

# Indexed Product vs. Various Financial Alternatives

For: A50male Example



*"A goal without a plan is just a wish."*

Antoine De Saint-Exupery

Presented By: \_\_\_\_\_

Robert J. Moody

RWM Building

2 Bates Boulevard

Orinda CA 94563

Phone: 925-254-4600

Email: [Broker2@RWMinsurance.com](mailto:Broker2@RWMinsurance.com)

Representing: \_\_\_\_\_

RWM Insurance - Independent Brokers

# Various Financial Alternatives vs. Strategic Accumulator IUL2

Presented By: Robert J. Moody

Insured: A50male Example

## 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 these alternatives:

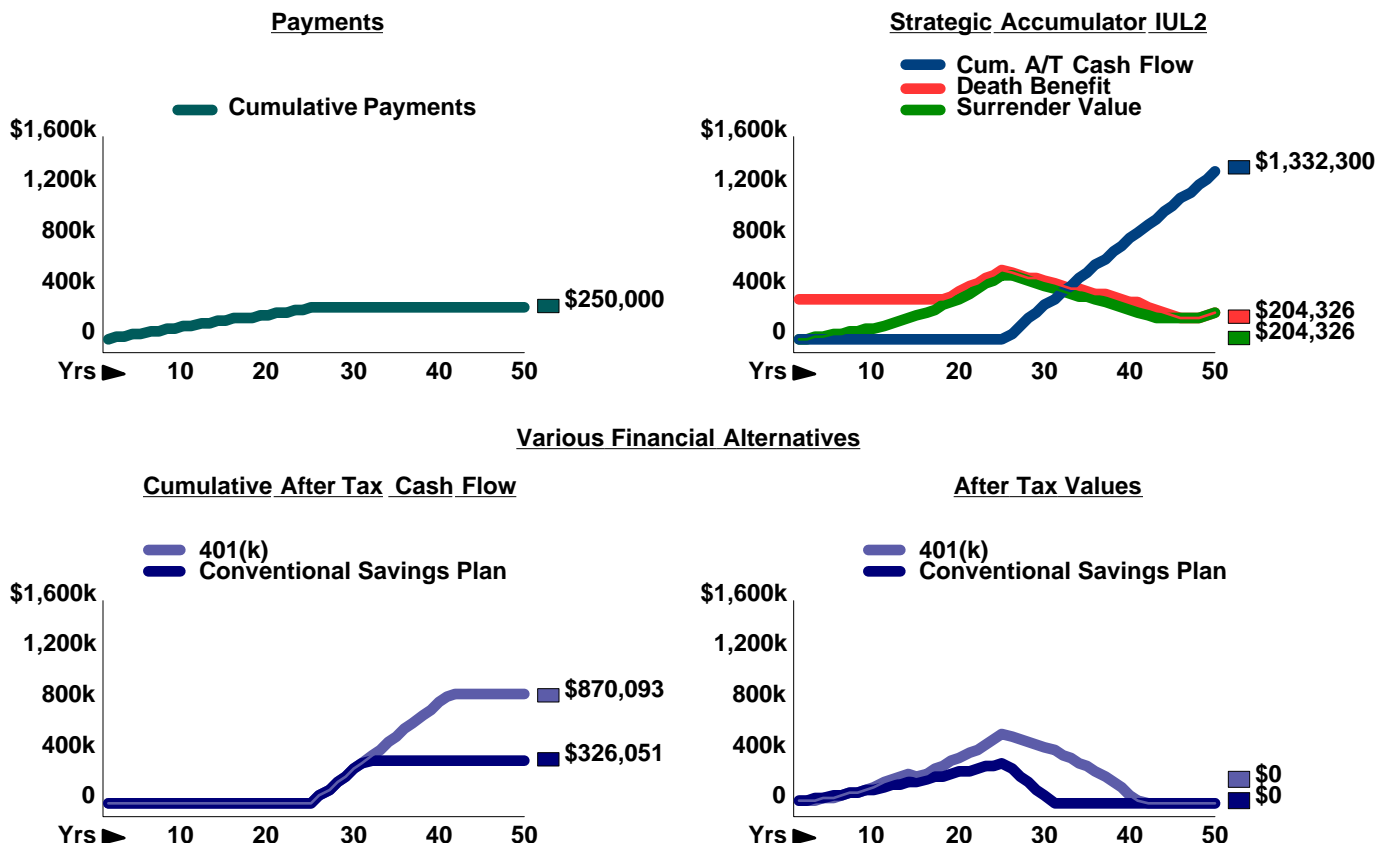
Conventional Savings Plan;  
Tax Deductible Retirement Plan (TDRP).

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. Income tax free death benefits;
2. Probate free death benefits;
3. Accumulating cash values;
4. Income tax deferred growth of cash values;
5. Competitive current interest rate;
6. Tax free access to cash values via policy loans;
7. Privacy of all transactions;
8. 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 graphic assumes the non-guaranteed values shown continue in all years. This is not likely, and actual results may be more or less favorable.

# Various Financial Alternatives vs. Strategic Accumulator IUL2

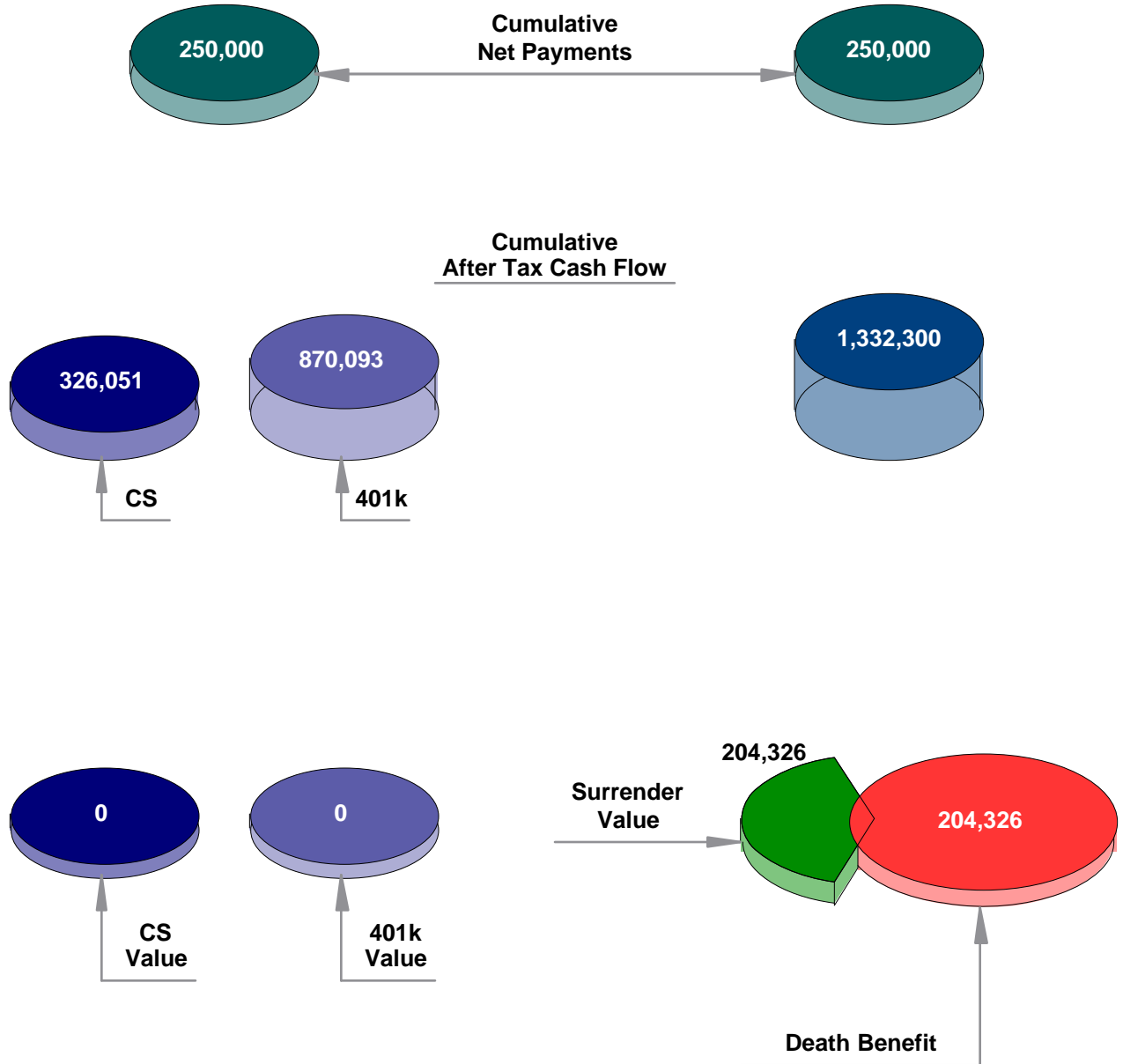
Presented By: Robert J. Moody

Insured: A50male Example

A Look at Year 50 Age 99

## Various Financial Alternatives

## Strategic Accumulator IUL2



CS - Conventional Savings Plan  
401k - Tax Deductible Retirement Plan (TDRP)

# Various Financial Alternatives vs. Strategic Accumulator IUL2

Presented By: Robert J. Moody

Insured: A50male Example

## Comparison of Values

Conventional Savings Plan Yield 3.50%    401(k) Yield 7.50%    Income Tax Rate 45.00% for 14 Years 55.00% Thereafter    Strat. Accumulator2 Interest Rate 5.71%    Initial Death Benefit 329,068

Year	Male Age	After Tax Values of Identical Allocation to Various Financial Alternatives				Strat. Accumulator2				
		(1) Life Insurance Premium	(2a) After Tax Cash Flow from Conventional Savings Plan	(2b) Conventional Savings Plan	(3a) After Tax Cash Flow from 401(k)	(3b) Year End After Tax Value of 401(k) if Distributed	(4a) After Tax Policy Loan Proceeds	(4b) Year End Accum Value*	(4c) Year End Surrender Value*	(4d) Death Benefit
1	50	10,000	0	10,193	0	8,664	0	7,658	0	329,068
2	51	10,000	0	20,581	0	17,907	0	15,685	4,274	329,068
3	52	10,000	0	31,170	0	27,770	0	24,035	13,226	329,068
4	53	10,000	0	41,962	0	38,293	0	32,812	23,203	329,068
5	54	10,000	0	52,963	0	49,520	0	42,116	33,708	329,068
6	55	10,000	0	64,175	0	61,498	0	51,950	44,743	329,068
7	56	10,000	0	75,603	0	74,279	0	62,353	56,347	329,068
8	57	10,000	0	87,250	0	87,915	0	73,304	68,500	329,068
9	58	10,000	0	99,123	0	102,463	0	84,880	81,277	329,068
10	59	10,000	0	111,223	0	117,986	0	97,101	94,698	329,068
11	60	10,000	0	123,557	0	164,447	0	113,541	113,541	329,068
12	61	10,000	0	136,128	0	186,044	0	131,156	131,156	329,068
13	62	10,000	0	148,941	0	209,086	0	150,070	150,070	329,068
14	63	10,000	0	162,000	0	233,671	0	170,411	170,411	329,068
15	64	10,000	0	174,709	0	214,573	0	192,293	192,293	329,068
16	65	10,000	0	187,618	0	239,525	0	215,748	215,748	329,068
17	66	10,000	0	200,731	0	266,148	0	240,948	240,948	329,068
18	67	10,000	0	214,050	0	294,553	0	268,037	268,037	329,068
19	68	10,000	0	227,579	0	324,859	0	297,193	297,193	347,717
20	69	10,000	0	241,321	0	357,194	0	328,361	328,361	380,899
21	70	10,000	0	255,279	0	391,693	0	361,644	361,644	415,892
22	71	10,000	0	269,457	0	428,501	0	397,233	397,233	448,874
23	72	10,000	0	283,858	0	467,773	0	435,330	435,330	483,217
24	73	10,000	0	298,487	0	509,674	0	476,135	476,135	518,988
25	74	10,000	0	313,345	0	554,380	0	519,894	519,894	556,287
26	75	0	53,292	264,149	53,292	534,630	53,292	556,178	501,340	529,149
27	76	0	53,292	214,178	53,292	513,557	53,292	595,245	482,608	512,370
28	77	0	53,292	163,420	53,292	491,074	53,292	637,280	463,722	495,586
29	78	0	53,292	111,863	53,292	467,086	53,292	682,491	444,722	478,847
30	79	0	53,292	59,493	53,292	441,492	53,292	731,083	425,636	462,190
		250,000		266,460		266,460		266,460		

See the accompanying reports for year-by-year details:  
Tax Deductible Retirement Plan (TDRP) Details

\*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 proposal from North American Company.

Sales charge on payments to column (1):  
401k = 0.75%

Management fee reflected in column (3b):  
401k = 0.75%

This is an illustration, not a contract.

# Various Financial Alternatives vs. Strategic Accumulator IUL2

Presented By: Robert J. Moody

Insured: A50male Example

## Comparison of Values

Conventional Savings Plan Yield 3.50%	401(k) Yield 7.50%	Income Tax Rate 45.00% for 14 Years 55.00% Thereafter	Strat. Accumulator2 Interest Rate 5.71%	Initial Death Benefit 329,068
--	-----------------------	---	--	----------------------------------

Year	Male Age	(1) Life Insurance Premium	After Tax Values of Identical Allocation to Various Financial Alternatives				Strat. Accumulator2			
			(2a) After Tax Cash Flow from Conventional Savings Plan	(2b) Conventional Savings Plan	(3a) After Tax Cash Flow from 401(k)	(3b) Year End After Tax Value of 401(k) if Distributed	(4a) After Tax Policy Loan Proceeds	(4b) Year End Accum Value*	(4c) Year End Surrender Value*	(4d) Death Benefit
31	80	0	53,292	6,299	53,292	414,185	53,292	783,265	406,486	445,649
32	81	0	6,299	0	53,292	385,051	53,292	839,274	387,311	429,275
33	82	0	0	0	53,292	353,966	53,292	899,354	368,147	413,114
34	83	0	0	0	53,292	320,800	53,292	963,751	349,021	397,208
35	84	0	0	0	53,292	285,414	53,292	1,032,707	329,943	381,579
36	85	0	0	0	53,292	247,659	53,292	1,106,470	310,918	366,242
37	86	0	0	0	53,292	207,378	53,292	1,185,199	291,849	351,109
38	87	0	0	0	53,292	164,400	53,292	1,269,129	272,701	336,158
39	88	0	0	0	53,292	118,545	53,292	1,358,510	253,437	321,362
40	89	0	0	0	53,292	69,620	53,292	1,453,473	233,888	306,562
41	90	0	0	0	53,292	17,421	53,292	1,554,408	214,127	291,848
42	91	0	0	0	17,421	0	53,292	1,663,605	196,111	262,655
43	92	0	0	0	0	0	53,292	1,782,195	180,619	234,085
44	93	0	0	0	0	0	53,292	1,911,639	168,740	206,973
45	94	0	0	0	0	0	53,292	2,053,775	161,922	182,459
46	95	0	0	0	0	0	53,292	2,211,016	162,165	162,166
47	96	0	0	0	0	0	53,292	2,380,376	166,049	166,050
48	97	0	0	0	0	0	53,292	2,562,771	174,033	174,033
49	98	0	0	0	0	0	53,292	2,759,177	186,610	186,610
50	99	0	0	0	0	0	53,292	2,970,649	204,326	204,326

250,000

326,051

870,093

1,332,300

See the accompanying reports for year-by-year details:  
Tax Deductible Retirement Plan (TDRP) Details

\*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 proposal from North American Company.

Sales charge on payments to column (1):  
401k = 0.75%

Management fee reflected in column (3b):  
401k = 0.75%

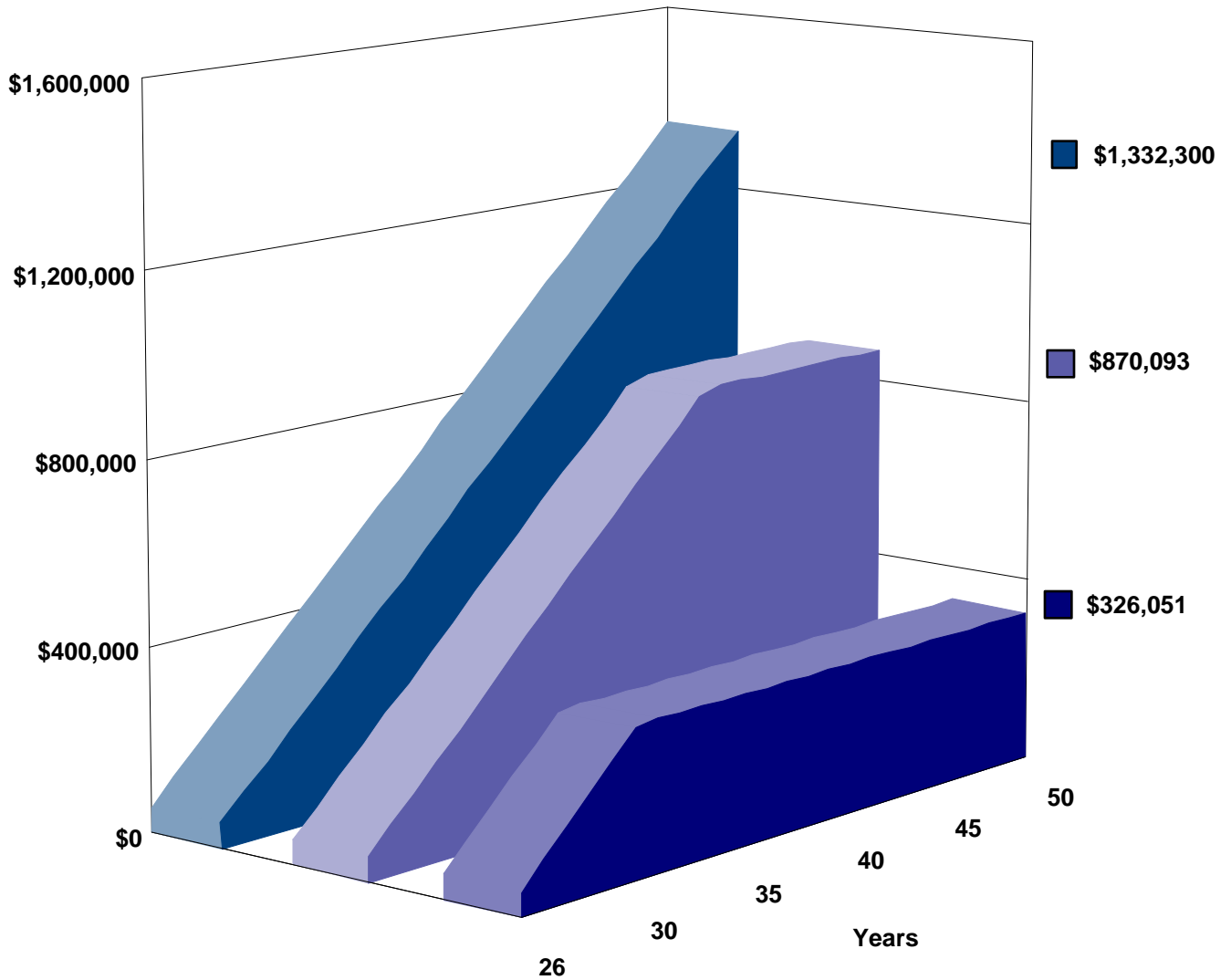
This is an illustration, not a contract.

# Various Financial Alternatives vs. Strategic Accumulator IUL2

Presented By: Robert J. Moody

Insured: A50male Example

## Cash Flow Comparison of Years 26 - 50



	<u>At Year 50</u>
Cum. After Tax Cash Flow from A Conventional Savings Plan	\$326,051
Cum. After Tax Cash Flow from A Tax Deductible Retirement Plan (TDRP)	\$870,093
Cumulative After Tax Policy Loan Proceeds from Strat. Accumulator2	\$1,332,300

## Taxation of TDRP 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 26

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 Strategic Accumulator IUL2 is illustrated.

### Tax Deductible Retirement Plan (TDRP)

\$118,427      total withdrawal @ 55.00% tax which nets      \$53,292

### Strategic Accumulator IUL2

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.

# Various Financial Alternatives vs. Strategic Accumulator IUL2

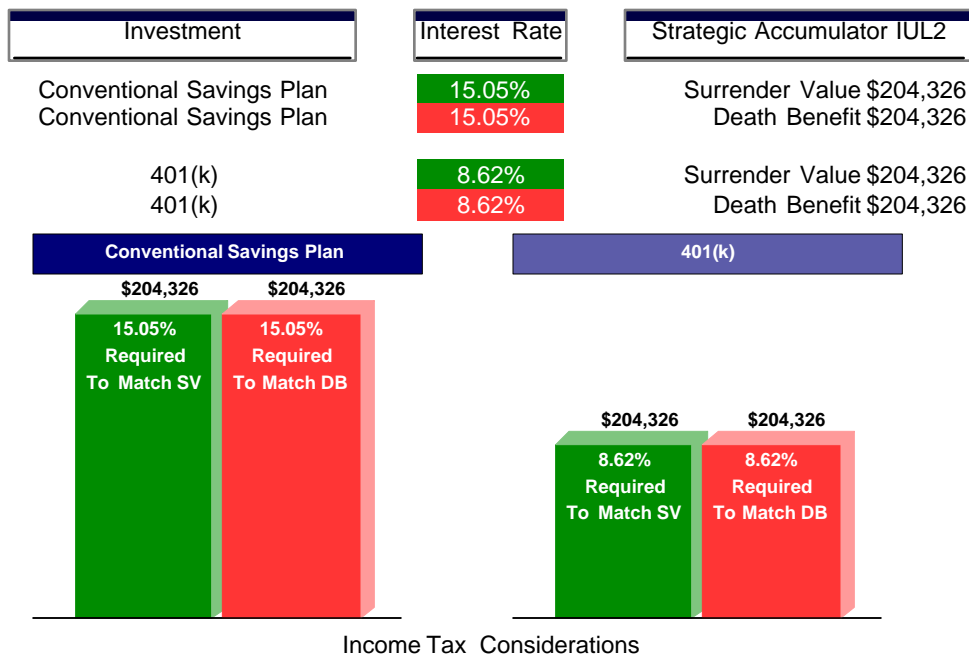
Presented By: Robert J. Moody

Insured: A50male Example

## Matching Values at Age 99 (Year 50)

Conventional Savings Plan Yield	401(k) Yield	Income Tax Rate	Strat. Accumulator2 Interest Rate	Initial Death Benefit
3.50%	7.50%	45.00% for 14 Years 55.00% Thereafter	5.71%	329,068

### Gross Interest Rate needed by Various Investments over 50 Years to Match Strategic Accumulator IUL2 Policy Values



#### Income Tax Considerations

1. Conventional Savings Plan: Interest is taxed as earned.
2. 401(k): Interest is tax deferred.
3. Strategic Accumulator IUL2:
  - 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.

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 proposal from North American Company.

This is an illustration, not a contract.

## Tax Calculations

The Tax Deferred Retirement Plan (TDRP) illustrated in the accompanying material reflects after tax values. Since all withdrawals are taxable, account values are illustrated on an after tax basis.

A cash value life insurance policy (that is not designed as a modified endowment contract\*) is taxed on a first-in-first-out basis which means that withdrawals (also known as partial surrenders) have different taxation. Withdrawals up to cost basis are income-tax free; subsequent withdrawals are taxable. However, the contractual loan provision in the policy allows you to access additional cash flow from the policy cash value which is income-tax free so long as the policy stays in force. This feature avoids the problem of taxable withdrawals in excess of cost basis. Interest on such loans can be added to the outstanding loan, and with most life insurance policies, the loan balance is credited with interest earnings at (or near) the level of the loan interest charged resulting in a wash (or near wash) of the loan interest.

Indexed universal life with participating loans has a different treatment. Interest on such loans adds to any outstanding loans, and all cash value earns interest established by the selected index. This feature causes compounding of the entire cash value (including that portion securing policy loans), so long as the index produces interest above the policy loan rate, which is usually 4.00% to 5.00%.

With all cash value life insurance, if the policy remains in force until death, the policy death benefit is income-tax free, including any internal deferred gain. The foundation of this particular treatment is IRC Section 101. This statute provides that the proceeds of life insurance maturing as a death claim are exempt from federal income tax. This advantage applies to the full death benefit, including any cash value component, whether loans exist or not.

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.

\*With a life insurance policy that is characterized as a modified endowment contract ("MEC"), both withdrawals and loans are taxed on a gain first basis. In almost all circumstances, it is advisable to avoid purchasing a MEC, and the basic illustration that is provided to you from the issuing life insurance company should indicate if it is a MEC.

Legal and tax information is for general use only and may not be applicable to specific circumstances. Clients should consult their own legal, tax and accounting advisors to assist in the evaluation of any potential transaction or strategy.

## Introduction to Life Plan

As the years pass and retirement edges closer, planning for desired levels of income may seem like an imposing task. But every day you wait only amplifies the problem.

One important way to plan effectively is to take full advantage of an employer-sponsored 401(k) plan or a personal IRA. However, these devices have government restricted contribution limits so relying on them solely may cause you to fall short of your retirement goals. Consequently, a large portion of your retirement income must come from personal savings.

Private savings can include stocks, bonds, mutual funds, annuities, and life insurance. And life insurance can be particularly valuable since it does the double duty of protecting your family while you are building your long-term savings.

Life Plan is a life insurance strategy that emphasizes death benefit and pre-retirement cash accumulation while also providing a source of retirement income. Following is a summary of the accompanying life insurance illustration prepared for A50male Example, age 50.

### Pre-Retirement Accumulation (Based on Current Assumptions)

Initial Life Insurance Death Benefit	\$329,068
Annual Premium Illustrated	\$10,000
Number of Premium Payments Illustrated	25
Total Premiums Illustrated	\$250,000
Surrender Value* at Retirement	\$519,894
Life Insurance Death Benefit at Retirement	\$556,287

### Retirement Distributions (Based on Current Assumptions)

Illustrated Retirement Age	75
Annual Policy Distribution	\$53,292
Number of Annual Policy Distributions	25
Total Policy Distributions	\$1,332,300
Surrender Value* at Age 100	\$204,326
Death Benefit at Age 100	\$204,326

**\* Values and Loans are Understated \***  
 These #s are all Net-After-Tax.  
 Depending on the tax bracket,  
 Pre-Tax (or Gross) equivalent  
 is up to **double** #s shown.

Premium payments are subject to certain policy and IRS limitations and must be sufficient to keep your policy in force. Under current tax laws, policy values accumulate on a tax deferred basis. Policy loans and withdrawals decrease the death benefit and affect policy value accumulation. Withdrawals in excess of total premiums paid are taxable.

\*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 proposal from North American Company.

This is an illustration, not a contract.

## Summary of Strategic Accumulator IUL2 Values

Illustrated Retirement Age	Strat. Accumulator2 Interest Rate	Initial Premium	Initial Death Benefit
75	5.71%	10,000	329,068

### Tax Deferred Accumulation

Year	Male Age	(1) Annual Premium*	(2) Year End Accum Value**	(3) Year End Surrender Value**	(4) Year End Death Benefit
1	50	10,000	7,658	0	329,068
2	51	10,000	15,685	4,274	329,068
3	52	10,000	24,035	13,226	329,068
4	53	10,000	32,812	23,203	329,068
5	54	10,000	42,116	33,708	329,068
6	55	10,000	51,950	44,743	329,068
10	59	10,000	97,101	94,698	329,068
15	64	10,000	192,293	192,293	329,068
20	69	10,000	328,361	328,361	380,899
25	74	10,000	519,894	519,894	556,287
		<b>250,000</b>			

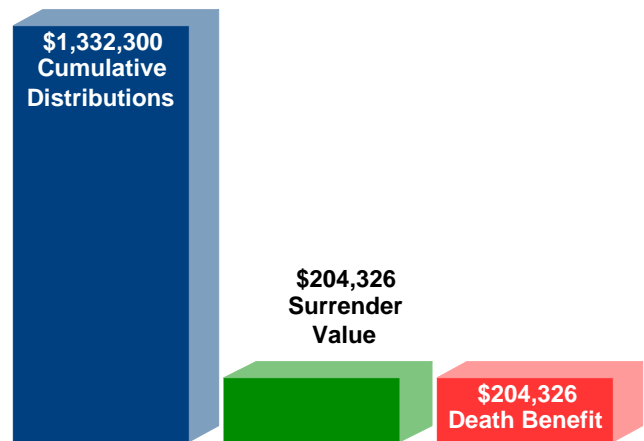
\*Premiums are level in all pre-retirement years.

### Summary of Pre-Retirement Years (Based on Current Assumptions)



Pay \$250,000 in premiums in pre-retirement years, and, by age 75, accumulate \$519,894 of surrender value\*\* with \$556,287 of death benefit protection.

### Summary of Retirement Years (Based on Current Assumptions)



Pay no more premiums, take cash distributions starting at age 75 of \$53,292 a year for 25 years, and maintain death benefit protection which, by age 100, is illustrated to be \$204,326 with \$204,326 of surrender value.\*\*

\*\*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 proposal from North American Company.

This is an illustration, not a contract.

## **Important Notes**

This supplemental illustration is not a policy contract and must be accompanied by the basic illustration that includes guaranteed values and other important information. The illustrated values are not guaranteed. This illustration assumes that the currently illustrated, non-guaranteed elements used will not change for all years shown. This is not likely to occur and actual results may be more or less favorable than those shown. This supplemental illustration includes the same premium outlay and non-guaranteed elements used in the basic illustration.

Life Insurance agents do not give tax advice. Please consult with and rely on a qualified legal or tax advisor before entering into or paying additional premiums with respect to such arrangements.