

# **Funding A Life Insurance And Retirement Strategy with Discounted Dollars**

## **Introduction**

In the accompanying presentation, you will see the financial data from an illustration of a cash value life insurance policy.

In the presentation, the sum of the policy's premiums, divided by the policy's death benefits, gives a "cost-per-dollar-of-benefit" solution that is very helpful when analyzing the economics of the transaction.

For example, if the premiums for a \$100,000 life insurance policy are \$1,200, the discounted dollars calculation divides the \$1,200 by the \$100,000. This results in an answer of 1.2 cents, meaning if death should occur during year 1, each \$1.00 of the death benefit costs 1.2 cents. This figure will change from year to year.

Cash value life insurance also contains the following features:

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.

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.

# Funding A Life Insurance And Retirement Strategy with Discounted Dollars Using Universal Life Insurance (UL)

Analysis Page: 1

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

Insured: George Baker, MD

Date: [Current date appears here]

	Male Age 45	Tax Bracket 35.00%	UL Interest Rate 6.50%	Initial Payment 20,000	Initial Death Benefit 500,000		
	Payment Analysis		Death Benefit Analysis		Living Values		
	(1)	(2)	(3)	(4)	(5)	(6)	
Year	Net Payment	Cumulative Net Payments	Year End Death Benefit	Cost per \$1.00 of Funding**	Year End Accum Value*	Year End Cash Value*	
1	20,000	20,000	519,951	3.8 Cents	19,951	12,951	
2	20,000	40,000	541,289	7.4 Cents	41,289	27,289	
3	20,000	60,000	564,010	10.6 Cents	64,010	49,110	
4	20,000	80,000	588,198	13.6 Cents	88,198	73,298	
5	20,000	100,000	613,942	16.3 Cents	113,942	99,042	
6	20,000	120,000	641,347	18.7 Cents	141,347	127,192	
7	20,000	140,000	670,484	20.9 Cents	170,484	157,223	
8	20,000	160,000	701,462	22.8 Cents	201,462	189,244	
9	20,000	180,000	734,387	24.5 Cents	234,387	223,361	
10	20,000	200,000	769,369	26.0 Cents	269,369	259,684	
11	20,000	220,000	806,535	27.3 Cents	306,535	298,340	
12	20,000	240,000	846,011	28.4 Cents	346,011	339,455	
13	20,000	260,000	887,924	29.3 Cents	387,924	383,156	
14	20,000	280,000	932,419	30.0 Cents	432,419	429,588	
15	20,000	300,000	979,647	30.6 Cents	479,647	479,647	
16	20,000	320,000	1,029,749	31.1 Cents	529,749	529,749	
17	20,000	340,000	1,082,896	31.4 Cents	582,896	582,896	
18	20,000	360,000	1,139,258	31.6 Cents	639,258	639,258	
19	20,000	380,000	1,199,006	31.7 Cents	699,006	699,006	
20	20,000	400,000	1,262,321	31.7 Cents	762,321	762,321	
	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.

\*\*Column (2) divided by column (3) is equal to column (4).

# Funding A Life Insurance And Retirement Strategy with Discounted Dollars Using Universal Life Insurance (UL)

Analysis Page: 2

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

Insured: George Baker, MD

Date: [Current date appears here]

	Male Age 45	Tax Bracket 35.00%	UL Interest Rate 6.50%	Initial Payment 20,000	Initial Death Benefit 500,000	
	Payment Analysis		Death Benefit Analysis		Living Values	
	(1)	(2)	(3)	(4)	(5)	(6)
	Net Payment	Cumulative Net Payments	Year End Death Benefit	Cost per \$1.00 of Funding**	Year End Accum Value*	Year End Cash Value*
Year						
21	-30,000	370,000	1,275,869	29.0 Cents	775,869	775,869
22	-30,000	340,000	1,289,626	26.4 Cents	789,626	789,626
23	-30,000	310,000	1,303,531	23.8 Cents	803,531	803,531
24	-30,000	280,000	1,317,528	21.3 Cents	817,528	817,528
25	-30,000	250,000	1,331,524	18.8 Cents	831,524	831,524
26	-30,000	220,000	1,345,427	16.4 Cents	845,427	845,427
27	-30,000	190,000	1,359,132	14.0 Cents	859,132	859,132
28	-30,000	160,000	1,372,508	11.7 Cents	872,508	872,508
29	-30,000	130,000	1,385,409	9.4 Cents	885,409	885,408
30	-30,000	100,000	1,397,659	7.2 Cents	897,659	897,659
31	-30,000	70,000	1,409,065	5.0 Cents	909,065	909,065
32	-30,000	40,000	1,419,403	2.8 Cents	919,403	919,403
33	-30,000	10,000	1,428,411	0.7 Cents	928,411	928,411
34	-30,000	-20,000	1,435,791	-1.4 Cents	935,791	935,791
35	-30,000	-50,000	1,441,238	-3.5 Cents	941,238	941,238
36	-30,000	-80,000	1,444,357	-5.5 Cents	944,357	944,357
37	-30,000	-110,000	1,444,709	-7.6 Cents	944,709	944,708
38	-30,000	-140,000	1,441,816	-9.7 Cents	941,815	941,815
39	-30,000	-170,000	1,435,125	-11.8 Cents	935,125	935,125
40	-30,000	-200,000	1,424,021	-14.0 Cents	924,021	924,021
	-200,000					

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with  
Discounted Dollars  
Using  
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**40 Year Graphic Analysis  
Cost per \$1.00 of Funding**

