

THE RETURN OF A LIFETIME INDIVIDUAL PLANNING

Your clients may think their family could build more wealth for the future by self-insuring and investing in a product other than life insurance. But have they considered the internal rate of return that life insurance can provide at death?



CASE STUDY

- Peter is a successful 55-year old male looking to retire in 10-15 years.
- He's saved well for retirement but has some obligations that, without his income, would leave a burden on his family.
- Peter's financial professional recommends he purchase a \$1 million in life insurance to cover his obligations in the event he passes prematurely.
- He's in good health and can purchase a \$1 million permanent life insurance policy for \$11,450 per year.

THE STRATEGY

By purchasing life insurance with a relatively small premium, your clients can generate a substantial death benefit, helping provide the assets needed to ensure the financial security of their loved ones.

The return on life insurance can be substantial, not only in the short-term, but at any time during the life of the policy. The table below shows the rate of return that an investment product would need to generate (pre-tax) on an annual basis to provide the same results as a life insurance benefit over time.

Year	Age	Premium	Benefit	IRR on Death Benefit	Pre-Tax Equivalent ²	Probability of Death
1	56	\$11,450	\$1,000,000	8633.69%	13,282.59%	0.08%
5	60	\$11,450	\$1,000,000	116.97%	179.95%	0.86%
10	65	\$11,450	\$1,000,000	38.00%	58.46%	2.83%
15	70	\$11,450	\$1,000,000	20.11%	30.94%	6.68%
20	75	\$11,450	\$1,000,000	12.63%	19.43%	13.72%
25	80	\$11,450	\$1,000,000	8.65%	13.30%	26.29%
30	85	\$11,450	\$1,000,000	6.22%	9.57%	44.68%
35	90	\$11,450	\$1,000,000	4.62%	7.10%	67.13%
40	95	\$11,450	\$1,000,000	3.49%	5.37%	87.46%
45	100	\$11,450	\$1,000,000	2.67%	4.10%	97.33%

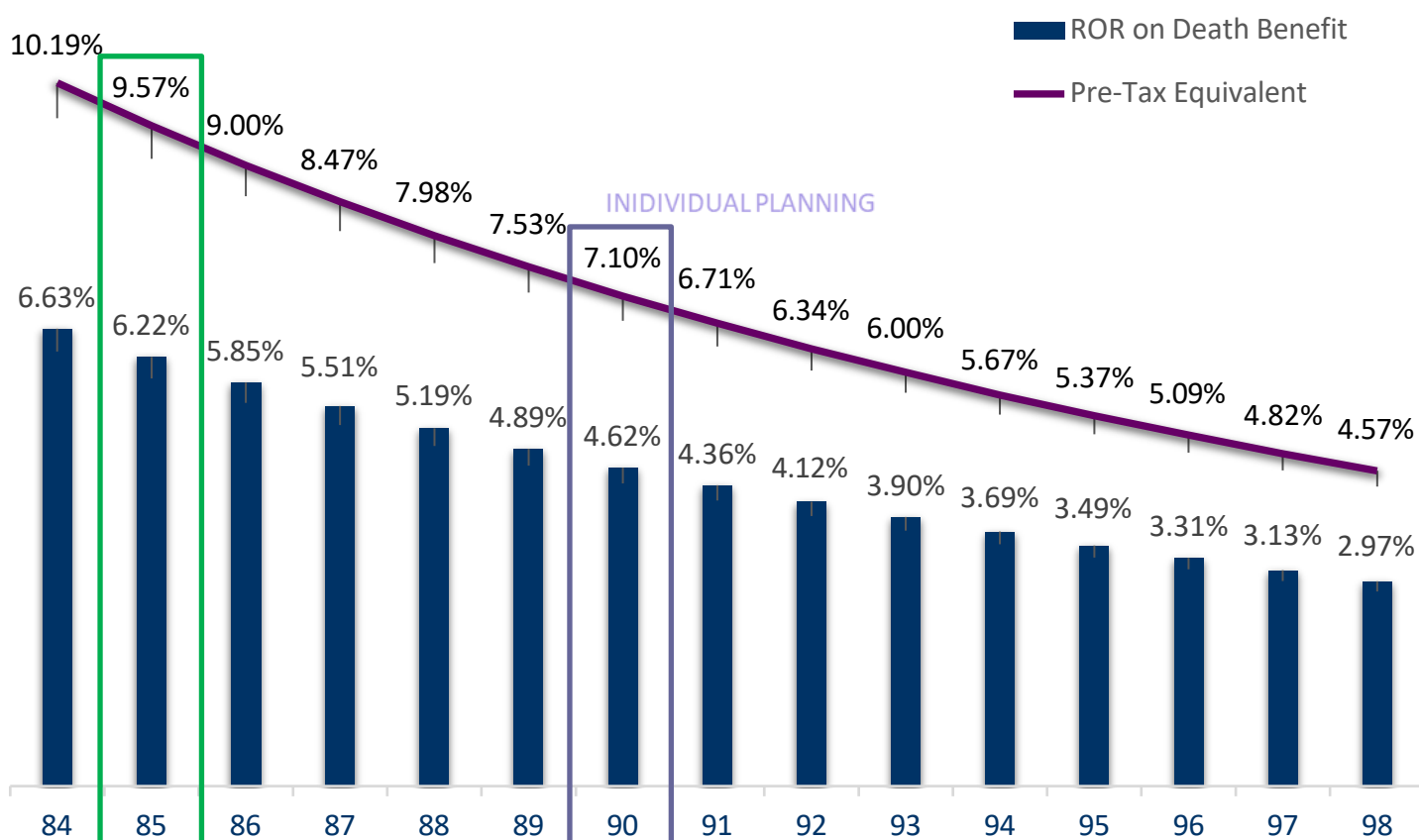
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INTERNAL RATE OF RETURN AT DEATH

Note: At age 85 (life expectancy) the chance of death occurring is 44.68% based on the illustrated VBT Mortality Table and if we use the life expectancy age to compare the rate-of-return of the life insurance policy to the alternative investment; we can conclude the following;

- The alternative investment product must earn a 6.22% after-tax annual rate-of-return to equal the insurance benefits at life expectancy. This equates to a 9.57% pre-tax return assuming a 35.00% tax bracket.
- The compound effect for a client that dies before the average life expectancy is profound as it requires the alternative investment to have a greater than 10% pre-tax annual return.
- Even if the client outlives the average life expectancy, the internal rate of return (IRR) in the insurance remains strong. At age 90, the alternative investment return still must exceed 7% pre-tax annually to out pace the life insurance product.



This information is intended to be used for illustrative purposes only. Values are not guaranteed and are subject to an individual's ability to qualify for coverage. Benefits reflected herein were calculated using a 55 year-old Male, preferred non-tobacco rate class. Individual rates may vary. Death benefit values are not guaranteed and assume current charges and illustrated interest rate of 5.29%. All after-tax calculations assume a 35% tax-bracket.

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