



Your clients may think that their family could build more money for the future if they self-insure and invest their money in a product other than life insurance. But have they looked at the internal rate of return 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 to 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, which can help them provide the assets needed to make sure their loved ones are financially secure. This works because life insurance can be substantial, not only in the short-term, but all the way through life expectancy.

Here's what another investment would have return annually (pre-tax) to keep pace with the life insurance benefit.

Year End	Attained Age EOY	Planned Premium	Death Benefit	IRR on Death Benefit	Pre-Tax Equivalent ²	Probability of Death (EOY)
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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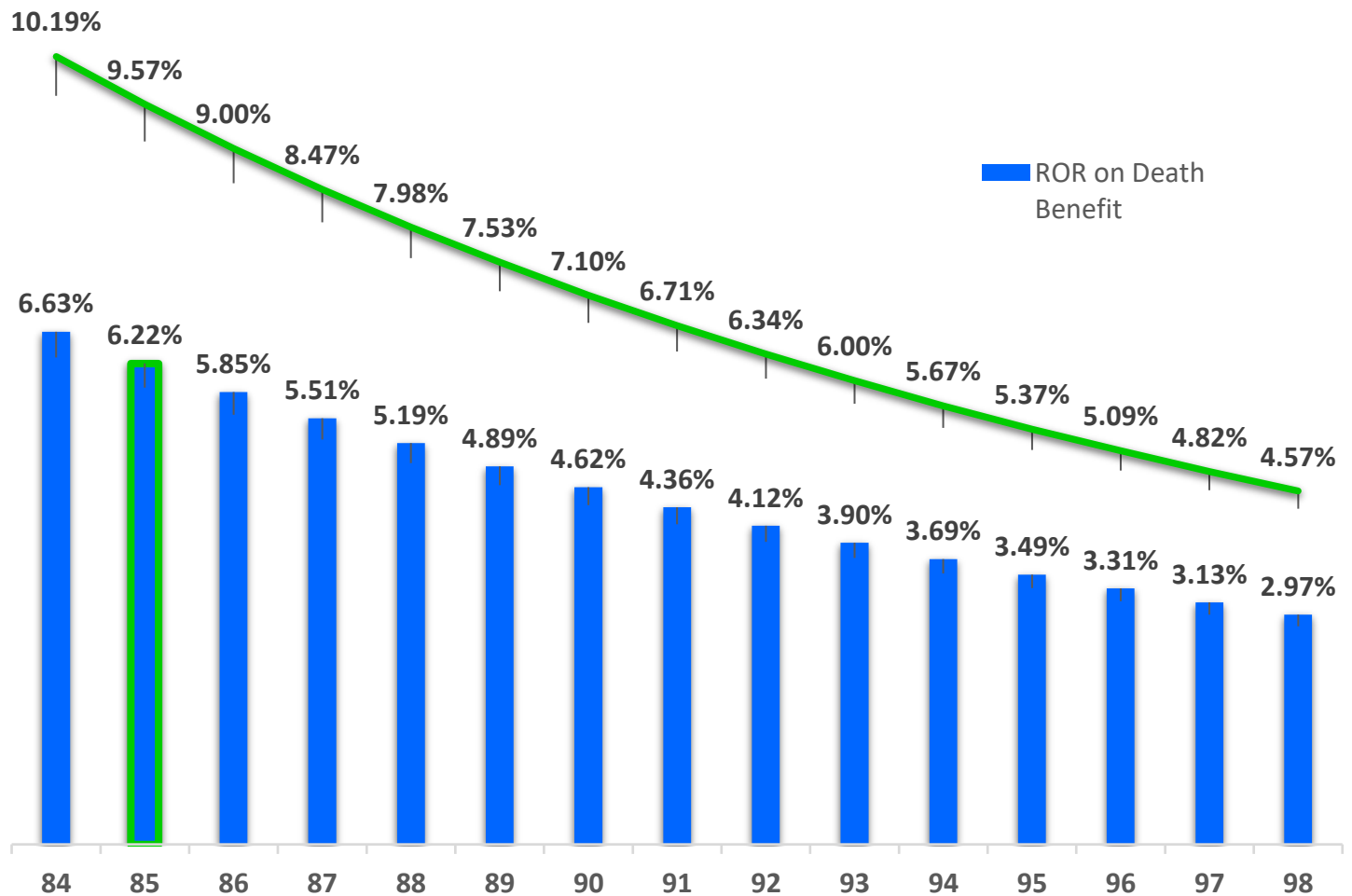
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INTERNAL RATE OF RETURN AT DEATH

Note that by the age of 85 (life expectancy) there is a 44.68% chance of death occurring based on the 2008 VBT Mortality Table

- An alternative product must have earned 6.22% after-tax to equal the insurance death benefit, or
- Alternative product must have earned 9.57% pre-tax (assumes a 35.00% tax rate) to equal the insurance death benefit.

Even later in life, the internal rate of return (ROR) is competitive.



- The life insurance values represented here are for a preferred, non-tobacco male, non-guaranteed and assumes current charges and a current interest rate of 5.29%.
- Based on 35.00% income tax bracket

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