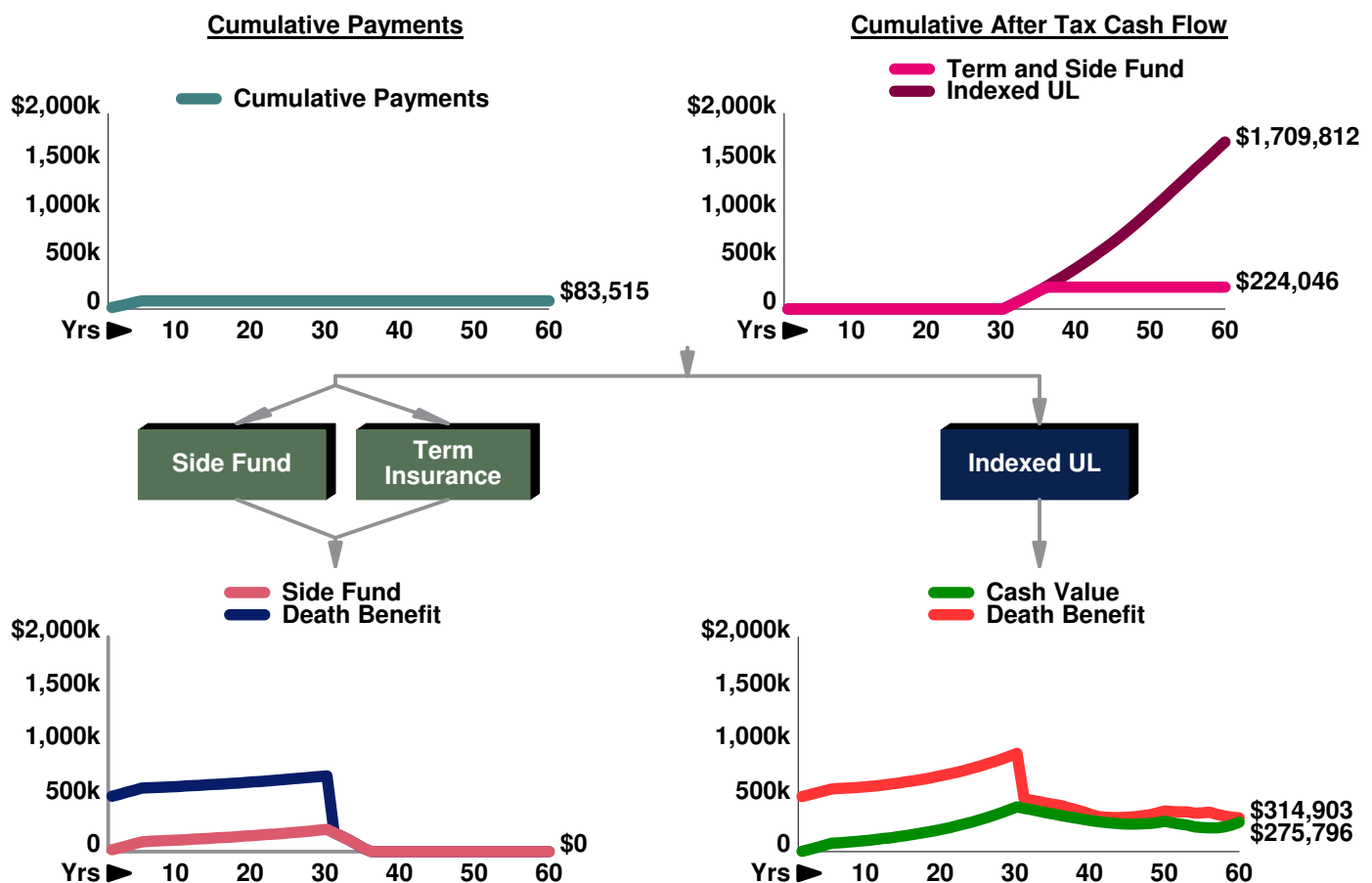
An integrated analysis of these points creates useful information that helps guide your purchasing evaluation. The precision of the conclusions, however, is contingent upon the accuracy of the data utilized. You should be positive that all premises

and conditions accurately reflect your goals and expectations.

The accompanying analysis contrasts a cash value policy to a term insurance alternative. Any difference in premiums between the two choices has been evaluated regarding time/use of money.

The study produces information which should form a basis from which you and your advisors can draw informed conclusions.

Based upon the results of the analysis, we recommend funding your life insurance requirement with the cash value policy illustrated rather than a term life insurance policy.



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.

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Comparison

		Payment Allocation			500,000 Scheduled Term Insurance Along with a Side Fund				Indexed UL			
		(1) Cost of the Proposed Premium	(2) Alternative Term Policy Premium	(3) Net to Side Fund (1) - (2)	(4) After Tax Cash Flow from the Account	(5) Side Fund Values	(6) Scheduled Term Death Benefit	(7) Combined Death Benefit (5) + (6)	(8) After Tax Policy Loan Proceeds	(9) Year End Cash Value*	(10) Death Benefit	
	Year											
	Male Age											
	1	35	16,703	1	16,702	0	17,252	500,000	517,252	0	3,705	514,760
	2	36	16,703	1	16,702	0	35,073	500,000	535,073	0	20,585	530,535
	3	37	16,703	1	16,702	0	53,481	500,000	553,481	0	38,543	547,388
	4	38	16,703	1	16,702	0	72,496	500,000	572,496	0	57,649	565,389
	5	39	16,703	1	16,702	0	92,137	500,000	592,137	0	77,931	584,566
	6	40	0	1	-1	0	95,172	500,000	595,172	0	82,661	588,186
	7	41	0	1	-1	0	98,306	500,000	598,306	0	87,664	592,084
	8	42	0	1	-1	0	101,545	500,000	601,545	0	92,968	596,283
	9	43	0	1	-1	0	104,889	500,000	604,889	0	98,603	600,813
	10	44	0	1	-1	0	108,345	500,000	608,345	0	104,603	605,708
	11	45	0	1	-1	0	111,913	500,000	611,913	0	113,294	613,294
	12	46	0	1	-1	0	115,600	500,000	615,600	0	121,427	621,427
	13	47	0	1	-1	0	119,408	500,000	619,408	0	130,146	630,146
	14	48	0	1	-1	0	123,341	500,000	623,341	0	139,496	639,496
	15	49	0	1	-1	0	127,405	500,000	627,405	0	149,513	649,513
	16	50	0	1	-1	0	131,601	500,000	631,601	0	160,239	660,239
	17	51	0	1	-1	0	135,937	500,000	635,937	0	171,725	671,725
	18	52	0	1	-1	0	140,415	500,000	640,415	0	184,027	684,027
	19	53	0	1	-1	0	145,040	500,000	645,040	0	197,198	697,198
	20	54	0	1	-1	0	149,818	500,000	649,818	0	211,301	711,301
	21	55	0	1	-1	0	154,754	500,000	654,754	0	226,397	726,397
	22	56	0	1	-1	0	159,852	500,000	659,852	0	242,545	742,545
	23	57	0	1	-1	0	165,118	500,000	665,118	0	259,805	759,805
	24	58	0	1	-1	0	170,558	500,000	670,558	0	278,241	778,241
	25	59	0	1	-1	0	176,177	500,000	676,177	0	297,923	797,923
	26	60	0	1	-1	0	181,981	500,000	681,981	0	318,883	818,883
	27	61	0	1	-1	0	187,976	500,000	687,976	0	341,173	841,173
	28	62	0	1	-1	0	194,169	500,000	694,169	0	364,891	864,891
	29	63	0	1	-1	0	200,565	500,000	700,565	0	390,115	890,115
	30	64	0	1	-1	0	207,173	500,000	707,173	0	416,937	916,937
			83,515	30	83,485	0				0		

30 Year Summary

	Term/Side Fund	Indexed UL
After Tax Payments	83,515	83,515
After Tax Cash Flow	0	0
Living Values	207,173	416,937
Death Benefit	707,173	916,937

Management fees reflected in column (5): 1.50%

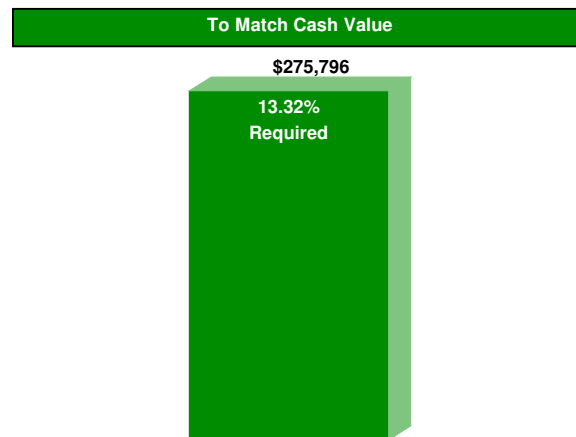
*This illustration assumes the nonguaranteed values shown continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.

Matching Values

Side Fund Yield	Income Tax Rate	Indexed UL Interest Rate	Initial Death Benefit
7.00%	30.00%	7.00%	500,000

Gross Interest Rate Required on a Side Fund to Match Indexed Universal Life Policy Values over 60 Years After Applying the Term Payment Illustrated

	Gross Interest Rate Required
To Match Cash Value of: \$275,796	<u>13.32%</u>



Income Tax Considerations

1. Side Fund: Interest is taxed as earned.
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.

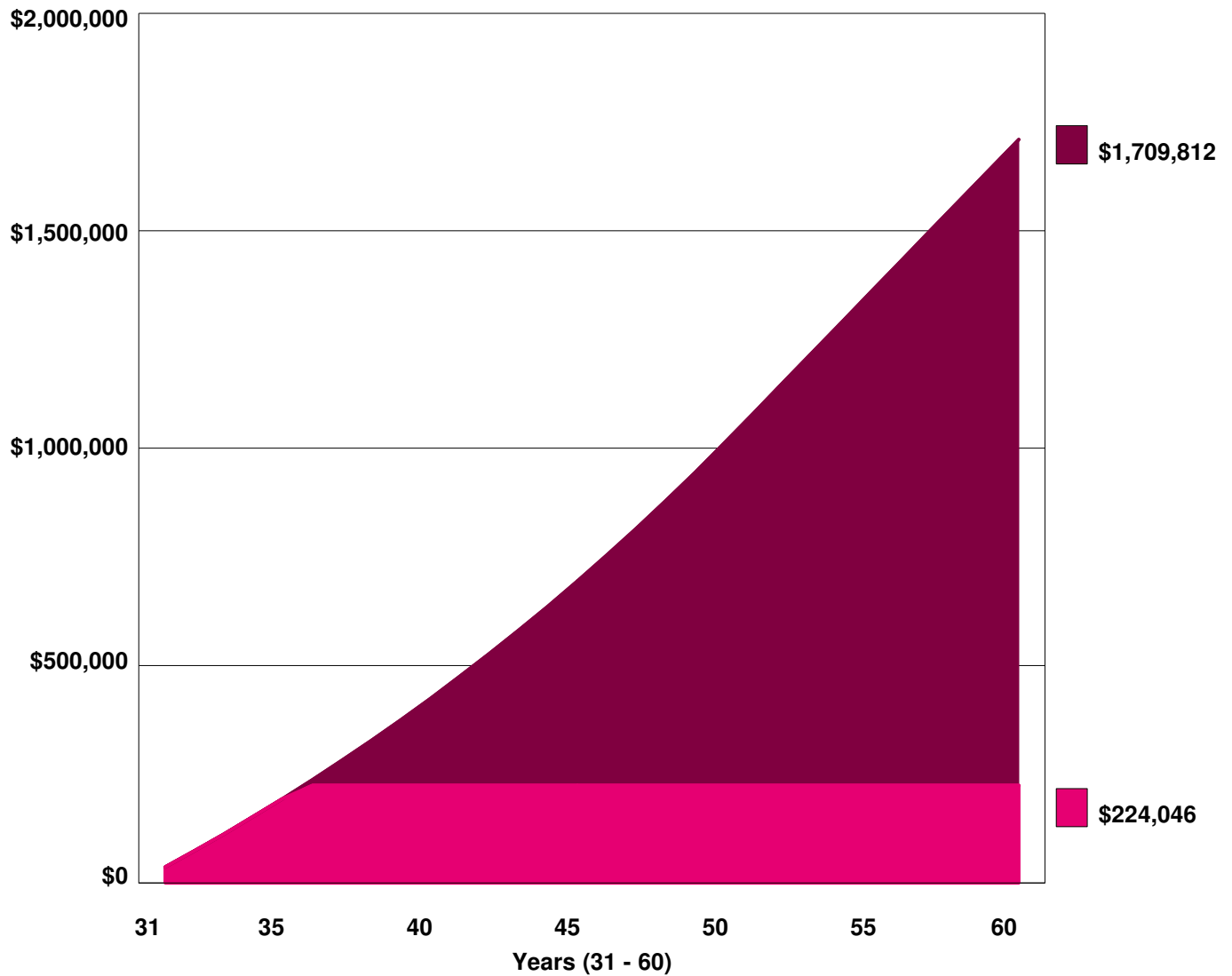
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Cash Flow Comparison of Years 31 - 60



At Year 60

Cumulative After Tax Cash Flow - Side Fund \$224,046

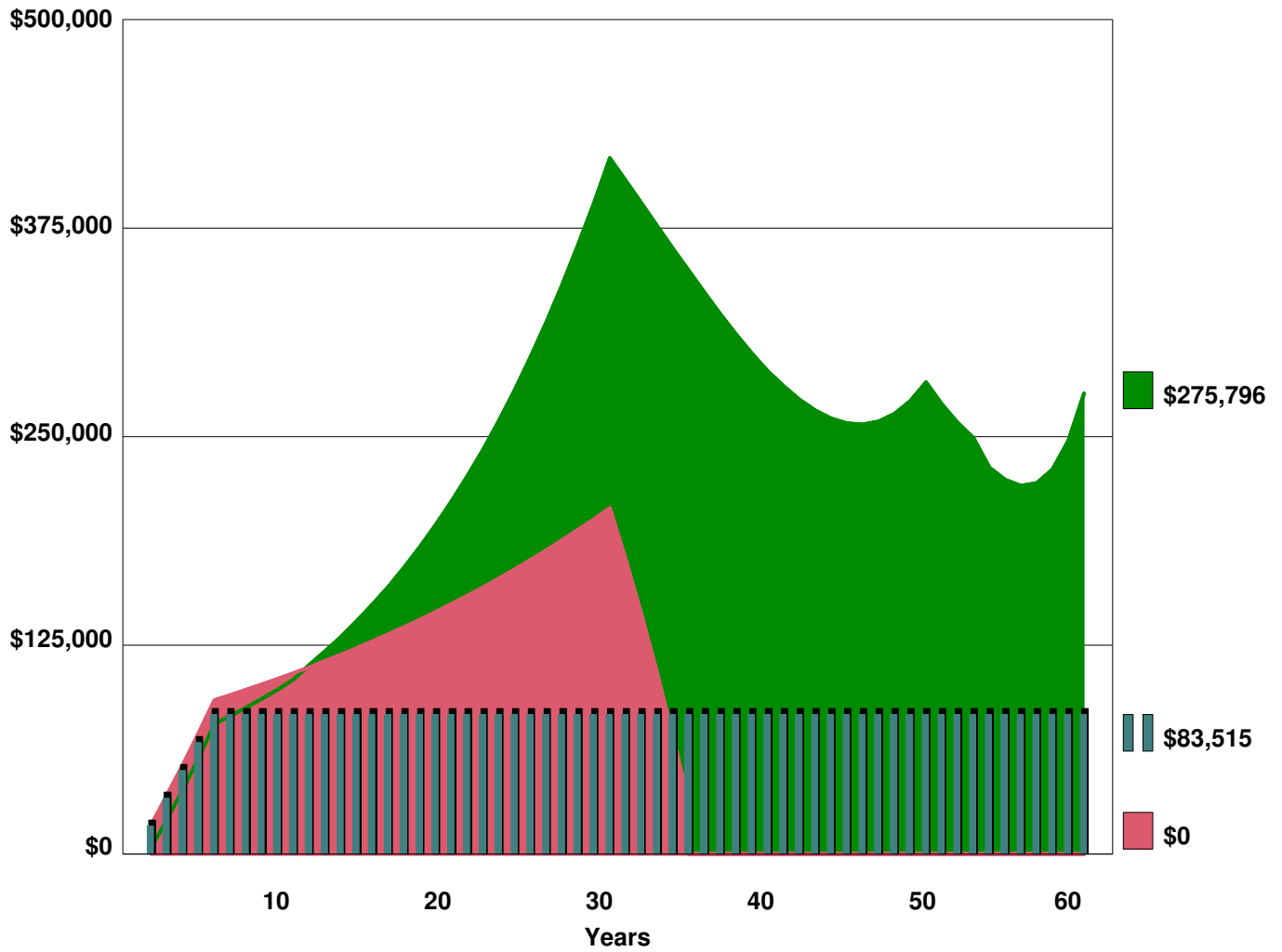
Cumulative After Tax Policy Cash Flow - Indexed UL \$1,709,812

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60 Year Analysis



At Year 60

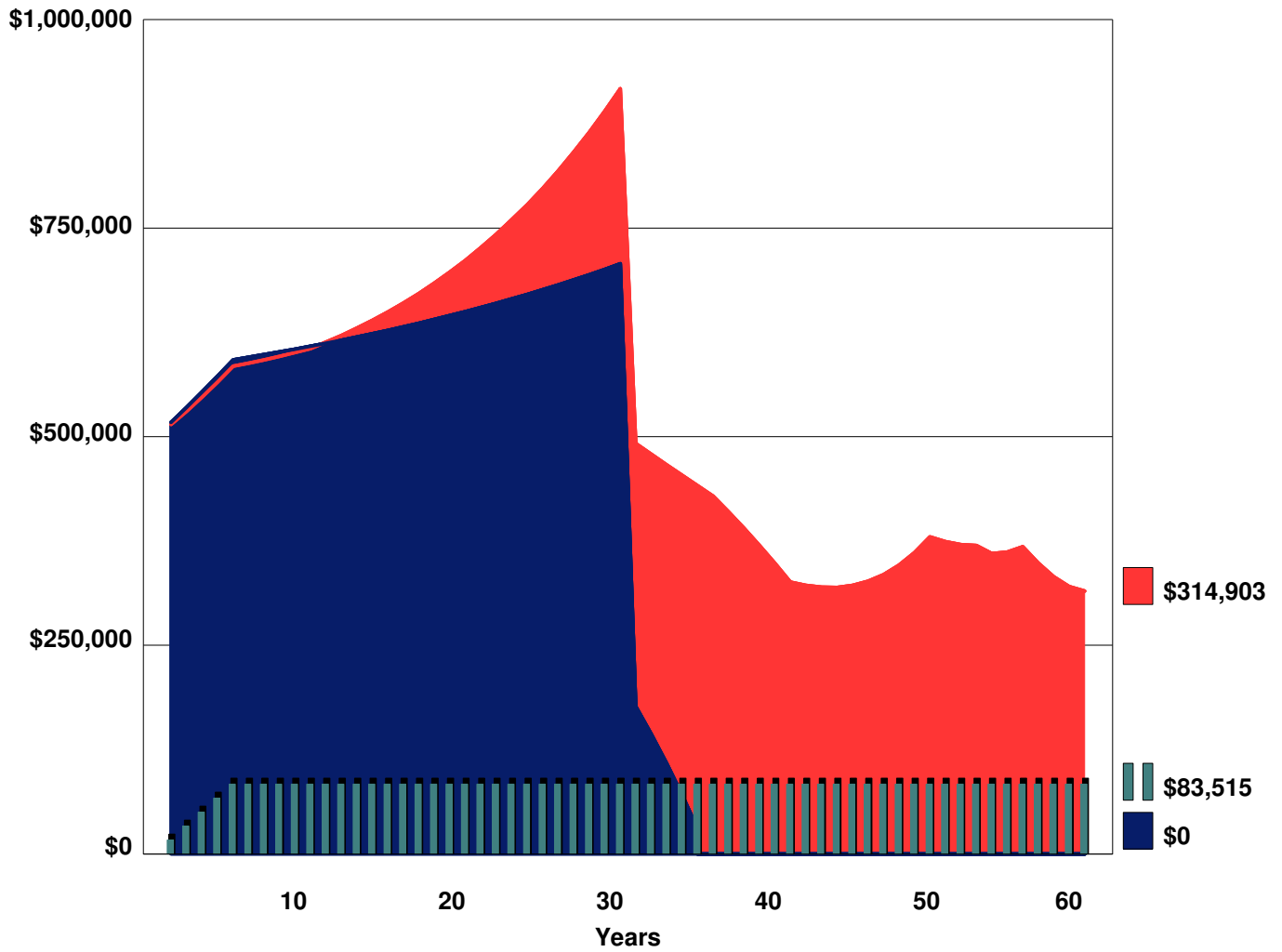
Payments (Cumulative)	\$83,515
Side Fund Values	\$0
Indexed UL Cash Values	\$275,796

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60 Year Analysis



	At Year 60
Payments (Cumulative)	\$83,515
Term Plus Side Fund Death Benefit	\$0
Indexed UL Policy Death Benefit	\$314,903