Indexed Product vs. Various Financial Alternatives

For: A60male Example

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

Antoine De Saint-Exupery

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Various Financial Alternatives vs. Strategic Accumulator IUL2

Presented By: Robert J. Moody | Insured: A60male 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).

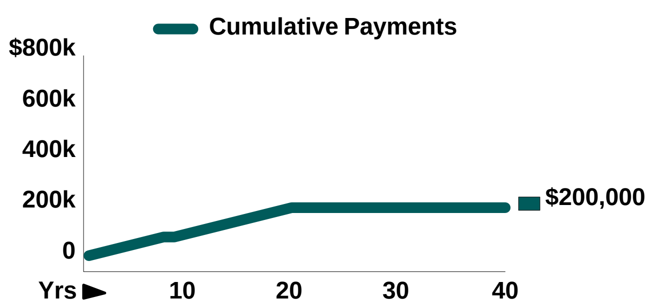
The study offers information from which you and your advisers can draw informed conclusions about the suitability of either plan.

Following are major features of the life insurance policy for you to consider as part of your overall assessment:

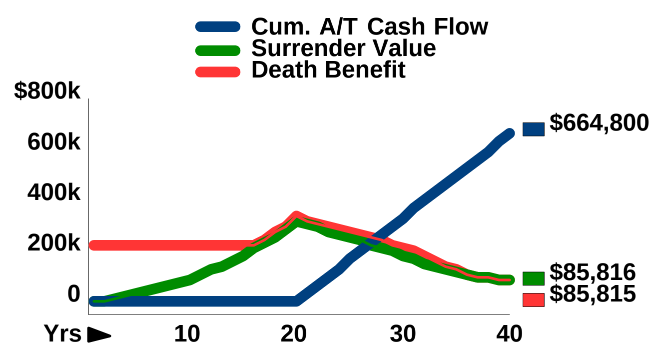
1. Income tax free death benefits;
2. Probate free death benefits;
3. Accumulating cash values;
4. Income tax deferred growth of cash values;
5. Competitive current interest rate;
6. Tax free access to cash values via policy loans;
7. Privacy of all transactions;
8. Advance of death benefits in certain 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.

Payments

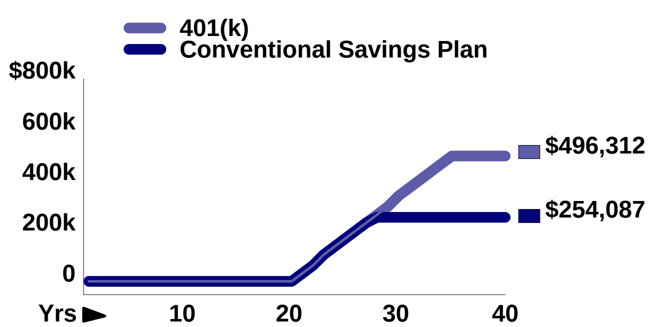


Strategic Accumulator IUL2

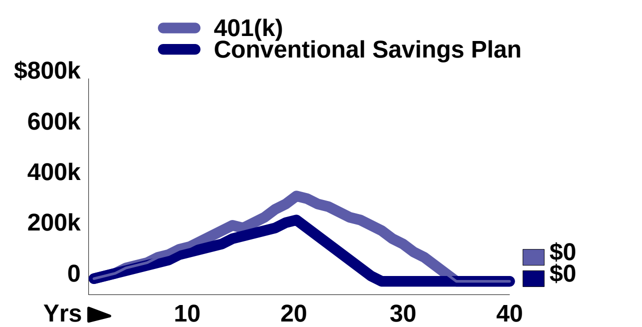


Various Financial Alternatives

Cumulative After Tax Cash Flow



After Tax Values



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.

A Look at Year 40 Age 99

Various Financial Alternatives   **Strategic Accumulator IUL2**

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

Comparison of Values

Conventional Savings Plan Yield	401(k) Yield	Income Tax Rate	Strat. Accumulator2 Interest Rate	Initial Death Benefit
3.50%	7.00%	45.00% for 14 Years 55.00% Thereafter	5.71%	226,232

			After Tax Values of Identical Allocation to Various Financial Alternatives				Strat. Accumulator2			
Year	Male Age	(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	60	10,000	0	10,193	0	10,540	0	7,642	0	226,232
2	61	10,000	0	20,581	0	21,733	0	15,545	4,584	226,232
3	62	10,000	0	31,170	0	33,619	0	23,623	13,238	226,232
4	63	10,000	0	41,962	0	46,243	0	31,958	22,727	226,232
5	64	10,000	0	52,963	0	59,649	0	40,658	32,582	226,232
6	65	10,000	0	64,175	0	73,885	0	49,811	42,888	226,232
7	66	10,000	0	75,603	0	89,004	0	59,441	53,672	226,232
8	67	10,000	0	87,250	0	105,060	0	69,600	64,985	226,232
9	68	10,000	0	99,123	0	122,112	0	80,472	77,010	226,232
10	69	10,000	0	111,223	0	140,219	0	92,075	89,767	226,232
11	70	10,000	0	123,557	0	159,449	0	107,725	107,725	226,232
12	71	10,000	0	136,128	0	179,871	0	124,624	124,624	226,232
13	72	10,000	0	148,941	0	201,559	0	142,890	142,890	226,232
14	73	10,000	0	162,000	0	224,590	0	162,558	162,558	226,232
15	74	10,000	0	174,709	0	205,684	0	183,829	183,829	226,232
16	75	10,000	0	187,618	0	228,971	0	206,878	206,878	226,232
17	76	10,000	0	200,731	0	253,702	0	231,961	231,961	243,559
18	77	10,000	0	214,050	0	279,966	0	258,771	258,771	271,710
19	78	10,000	0	227,579	0	307,857	0	287,399	287,399	301,770
20	79	10,000	0	241,321	0	337,477	0	317,918	317,918	333,814
21	80	0	33,240	211,358	33,240	323,092	33,240	339,790	305,586	322,575
22	81	0	33,240	180,923	33,240	307,815	33,240	363,281	293,025	311,190
23	82	0	33,240	150,009	33,240	291,592	33,240	388,496	280,242	299,667
24	83	0	33,240	118,608	33,240	274,363	33,240	415,540	267,236	288,013
25	84	0	33,240	86,713	33,240	256,067	33,240	444,558	254,041	276,269
26	85	0	33,240	54,315	33,240	236,636	33,240	475,609	240,600	264,380
27	86	0	33,240	21,407	33,240	216,001	33,240	508,770	226,866	252,304
28	87	0	21,407	0	33,240	194,088	33,240	544,163	212,832	240,040
29	88	0	0	0	33,240	170,817	33,240	581,874	198,446	227,540
30	89	0	0	0	33,240	146,103	33,240	621,968	183,631	214,729
		200,000	254,087		332,400		332,400			

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.

This is an illustration, not a contract.

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

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

Comparison of Values

Conventional Savings Plan Yield	401(k) Yield	Income Tax Rate	Strat. Accumulator2 Interest Rate	Initial Death Benefit
3.50%	7.00%	45.00% for 14 Years 55.00% Thereafter	5.71%	226,232

			After Tax Values of Identical Allocation to Various Financial Alternatives				Strat. Accumulator2			
Year	Male Age	(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
31	90	0	0	0	33,240	119,858	33,240	664,615	168,403	201,634
32	91	0	0	0	33,240	91,986	33,240	710,795	153,583	182,015
33	92	0	0	0	33,240	62,386	33,240	760,998	139,493	162,323
34	93	0	0	0	33,240	30,952	33,240	815,842	126,571	142,888
35	94	0	0	0	30,952	0	33,240	876,117	115,421	124,183
36	95	0	0	0	0	0	33,240	942,851	106,874	106,874
37	96	0	0	0	0	0	33,240	1,014,781	99,456	99,456
38	97	0	0	0	0	0	33,240	1,092,299	93,343	93,343
39	98	0	0	0	0	0	33,240	1,175,830	88,726	88,726
40	99	0	0	0	0	0	33,240	1,265,828	85,816	85,815
		200,000	254,087		496,312		664,800			

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.

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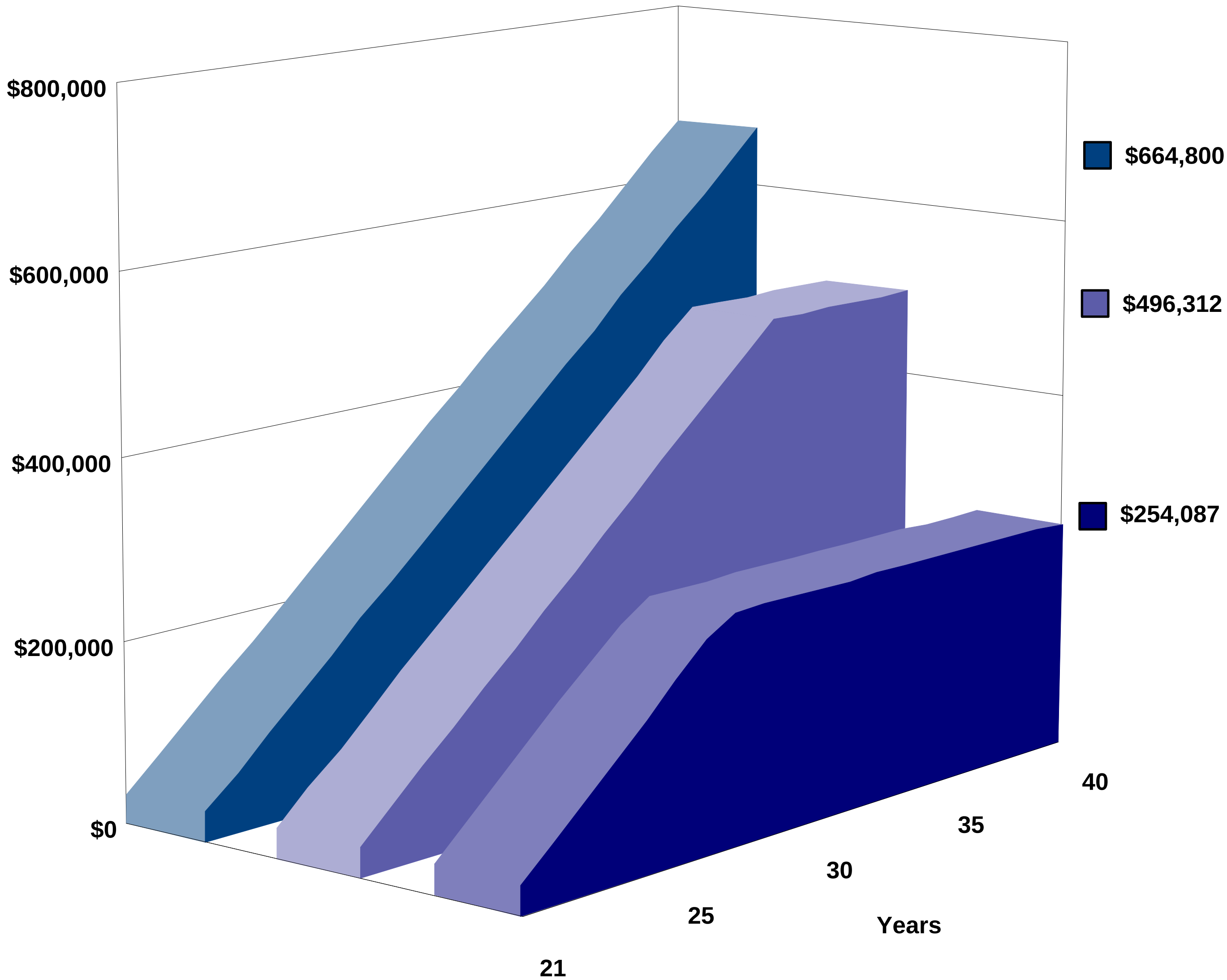
Sales charge on payments to column (1):
401k = 0.75%

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

Cash Flow Comparison of Years 21 - 40



	At Year 40
Cum. After Tax Cash Flow from A Conventional Savings Plan	$254,087
Cum. After Tax Cash Flow from A Tax Deductible Retirement Plan (TDRP)	$496,312
Cumulative After Tax Policy Loan Proceeds from Strat. Accumulator2	$664,800

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 21

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)

$73,867	total withdrawal @ 55.00% tax which nets	$33,240

Strategic Accumulator IUL2

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

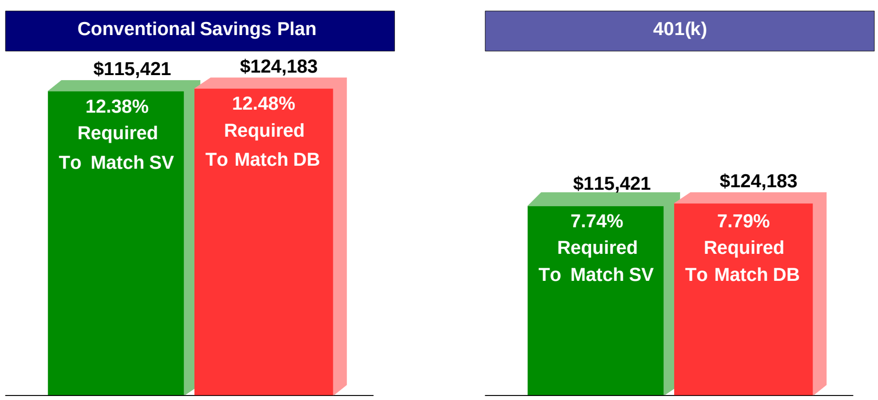
On the tax deductible retirement plan (tdrp), withdrawal(s) made prior to age 59½ are assessed an additional 10.00% tax.
On the life insurance policy, withdrawals up to cost basis (not in violation of IRC Section 7702) are income tax free.

Matching Values at Age 94 (Year 35)

Conventional Savings Plan Yield	401(k) Yield	Income Tax Rate	Strat. Accumulator2 Interest Rate	Initial Death Benefit
3.50%	7.00%	45.00% for 14 Years 55.00% Thereafter	5.71%	226,232

Gross Interest Rate needed by Various Investments over 35 Years to Match Strategic Accumulator IUL2 Policy Values

Investment	Interest Rate	Strategic Accumulator IUL2
Conventional Savings Plan	12.38%	Surrender Value $115,421
Conventional Savings Plan	12.48%	Death Benefit $124,183
401(k)	7.74%	Surrender Value $115,421
401(k)	7.79%	Death Benefit $124,183



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%.

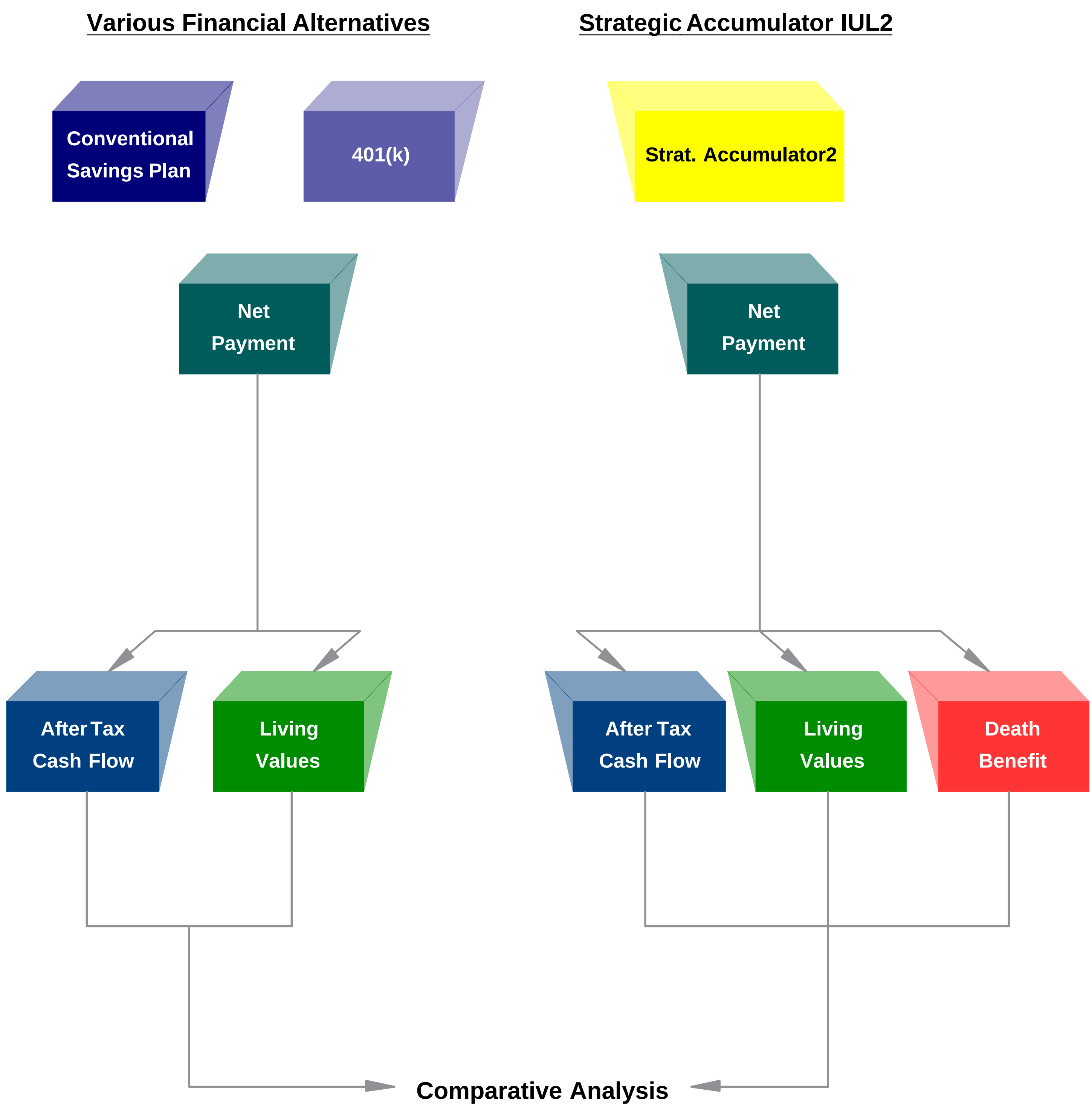
With all cash value life insurance, if the policy remains in force until death, the policy death benefit is income-tax free, including any internal deferred gain. The foundation of this particular treatment is IRC Section 101. This statute provides that the proceeds of life insurance maturing as a death 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.

Flow Chart


Various Financial Alternatives
Strategic Accumulator IUL2
Conventional Savings Plan
401(k)
Strat. Accumulator2
Net Payment
Net Payment
After Tax Cash Flow
Living Values
After Tax Cash Flow
Living Values
Death Benefit
Comparative Analysis

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.