

Universal Life Insurance (UL) vs. Term Insurance and a Side Fund

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 will involve your selection of the appropriate life insurance policy.

There are several other factors to consider. These 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.

Universal Life Insurance (UL) vs. Term Insurance and a Side Fund

Comparison Page: 1

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

For: George Baker, MD

Date: [Current date appears here]

	Male Age 45	Side Fund Yield 6.50%	UL Interest Rate 6.50%	Initial Payment 20,000	Initial Death Benefit 500,000	Tax Bracket 35.00%					
Payment Allocation				500,000 Term Insurance Along With a Side Fund				UL			
Year	(1) Cost of Proposed Policy	(2) Alternative Term Policy	(3) Net to Side Fund	(4) After Tax Investment Income	(5) Side Fund Values	(6) Term Death Benefit	(7) Combined Death Benefit	(8) Year End Accum Value*	(9) Year End Cash Value*	(10) Death Benefit	
1	20,000	800	19,200	811	19,909	500,000	519,909	19,951	12,951	519,951	
2	20,000	800	19,200	1,652	40,553	500,000	540,553	41,289	27,289	541,289	
3	20,000	800	19,200	2,525	61,959	500,000	561,959	64,010	49,110	564,010	
4	20,000	800	19,200	3,429	84,156	500,000	584,156	88,198	73,298	588,198	
5	20,000	800	19,200	4,367	107,173	500,000	607,173	113,942	99,042	613,942	
6	20,000	800	19,200	5,339	131,039	500,000	631,039	141,347	127,192	641,347	
7	20,000	800	19,200	6,348	155,787	500,000	655,787	170,484	157,223	670,484	
8	20,000	800	19,200	7,393	181,448	500,000	681,448	201,462	189,244	701,462	
9	20,000	800	19,200	8,477	208,057	500,000	708,057	234,387	223,361	734,387	
10	20,000	800	19,200	9,602	235,648	500,000	735,648	269,369	259,684	769,369	
11	20,000	800	19,200	10,767	264,259	500,000	764,259	306,535	298,340	806,535	
12	20,000	800	19,200	11,976	293,925	500,000	793,925	346,011	339,455	846,011	
13	20,000	800	19,200	13,230	324,687	500,000	824,687	387,924	383,156	887,924	
14	20,000	800	19,200	14,529	356,586	500,000	856,586	432,419	429,588	932,419	
15	20,000	800	19,200	15,877	389,661	500,000	889,661	479,647	479,647	979,647	
16	20,000	800	19,200	17,274	423,959	500,000	923,959	529,749	529,749	1,029,749	
17	20,000	800	19,200	18,723	459,522	500,000	959,522	582,896	582,896	1,082,896	
18	20,000	800	19,200	20,226	496,399	500,000	996,399	639,258	639,258	1,139,258	
19	20,000	800	19,200	21,784	534,638	500,000	1,034,638	699,006	699,006	1,199,006	
20	20,000	800	19,200	23,400	574,288	500,000	1,074,288	762,321	762,321	1,262,321	
	400,000	16,000	384,000								

Management fees reflected in column (5): 0.50%

*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.

20 Year Summary

	Ins/Side Fund	UL
Death Benefit	1,074,288	1,262,321
Income Tax	0	0
Net Proceeds	1,074,288	1,262,321

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For: George Baker, MD

Date: [Current date appears here]

	Male Age 45	Side Fund Yield 6.50%	UL Interest Rate 6.50%	Initial Payment 20,000	Initial Death Benefit 500,000	Tax Bracket 35.00%				
Payment Allocation			500,000 Term Insurance Along With a Side Fund				UL			
Year	(1) Cost of Proposed Policy	(2) Alternative Term Policy	(3) Net to Side Fund	(4) After Tax Investment Income	(5) Side Fund Values	(6) Term Death Benefit	(7) Combined Death Benefit	(8) Year End Accum Value*	(9) Year End Cash Value*	(10) Death Benefit
21	-30,000	4,000	-34,000	22,827	560,238	500,000	1,060,238	775,869	775,869	1,275,869
22	-30,000	4,000	-34,000	22,234	545,669	500,000	1,045,669	789,626	789,626	1,289,626
23	-30,000	4,000	-34,000	21,618	530,563	500,000	1,030,563	803,531	803,531	1,303,531
24	-30,000	4,000	-34,000	20,980	514,898	500,000	1,014,898	817,528	817,528	1,317,528
25	-30,000	4,000	-34,000	20,318	498,656	500,000	998,656	831,524	831,524	1,331,524
26	-30,000	4,000	-34,000	19,632	481,813	500,000	981,813	845,427	845,427	1,345,427
27	-30,000	4,000	-34,000	18,920	464,349	500,000	964,349	859,132	859,132	1,359,132
28	-30,000	4,000	-34,000	18,182	446,239	500,000	946,239	872,508	872,508	1,372,508
29	-30,000	4,000	-34,000	17,417	427,461	500,000	927,461	885,409	885,408	1,385,409
30	-30,000	4,000	-34,000	16,624	407,990	500,000	907,990	897,659	897,659	1,397,659
31	-30,000	4,000	-34,000	15,801	387,799	500,000	887,799	909,065	909,065	1,409,065
32	-30,000	4,000	-34,000	14,948	366,863	500,000	866,863	919,403	919,403	1,419,403
33	-30,000	4,000	-34,000	14,063	345,154	500,000	845,154	928,411	928,411	1,428,411
34	-30,000	4,000	-34,000	13,146	322,644	500,000	822,644	935,791	935,791	1,435,791
35	-30,000	4,000	-34,000	12,195	299,302	500,000	799,302	941,238	941,238	1,441,238
36	-30,000	4,000	-34,000	11,209	275,098	500,000	775,098	944,357	944,357	1,444,357
37	-30,000	4,000	-34,000	10,186	250,001	500,000	750,001	944,709	944,708	1,444,709
38	-30,000	4,000	-34,000	9,126	223,976	500,000	723,976	941,815	941,815	1,441,816
39	-30,000	4,000	-34,000	8,027	196,991	500,000	696,991	935,125	935,125	1,435,125
40	-30,000	4,000	-34,000	6,886	169,010	500,000	669,010	924,021	924,021	1,424,021
	-200,000	96,000	-296,000							

Management fees reflected in column (5): 0.50%

*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.

40 Year Summary

	Ins/Side Fund	UL
Death Benefit	669,010	1,424,021
Income Tax	0	0
Net Proceeds	669,010	1,424,021

Universal Life Insurance (UL) vs. Term Insurance and a Side Fund

Comparison Page: 3

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For: George Baker, MD

Date: [Current date appears here]

Male Age	Side Fund Yield	UL Interest Rate	Initial Payment	Initial Death Benefit	Tax Bracket
45	6.50%	6.50%	20,000	500,000	35.00%

Gross Interest Rate Required on a Side Fund to Match Universal Life Insurance (UL) Policy Values Over 40 Years After Applying the Term Payment Illustrated

	Gross Interest Rate Required
To match Accumulation Value of: \$924,021	9.65%
To match Cash Value of: \$924,021	9.65%

Income Tax Considerations

1. A side fund: Interest is taxed as earned.
2. 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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