

Indexed Universal Life vs. Pretend 401(k) Plan

For: David Wolfe



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.

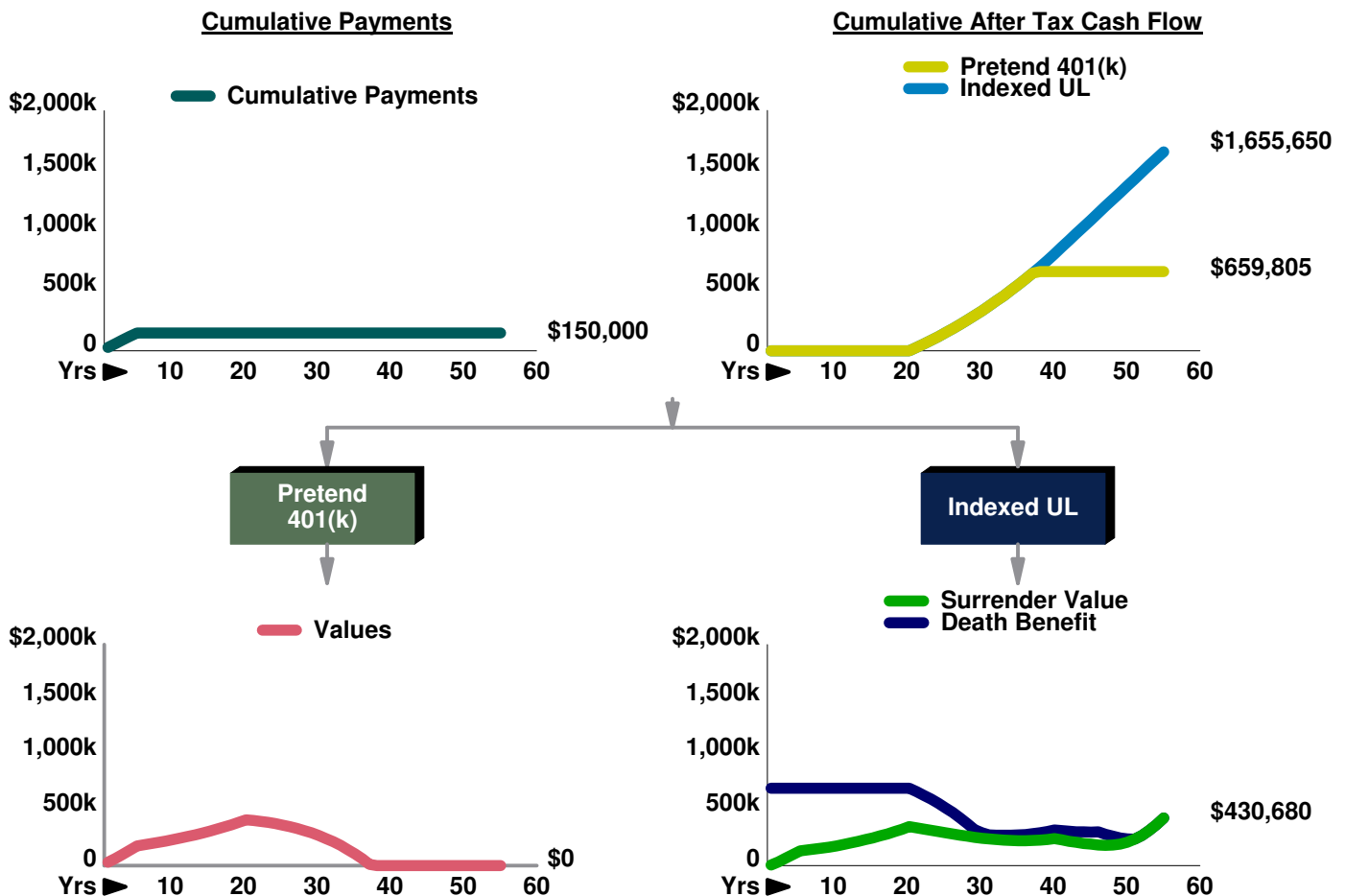
To help you make an informed decision about acquiring the policy, the accompanying presentation shows financial data regarding life insurance compared to a Pretend 401(k) Plan.

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 401(k) Plan and Indexed Universal Life is illustrated.

Pretend 401(k) Plan

47,022 total withdrawal @ 40.00% tax which nets	28,213
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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 401(k) Plan

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Insured: David Wolfe

Comparison

Pretend 401(k) Yield 6.85% Income Tax Rate 40.00% Indexed UL Interest Rate 6.85% Initial Payment 30,000 Initial Death Benefit 700,000

		Pretend 401(k) Plan						Indexed Universal Life				
Yr	Male Age	(1) Tax Deductible Deposits to the Pretend 401(k)	(2) After Tax Equivalent of Pretend 401(k) Deposit*	(3) After Tax Withdrawal from the Pretend 401(k)**	(4) Year End Value of Pretend 401(k)	(5) Year End Value of Pretend 401(k) if Distributed	(6) After Tax Death Benefit of Pretend 401(k)	(7) Policy Premium	(8) After Tax Policy Loan Proceeds	(9) Surrender Value*** Increase	(10) Year End Surrender Value***	(11) Death Benefit
1	45	50,000	30,000	0	52,891	26,446	31,735	30,000	0	5,451	5,451	700,000
2	46	50,000	30,000	0	108,840	54,420	65,304	30,000	0	29,534	34,985	700,000
3	47	50,000	30,000	0	168,024	84,012	100,814	30,000	0	31,393	66,378	700,000
4	48	50,000	30,000	0	230,629	115,315	138,377	30,000	0	33,400	99,778	700,000
5	49	50,000	30,000	0	296,853	148,427	178,112	30,000	0	35,540	135,318	700,000
6	50	0	0	0	314,015	157,008	188,409	0	0	7,472	142,790	700,000
7	51	0	0	0	332,170	166,085	199,302	0	0	7,930	150,720	700,000
8	52	0	0	0	351,375	175,688	210,825	0	0	8,449	159,169	700,000
9	53	0	0	0	371,690	185,845	223,014	0	0	9,016	168,185	700,000
10	54	0	0	0	393,179	196,590	235,907	0	0	9,648	177,833	700,000
11	55	0	0	0	415,911	207,956	249,547	0	0	14,579	192,412	700,000
12	56	0	0	0	439,957	219,979	263,974	0	0	13,412	205,824	700,000
13	57	0	0	0	465,393	232,697	279,236	0	0	14,331	220,155	700,000
14	58	0	0	0	492,299	246,150	295,379	0	0	15,325	235,480	700,000
15	59	0	0	0	520,761	260,381	312,457	0	0	16,394	251,874	700,000
16	60	0	0	0	550,869	330,521	330,521	0	0	17,508	269,382	700,000
17	61	0	0	0	582,718	349,631	349,631	0	0	18,709	288,091	700,000
18	62	0	0	0	616,408	369,845	369,845	0	0	20,003	308,094	700,000
19	63	0	0	0	652,046	391,228	391,228	0	0	21,395	329,489	700,000
20	64	0	0	0	689,744	413,846	413,846	0	0	22,899	352,388	700,000
21	65	0	0	28,213	679,881	407,929	407,929	0	28,213	-10,666	341,722	670,376
22	66	0	0	29,270	667,585	400,551	400,551	0	29,270	-10,864	330,858	638,161
23	67	0	0	30,359	652,658	391,595	391,595	0	30,359	-11,001	319,857	603,193
24	68	0	0	31,481	634,890	380,934	380,934	0	31,481	-11,062	308,795	565,298
25	69	0	0	32,636	614,058	368,435	368,435	0	32,636	-11,016	297,779	524,295
26	70	0	0	33,826	589,923	353,954	353,954	0	33,826	-10,887	286,892	479,993
27	71	0	0	35,051	562,234	337,340	337,340	0	35,051	-10,544	276,348	432,189
28	72	0	0	36,313	530,718	318,431	318,431	0	36,313	-9,991	266,357	380,669
29	73	0	0	37,614	495,087	297,052	297,052	0	37,614	-9,172	257,185	325,208
30	74	0	0	38,953	455,035	273,021	273,021	0	38,953	-8,012	249,173	297,025
		250,000	150,000	333,716				150,000	333,716			

Management fees reflected in column (6): 1.00%

Note: Pretend 401(k) Plan values do not reflect market rate adjustments, if any. Pretend 401(k) Plan is assessed: Tax on withdrawals. Entries in Column (3) are after tax.

*Equal to Column (7)

**Pretend 401(k) withdrawal has been grossed up to account for the income tax required to produce the after tax number shown in Column (3).

30 Year Summary

	Pretend 401(k)	Indexed UL
After Tax Payments	150,000	150,000
After Tax Cash Flow	333,716	333,716
Living Values	273,021	249,173
Death Benefit	273,021	297,025

***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.

Indexed Universal Life vs. Pretend 401(k) Plan

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Insured: David Wolfe

Comparison

Pretend 401(k) Yield: 6.85%
 Income Tax Rate: 40.00%
 Indexed UL Interest Rate: 6.85%
 Initial Payment: 30,000
 Initial Death Benefit: 700,000

		Pretend 401(k) Plan						Indexed Universal Life				
Yr	Male Age	(1) Tax Deductible Deposits to the Pretend 401(k)	(2) After Tax Equivalent of Pretend 401(k) Deposit*	(3) After Tax Withdrawal from the Pretend 401(k)**	(4) Year End Value of Pretend 401(k)	(5) Year End Value of Pretend 401(k) if Distributed	(6) After Tax Death Benefit of Pretend 401(k)	(7) Policy Premium	(8) After Tax Policy Loan Proceeds	(9) Surrender Value*** Increase	(10) Year End Surrender Value***	(11) Death Benefit
31	75	0	0	40,332	410,236	246,142	246,142	0	40,332	-6,700	242,473	279,522
32	76	0	0	41,753	360,342	216,205	216,205	0	41,753	-5,771	236,702	276,900
33	77	0	0	43,216	304,984	182,990	182,990	0	43,216	-4,687	232,015	275,666
34	78	0	0	44,724	243,767	146,260	146,260	0	44,724	-3,435	228,580	276,010
35	79	0	0	46,276	176,274	105,764	105,764	0	46,276	-2,006	226,574	278,134
36	80	0	0	47,875	102,060	61,236	61,236	0	47,875	-385	226,189	282,254
37	81	0	0	49,522	20,651	12,391	12,391	0	49,522	1,456	227,645	288,620
38	82	0	0	12,391	0	0	0	0	51,219	3,518	231,163	297,483
39	83	0	0	0	0	0	0	0	52,966	5,812	236,975	309,104
40	84	0	0	0	0	0	0	0	54,766	8,343	245,318	323,753
41	85	0	0	0	0	0	0	0	56,619	-12,681	232,637	316,719
42	86	0	0	0	0	0	0	0	56,619	-11,481	221,156	311,260
43	87	0	0	0	0	0	0	0	56,619	-10,257	210,899	307,414
44	88	0	0	0	0	0	0	0	56,619	-9,045	201,854	305,189
45	89	0	0	0	0	0	0	0	56,619	-7,885	193,969	304,544
46	90	0	0	0	0	0	0	0	56,619	-6,849	187,120	305,368
47	91	0	0	0	0	0	0	0	56,619	-3,155	183,965	285,171
48	92	0	0	0	0	0	0	0	56,619	1,733	185,698	266,957
49	93	0	0	0	0	0	0	0	56,619	8,211	193,909	251,958
50	94	0	0	0	0	0	0	0	56,619	16,787	210,696	241,838
51	95	0	0	0	0	0	0	0	56,619	28,033	238,729	238,729
52	96	0	0	0	0	0	0	0	56,619	35,191	273,920	273,920
53	97	0	0	0	0	0	0	0	56,619	43,136	317,056	317,056
54	98	0	0	0	0	0	0	0	56,619	51,941	368,997	368,997
55	99	0	0	0	0	0	0	0	56,619	61,683	430,680	430,680
		250,000	150,000	659,805				150,000	1,655,650			

Management fees reflected in column (6): 1.00%

*Equal to Column (7)

**Pretend 401(k) 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.

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55 Year Summary

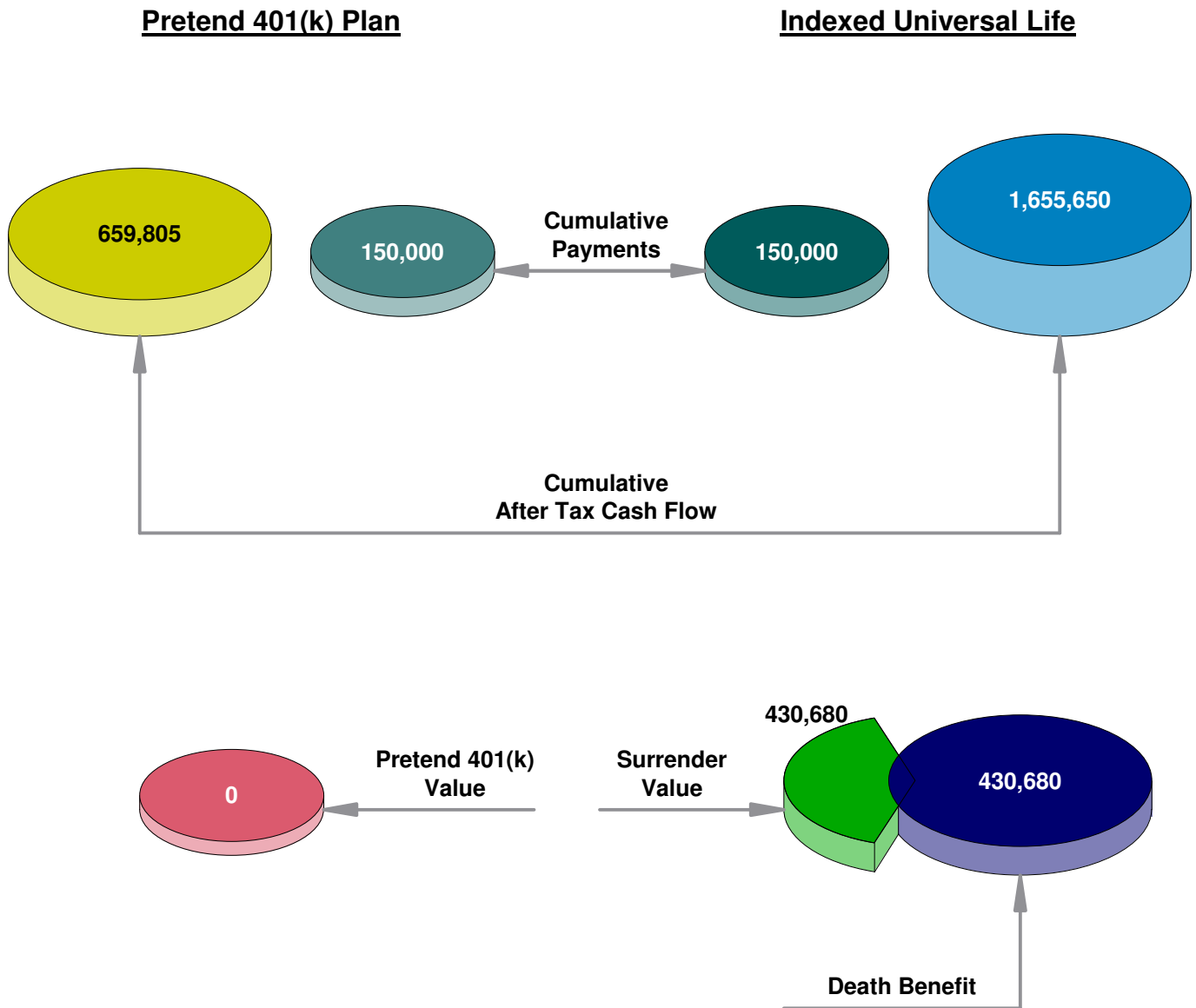
	Pretend 401(k)	Indexed UL
After Tax Payments	150,000	150,000
After Tax Cash Flow	659,805	1,655,650
Living Values	0	430,680
Death Benefit	0	430,680

Indexed Universal Life vs. Pretend 401(k) Plan

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

Insured: David Wolfe

A Look at Year 55



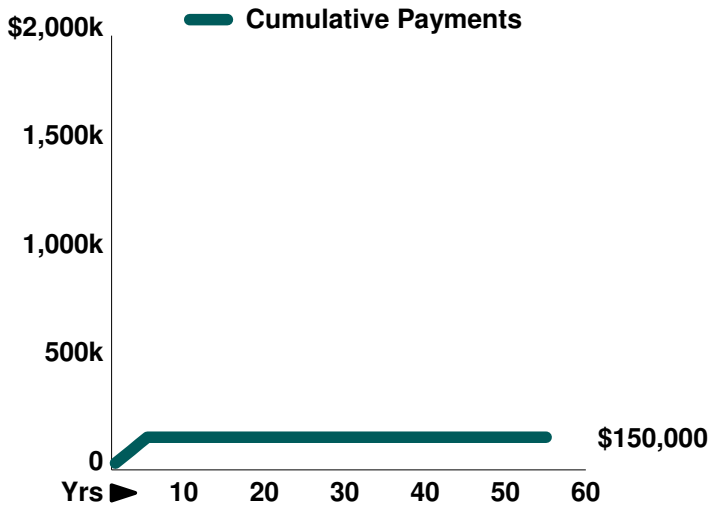
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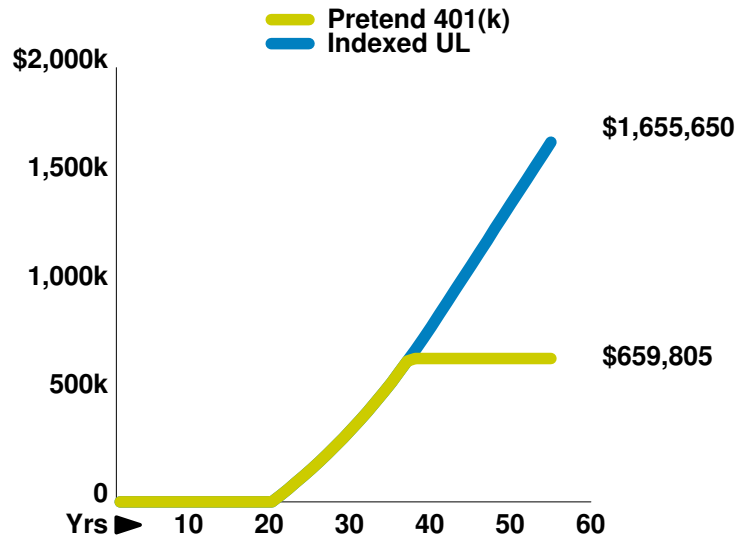
Insured: David Wolfe

55 Year Analysis

Cumulative Payments

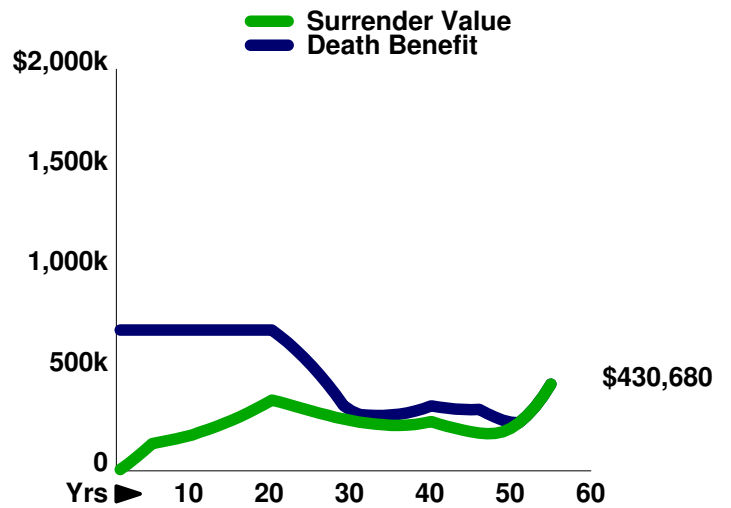
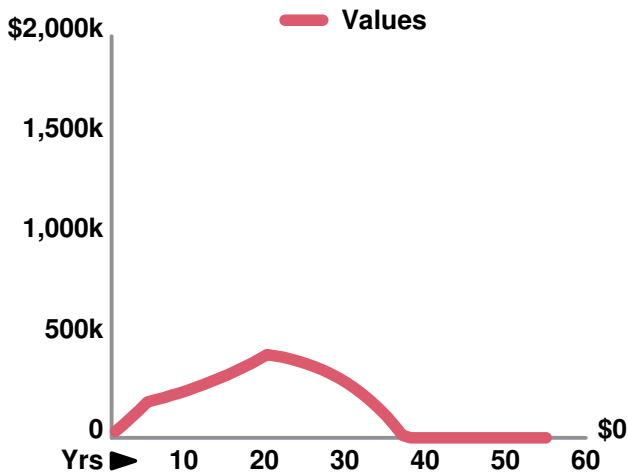


Cumulative After Tax Cash Flow



Pretend 401(k)

Indexed UL

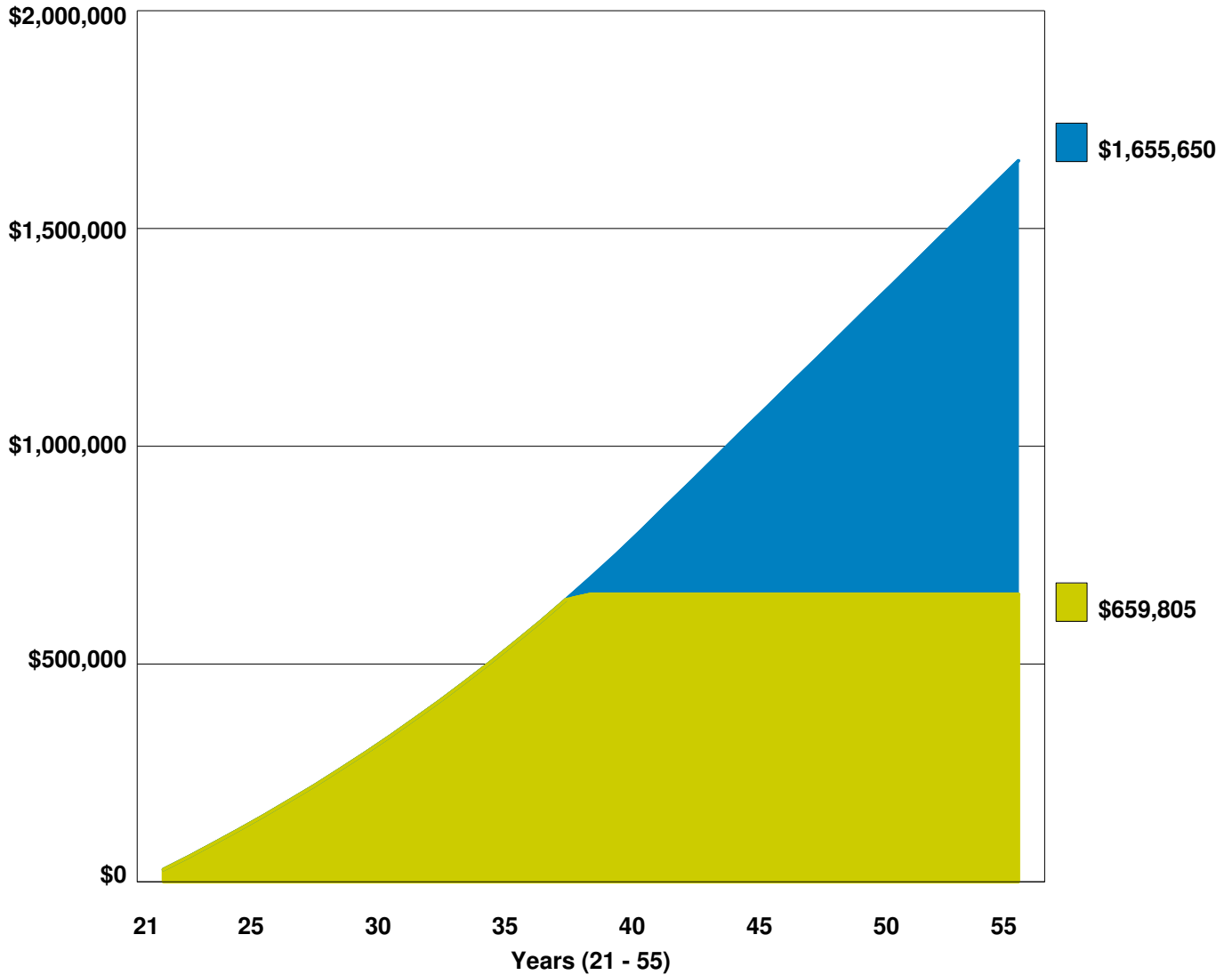


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Cash Flow Comparison



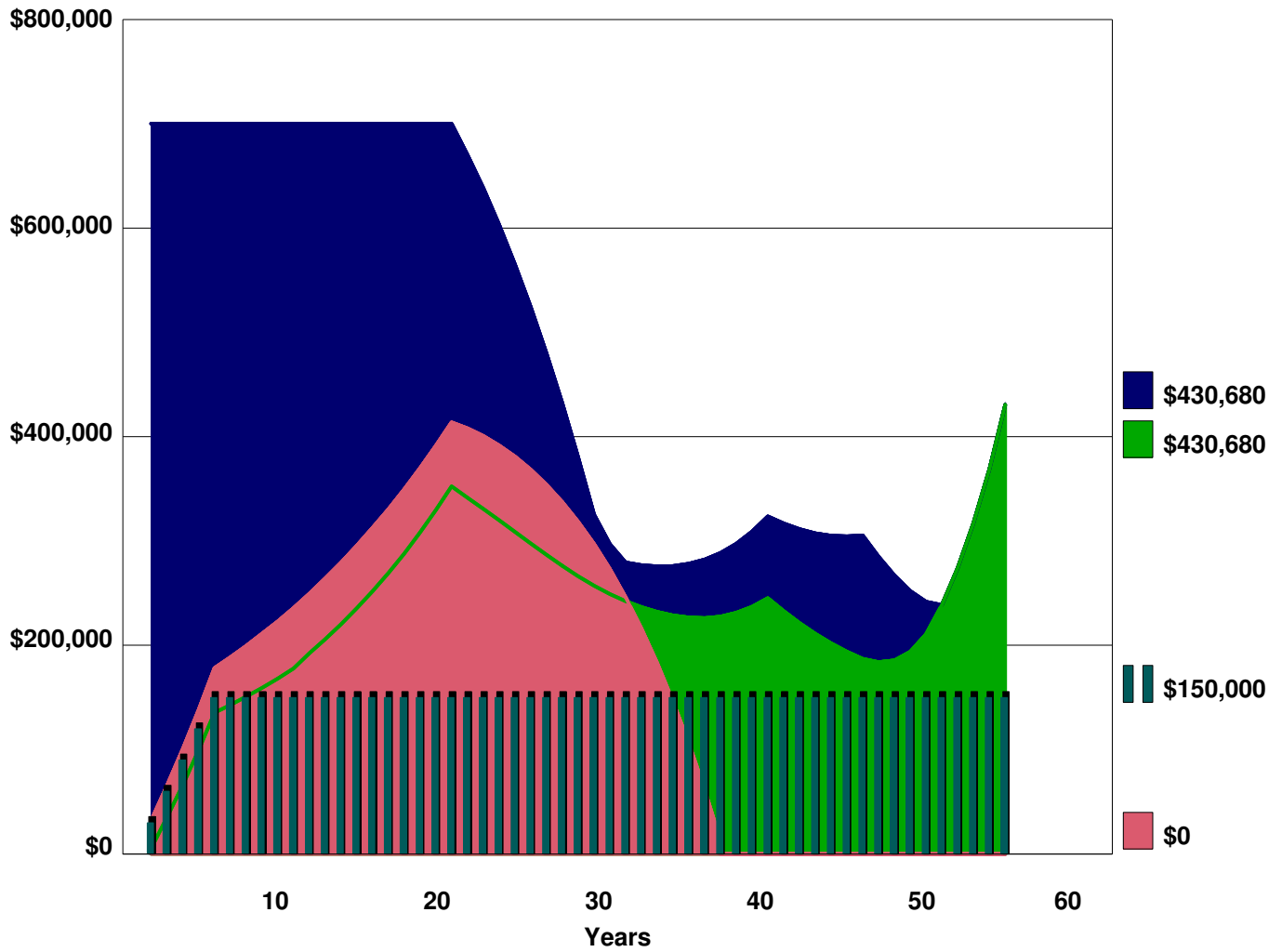
	<u>At Year 55</u>
Cumulative After Tax Cash Flow - Pretend 401(k) Plan	\$659,805
Cumulative After Tax Policy Cash Flow - Indexed UL	\$1,655,650

Indexed Universal Life vs. Pretend 401(k) Plan

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55 Year Analysis



	<u>At Year 55</u>
Cumulative Payments	\$150,000
Pretend 401(k) Plan Values	\$0
Surrender Value of Indexed UL	\$430,680
Death Benefit of Indexed UL	\$430,680