

Indexed Universal Life vs. A Tax Deductible Retirement Plan (TDRP)

For: Joe Tanner



Presented By: _____

[Licensed user's name appears here]

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Insured: Joe Tanner

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.

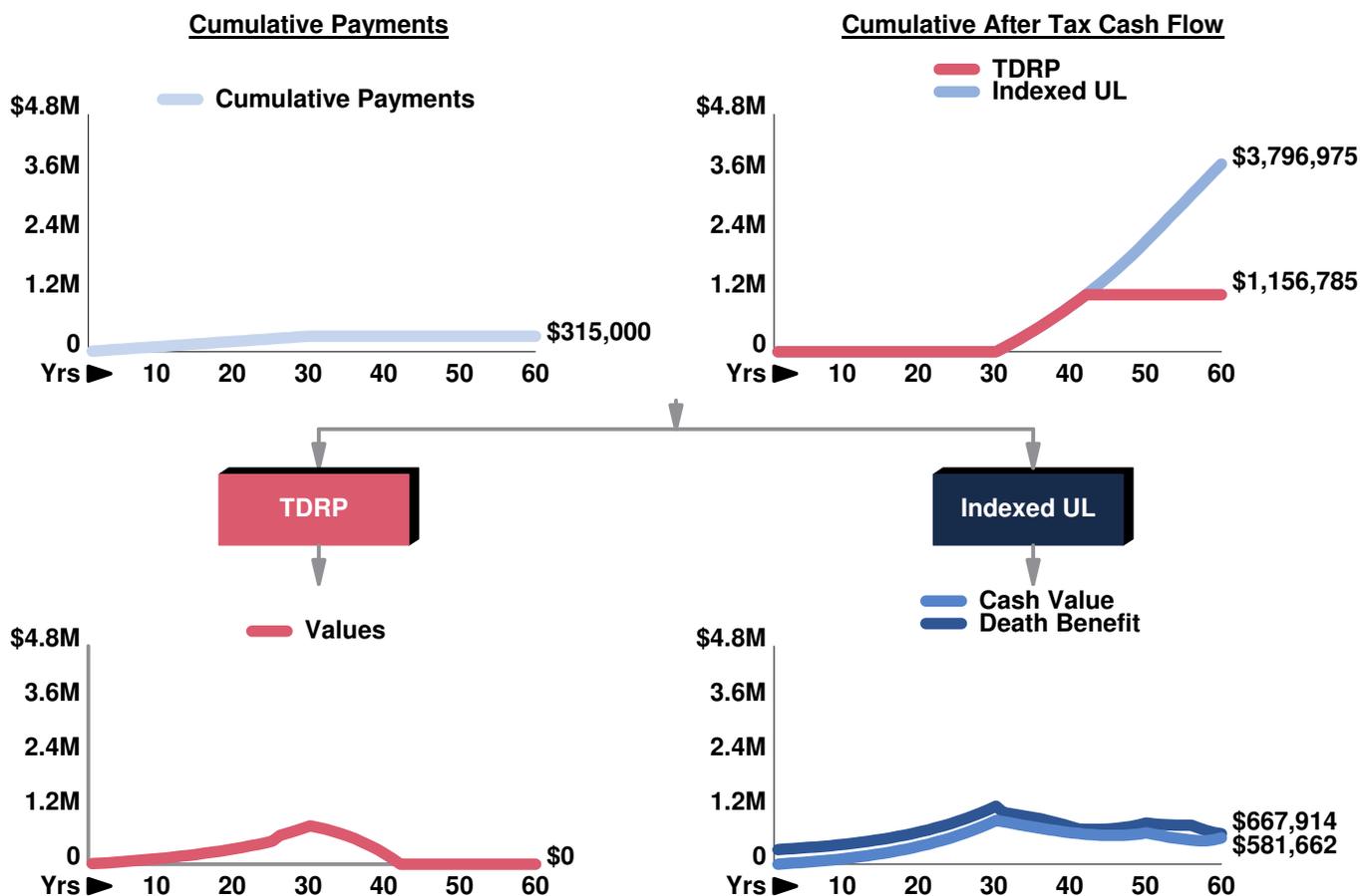
To help you make an informed decision about acquiring the policy, the accompanying presentation shows financial data regarding life insurance compared to a Tax Deductible Retirement Plan (TDRP).

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.

Indexed Universal Life vs. A Tax Deductible Retirement Plan (TDRP)

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

Insured: Joe Tanner

Comparison

TDRP Yield: 6.85% Income Tax Rate: 30.00% Indexed UL Interest Rate: 6.85% Initial Payment: 10,500 Initial Death Benefit: 314,322

		Tax Deductible Retirement Plan (TDRP)						Indexed Universal Life				
Yr	Male Age	(1) Tax Deductible Deposits to the TDRP	(2) After Tax Equivalent of TDRP Deposit*	(3) After Tax Withdrawal from the TDRP**	(4) Year End Value of TDRP Account	(5) Year End Value of TDRP if Distributed	(6) After Tax Death Benefit of TDRP	(7) Policy Premium	(8) After Tax Policy Loan Proceeds	(9) Year End Accum Value***	(10) Year End Cash Value***	(11) Death Benefit
1	35	15,000	10,500	0	15,868	9,521	11,108	10,500	0	9,112	2,162	323,434
2	36	15,000	10,500	0	32,652	19,591	22,856	10,500	0	18,836	12,581	333,158
3	37	15,000	10,500	0	50,407	30,244	35,285	10,500	0	29,211	23,651	343,533
4	38	15,000	10,500	0	69,188	41,513	48,432	10,500	0	40,276	35,410	354,598
5	39	15,000	10,500	0	89,055	53,433	62,339	10,500	0	52,080	47,909	366,402
6	40	15,000	10,500	0	110,071	66,043	77,050	10,500	0	64,707	61,234	379,029
7	41	15,000	10,500	0	132,302	79,381	92,611	10,500	0	78,214	75,436	392,536
8	42	15,000	10,500	0	155,818	93,491	109,073	10,500	0	92,663	90,579	406,985
9	43	15,000	10,500	0	180,694	108,416	126,486	10,500	0	108,123	106,734	422,445
10	44	15,000	10,500	0	207,008	124,205	144,906	10,500	0	124,671	123,976	438,993
11	45	15,000	10,500	0	234,844	140,906	164,391	10,500	0	144,370	144,370	458,692
12	46	15,000	10,500	0	264,288	158,573	185,002	10,500	0	165,521	165,521	479,843
13	47	15,000	10,500	0	295,435	177,261	206,805	10,500	0	188,232	188,232	502,554
14	48	15,000	10,500	0	328,383	197,030	229,868	10,500	0	212,617	212,617	526,939
15	49	15,000	10,500	0	363,236	217,942	254,265	10,500	0	238,794	238,794	553,116
16	50	15,000	10,500	0	400,104	240,062	280,073	10,500	0	266,891	266,891	581,213
17	51	15,000	10,500	0	439,104	263,462	307,373	10,500	0	297,049	297,049	611,371
18	52	15,000	10,500	0	480,358	288,215	336,251	10,500	0	329,419	329,419	643,741
19	53	15,000	10,500	0	523,997	314,398	366,798	10,500	0	364,162	364,162	678,484
20	54	15,000	10,500	0	570,159	342,095	399,111	10,500	0	401,453	401,453	715,775
21	55	15,000	10,500	0	618,990	371,394	433,293	10,500	0	441,473	441,473	755,795
22	56	15,000	10,500	0	670,644	402,386	469,451	10,500	0	484,416	484,416	798,738
23	57	15,000	10,500	0	725,285	435,171	507,700	10,500	0	530,487	530,487	844,809
24	58	15,000	10,500	0	783,085	469,851	548,160	10,500	0	579,905	579,905	894,227
25	59	15,000	10,500	0	844,226	506,536	590,958	10,500	0	632,905	632,905	947,227
26	60	15,000	10,500	0	908,902	536,231	636,231	10,500	0	689,713	689,713	1,004,035
27	61	15,000	10,500	0	977,317	568,122	684,122	10,500	0	750,581	750,581	1,064,903
28	62	15,000	10,500	0	1,049,688	593,782	734,782	10,500	0	815,813	815,813	1,130,135
29	63	15,000	10,500	0	1,126,243	618,370	788,370	10,500	0	885,716	885,716	1,200,038
30	64	15,000	10,500	0	1,207,224	645,057	845,057	10,500	0	960,623	960,623	1,274,945
		450,000	315,000	0				315,000	0			

Note: Tax Deductible Retirement Plan (TDRP) values do not reflect market rate adjustments, if any. Tax Deductible Retirement Plan (TDRP) is assessed:

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

30 Year Summary

	TDRP	Indexed UL
After Tax Payments	315,000	315,000
After Tax Cash Flow	0	0
Living Values	845,057	960,623
Death Benefit	845,057	1,274,945

*Equal to Column (7)

**TDRP 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.

Indexed Universal Life vs. A Tax Deductible Retirement Plan (TDRP)

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

Insured: Joe Tanner

Comparison

TDRP Yield 6.85% Income Tax Rate 30.00% Indexed UL Interest Rate 6.85% Initial Payment 10,500 Initial Death Benefit 314,322

		Tax Deductible Retirement Plan (TDRP)						Indexed Universal Life				
Yr	Male Age	(1) Tax Deductible Deposits to the TDRP	(2) After Tax Equivalent of TDRP Deposit*	(3) After Tax Withdrawal from the TDRP**	(4) Year End Value of TDRP Account	(5) Year End Value of TDRP if Distributed	(6) After Tax Death Benefit of TDRP	(7) Policy Premium	(8) After Tax Policy Loan Proceeds	(9) Year End Accum Value***	(10) Year End Cash Value***	(11) Death Benefit
31	65	0	0	78,754	1,158,009	810,606	810,606	0	78,754	932,251	932,251	1,135,239
32	66	0	0	81,636	1,101,594	771,116	771,116	0	81,636	903,516	903,516	1,107,968
33	67	0	0	84,604	1,037,432	726,202	726,202	0	84,604	874,554	874,554	1,080,574
34	68	0	0	87,662	964,940	675,458	675,458	0	87,662	845,517	845,517	1,053,098
35	69	0	0	90,811	883,498	618,449	618,449	0	90,811	816,566	816,566	1,025,565
36	70	0	0	94,054	792,446	554,712	554,712	0	94,054	788,337	788,337	998,526
37	71	0	0	97,395	691,081	483,757	483,757	0	97,395	761,349	761,349	957,282
38	72	0	0	100,836	578,657	405,060	405,060	0	100,836	735,990	735,990	914,738
39	73	0	0	104,381	454,375	318,063	318,063	0	104,381	712,662	712,662	870,676
40	74	0	0	108,031	317,392	222,174	222,174	0	108,031	691,802	691,802	824,833
41	75	0	0	111,791	166,808	116,766	116,766	0	111,791	673,559	673,559	776,560
42	76	0	0	115,664	1,665	1,166	1,166	0	115,664	657,943	657,943	769,701
43	77	0	0	1,166	0	0	0	0	119,654	645,382	645,382	766,737
44	78	0	0	0	0	0	0	0	123,762	636,430	636,430	768,289
45	79	0	0	0	0	0	0	0	127,995	631,617	631,617	774,957
46	80	0	0	0	0	0	0	0	132,354	631,477	631,477	787,347
47	81	0	0	0	0	0	0	0	136,844	636,612	636,612	806,138
48	82	0	0	0	0	0	0	0	141,468	647,432	647,432	831,810
49	83	0	0	0	0	0	0	0	146,231	664,478	664,478	864,986
50	84	0	0	0	0	0	0	0	151,138	688,301	688,301	906,299
51	85	0	0	0	0	0	0	0	156,191	654,588	654,588	888,280
52	86	0	0	0	0	0	0	0	156,191	623,690	623,690	874,084
53	87	0	0	0	0	0	0	0	156,191	595,537	595,537	863,685
54	88	0	0	0	0	0	0	0	156,191	569,906	569,906	856,890
55	89	0	0	0	0	0	0	0	156,191	547,258	547,258	854,235
56	90	0	0	0	0	0	0	0	156,191	526,578	526,578	854,701
57	91	0	0	0	0	0	0	0	156,191	515,089	515,089	795,760
58	92	0	0	0	0	0	0	0	156,191	516,561	516,561	741,781
59	93	0	0	0	0	0	0	0	156,191	536,588	536,588	697,406
60	94	0	0	0	0	0	0	0	156,191	581,662	581,662	667,914
		450,000	315,000	1,156,785				315,000	3,796,975			

Note: Tax Deductible Retirement Plan (TDRP) values do not reflect market rate adjustments, if any. Tax Deductible Retirement Plan (TDRP) is assessed:

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

60 Year Summary

	TDRP	Indexed UL
After Tax Payments	315,000	315,000
After Tax Cash Flow	1,156,785	3,796,975
Living Values	0	581,662
Death Benefit	0	667,914

*Equal to Column (7)

**TDRP 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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Indexed Universal Life vs. A Tax Deductible Retirement Plan (TDRP)

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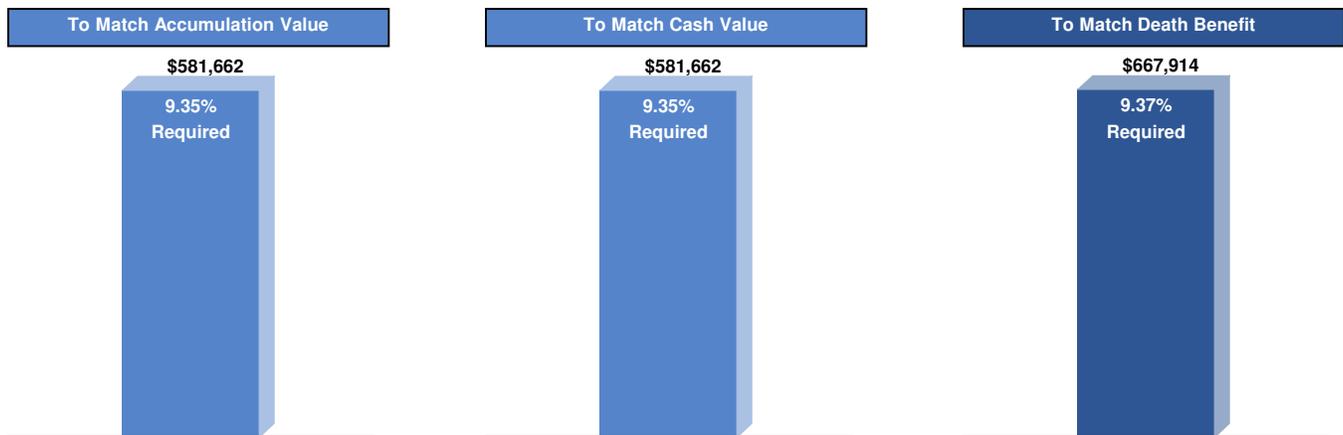
Insured: Joe Tanner

Matching Values

Male	TDRP	Income	Indexed UL	Initial	Initial
Age	Yield	Tax Rate	Interest Rate	Payment	Death Benefit
35	6.85%	30.00%	6.85%	10,500	314,322

Gross Interest Rate Required on a Tax Deductible Retirement Plan (TDRP) to Match Indexed Universal Life Policy Values over 60 Years.

	Gross Interest Rate Required
To match Accumulation Value of: \$581,662	9.35%
To match Cash Value of: \$581,662	9.35%
To match Death Benefit of: \$667,914	9.37%



Income Tax Considerations

1. Tax Deductible Retirement Plan (TDRP): 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.

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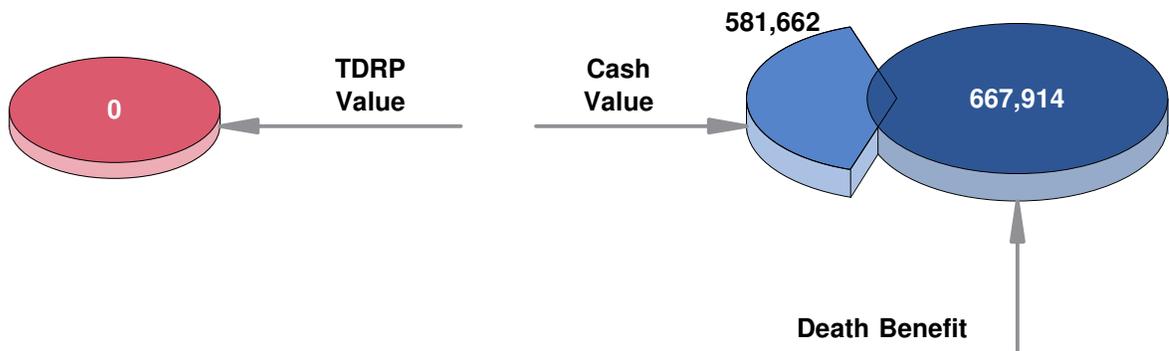
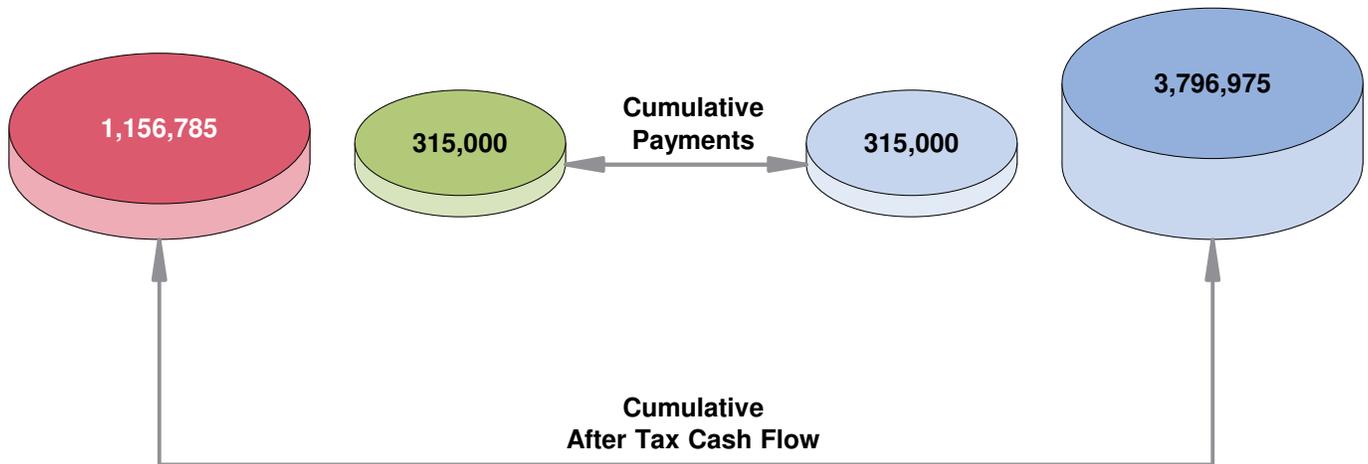
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A Look at Year 60

Tax Deductible Retirement Plan (TDRP)

Indexed Universal Life

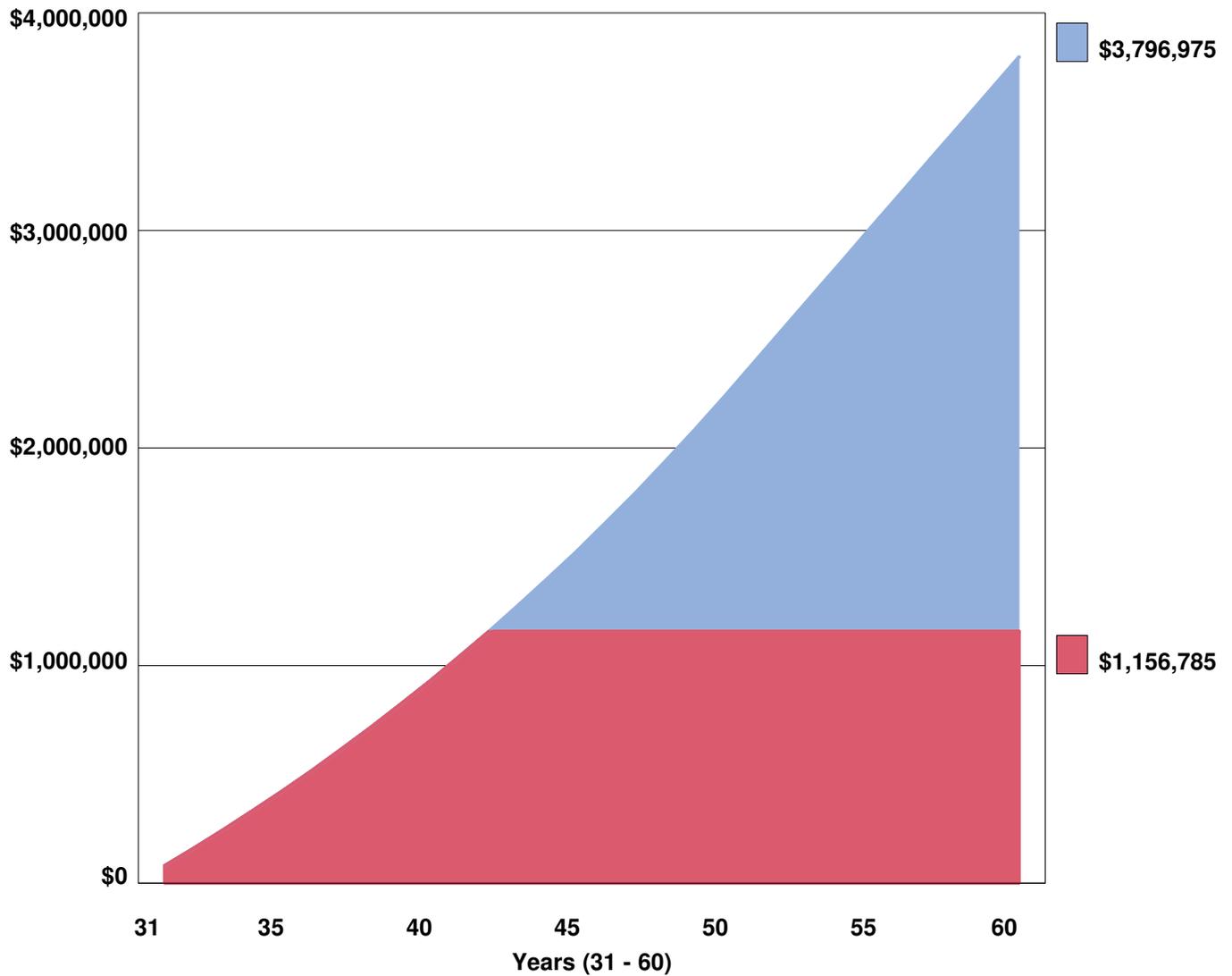


Indexed Universal Life vs. A Tax Deductible Retirement Plan (TDRP)

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Cash Flow Comparison



At Year 60

Cumulative After Tax Cash Flow - Tax Deductible Retirement Plan (TDRP) \$1,156,785

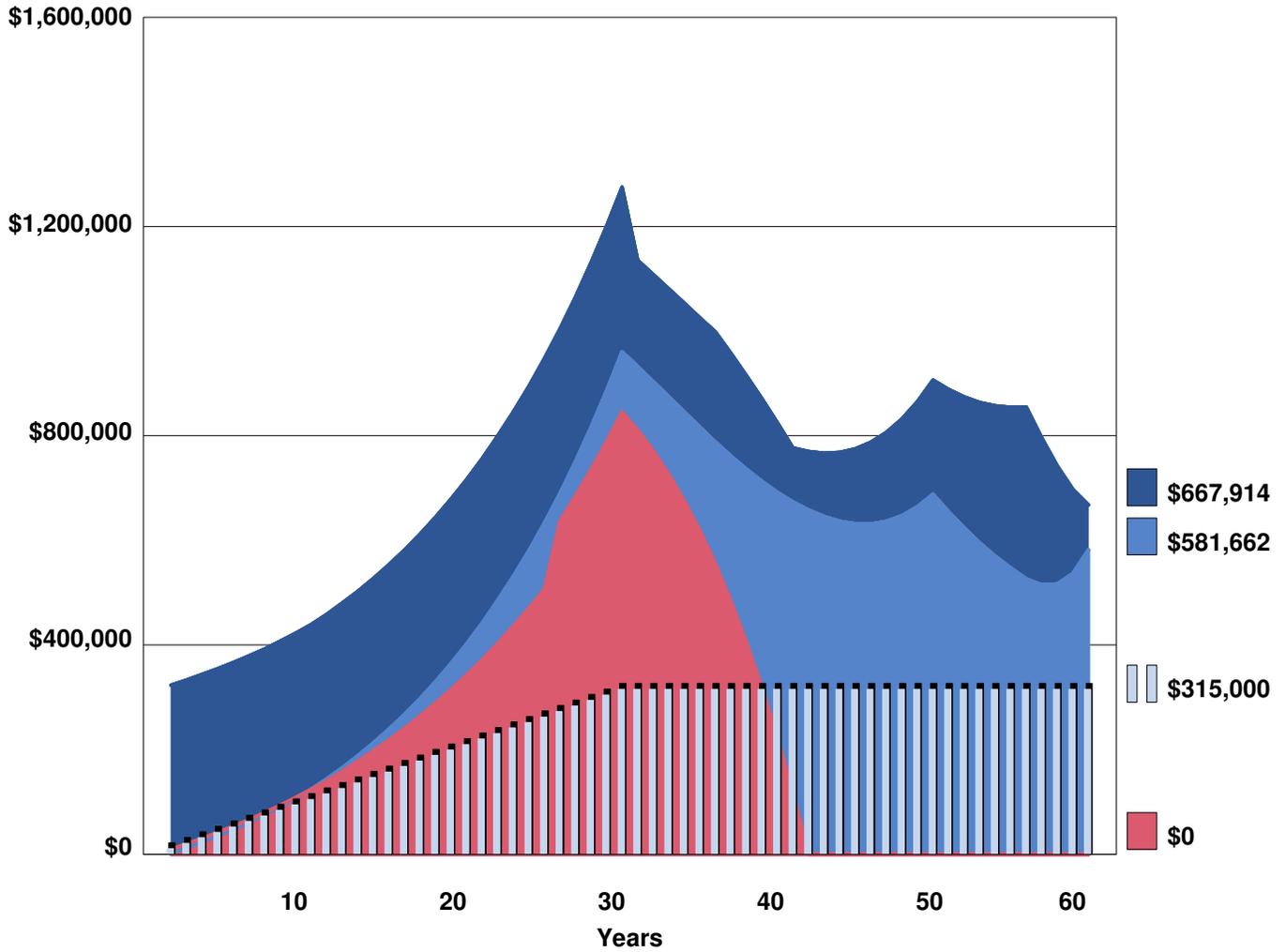
Cumulative After Tax Policy Cash Flow - Indexed UL \$3,796,975

Indexed Universal Life vs. A Tax Deductible Retirement Plan (TDRP)

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60 Year Analysis



<u>At Year 60</u>	
Cumulative Payments	\$315,000
Tax Deductible Retirement Plan (TDRP) Values	\$0
Cash Value of Indexed UL	\$581,662
Death Benefit of Indexed UL	\$667,914

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 31

Below is an analysis of tax calculations on cash flow in the first year that cash flow from the Tax Deductible Retirement Plan (TDRP) and Indexed Universal Life is illustrated.

Tax Deductible Retirement Plan (TDRP)

112,506 total withdrawal @ 30.00% tax which nets 78,754

Indexed Universal Life

There are no tax calculations required for the life insurance policy since policy loans are not taxable

On the tax deductible retirement plan (tdrp), withdrawal(s) made prior to age 59½ are assessed an additional 10.00% tax. On the life insurance policy, withdrawals up to cost basis (not in violation of IRC Section 7702) are income tax free.