

Various Financial Alternatives A Comparison

Introduction

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 these alternatives:

Certificate of Deposit;
Ginnie Mae Fund;
Taxable Bond Fund;
Tax Exempt Unit Trust.

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 favored growth of cash values;
3. Competitive current rate of return;
4. Lifelong income options;
5. Tax free access to cash values through policy loans;
6. Income tax free death benefits for beneficiaries;
7. Probate free death benefits for beneficiaries;
8. Privacy of all transactions;
9. 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 is particularly evident in the following presentation.

Universal Life Insurance (UL)

vs.

Various Financial Alternatives

Comparison Page: 1
Date: [Current date appears here]

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

For: George Baker, MD

Male Age	Initial Payment	A Certificate of Deposit Yield	A Ginnie Mae Fund Yield	A Taxable Bond Fund Yield	A Tax Exempt Unit Trust Yield	UL Interest Rate	Tax Bracket	
45	20,000	4.00%	6.00%	7.00%	3.50%	6.50%	35.00%	
After Tax Values						UL		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Year	Net Payment	A Certificate of Deposit	A Ginnie Mae Fund	A Taxable Bond Fund	A Tax Exempt Unit Trust	Year End Accum Value*	Year End Cash Value*	Death Benefit
1	20,000	20,520	20,621	20,696	20,617	19,951	12,951	519,951
2	20,000	41,574	41,882	42,112	41,871	41,289	27,289	541,289
3	20,000	63,174	63,804	64,274	63,780	64,010	49,110	564,010
4	20,000	85,337	86,406	87,206	86,365	88,198	73,298	588,198
5	20,000	108,076	109,710	110,937	109,648	113,942	99,042	613,942
6	20,000	131,406	133,737	135,494	133,649	141,347	127,192	641,347
7	20,000	155,342	158,511	160,905	158,390	170,484	157,223	670,484
8	20,000	179,901	184,054	187,201	183,896	201,462	189,244	701,462
9	20,000	205,099	210,389	214,411	210,188	234,387	223,361	734,387
10	20,000	230,951	237,543	242,569	237,291	269,369	259,684	769,369
11	20,000	257,476	265,540	271,706	265,231	306,535	298,340	806,535
12	20,000	284,690	294,406	301,857	294,034	346,011	339,455	846,011
13	20,000	312,612	324,168	333,058	323,725	387,924	383,156	887,924
14	20,000	341,260	354,854	365,344	354,332	432,419	429,588	932,419
15	20,000	370,653	386,494	398,754	385,884	479,647	479,647	979,647
16	20,000	400,810	419,115	433,327	418,409	529,749	529,749	1,029,749
17	20,000	431,751	452,750	469,103	451,939	582,896	582,896	1,082,896
18	20,000	463,496	487,429	506,124	486,503	639,258	639,258	1,139,258
19	20,000	496,067	523,184	544,433	522,133	699,006	699,006	1,199,006
20	20,000	529,485	560,050	584,075	558,864	762,321	762,321	1,262,321
	400,000							

*This is an example of a "supplemental" illustration for a universal life Insurance policy. In actual presentations, this footnote will refer to an accompanying "basic" illustration from a specific life insurance company which contains important details, guarantees, and caveats.

Management fee reflected in columns 3, 4 & 5:
GNMA = 0.75%, TBF = 1.00%, UT = 0.40%

Universal Life Insurance (UL)

vs.

Various Financial Alternatives

Comparison Page: 2
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Male Age	Initial Payment	A Certificate of Deposit Yield	A Ginnie Mae Fund Yield	A Taxable Bond Fund Yield	A Tax Exempt Unit Trust Yield	UL Interest Rate	Tax Bracket	
45	20,000	4.00%	6.00%	7.00%	3.50%	6.50%	35.00%	
After Tax Values						UL		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Year	Net Payment	A Certificate of Deposit	A Ginnie Mae Fund	A Taxable Bond Fund	A Tax Exempt Unit Trust	Year End Accum Value*	Year End Cash Value*	Death Benefit
21	-30,000	512,472	546,508	573,357	545,184	775,869	775,869	1,275,869
22	-30,000	495,016	532,546	562,266	531,083	789,626	789,626	1,289,626
23	-30,000	477,106	518,150	550,788	516,546	803,531	803,531	1,303,531
24	-30,000	458,731	503,307	538,912	501,561	817,528	817,528	1,317,528
25	-30,000	439,878	488,003	526,622	486,114	831,524	831,524	1,331,524
26	-30,000	420,535	472,224	513,904	470,189	845,427	845,427	1,345,427
27	-30,000	400,689	455,955	500,744	453,774	859,132	859,132	1,359,132
28	-30,000	380,327	439,181	487,126	436,851	872,508	872,508	1,372,508
29	-30,000	359,435	421,886	473,034	419,407	885,409	885,408	1,385,409
30	-30,000	338,001	404,054	458,452	401,424	897,659	897,659	1,397,659
31	-30,000	316,009	385,669	443,362	382,886	909,065	909,065	1,409,065
32	-30,000	293,445	366,712	427,747	363,776	919,403	919,403	1,419,403
33	-30,000	270,294	347,167	411,589	344,076	928,411	928,411	1,428,411
34	-30,000	246,542	327,015	394,868	323,769	935,791	935,791	1,435,791
35	-30,000	222,172	306,237	377,565	302,834	941,238	941,238	1,441,238
36	-30,000	197,169	284,815	359,661	281,254	944,357	944,357	1,444,357
37	-30,000	171,515	262,727	341,133	259,008	944,709	944,708	1,444,709
38	-30,000	145,194	239,953	321,960	236,075	941,815	941,815	1,441,816
39	-30,000	118,189	216,472	302,120	212,434	935,125	935,125	1,435,125
40	-30,000	90,482	192,262	281,590	188,064	924,021	924,021	1,424,021
	-200,000							

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Management fee reflected in columns 3, 4 & 5:
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Universal Life Insurance (UL)

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Various Financial Alternatives

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Male Age	Initial Payment	A Certificate of Deposit Yield	A Ginnie Mae Fund Yield	A Taxable Bond Fund Yield	A Tax Exempt Unit Trust Yield	UL Interest Rate	Tax Bracket
45	20,000	4.00%	6.00%	7.00%	3.50%	6.50%	35.00%

Gross interest rate needed by various investments
over 40 years to match UL policy values

Investment	Interest Rate	UL
A Certificate of Deposit	8.10%	Accumulation Value \$924,021
A Certificate of Deposit	8.10%	Cash Value \$924,021
A Certificate of Deposit	9.45%	Death Benefit \$1,424,021
A Ginnie Mae Fund	9.36%	Accumulation Value \$924,021
A Ginnie Mae Fund	9.36%	Cash Value \$924,021
A Ginnie Mae Fund	10.73%	Death Benefit \$1,424,021
A Taxable Bond Fund	9.79%	Accumulation Value \$924,021
A Taxable Bond Fund	9.79%	Cash Value \$924,021
A Taxable Bond Fund	11.16%	Death Benefit \$1,424,021
A Tax Exempt Unit Trust	5.69%	Accumulation Value \$924,021
A Tax Exempt Unit Trust	5.69%	Cash Value \$924,021
A Tax Exempt Unit Trust	6.57%	Death Benefit \$1,424,021

Income Tax Considerations

1. A Certificate of Deposit. - Interest is taxed as earned.
2. A Ginnie Mae Fund. - Interest is taxed as earned.
3. A Taxable Bond Fund. - Interest is taxed as earned.
4. A Tax Exempt Unit Trust. - Interest is tax exempt.
5. Universal Life Insurance (UL).
 - a. Death Benefit including 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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