Funding Estate Liquidity With Discounted Dollars

For: Aaron Tyler/Susan Tyler

Presented By:

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Preface

In the accompanying presentation, you will see the financial data from an illustration of a cash value life insurance policy.

In the presentation, the sum of the policy's premiums, divided by the policy's death benefits, gives a "cost-per-dollar-of-benefit" solution that is very helpful when analyzing the economics of the transaction.

For example, if the premiums for a $100,000 life insurance policy are $1,200, the discounted dollars calculation divides the $1,200 by the $100,000. This results in an answer of 1.2 cents, meaning if death should occur during year 1, each $1.00 of the death benefit costs 1.2 cents. This figure will tend to increase from year to year.

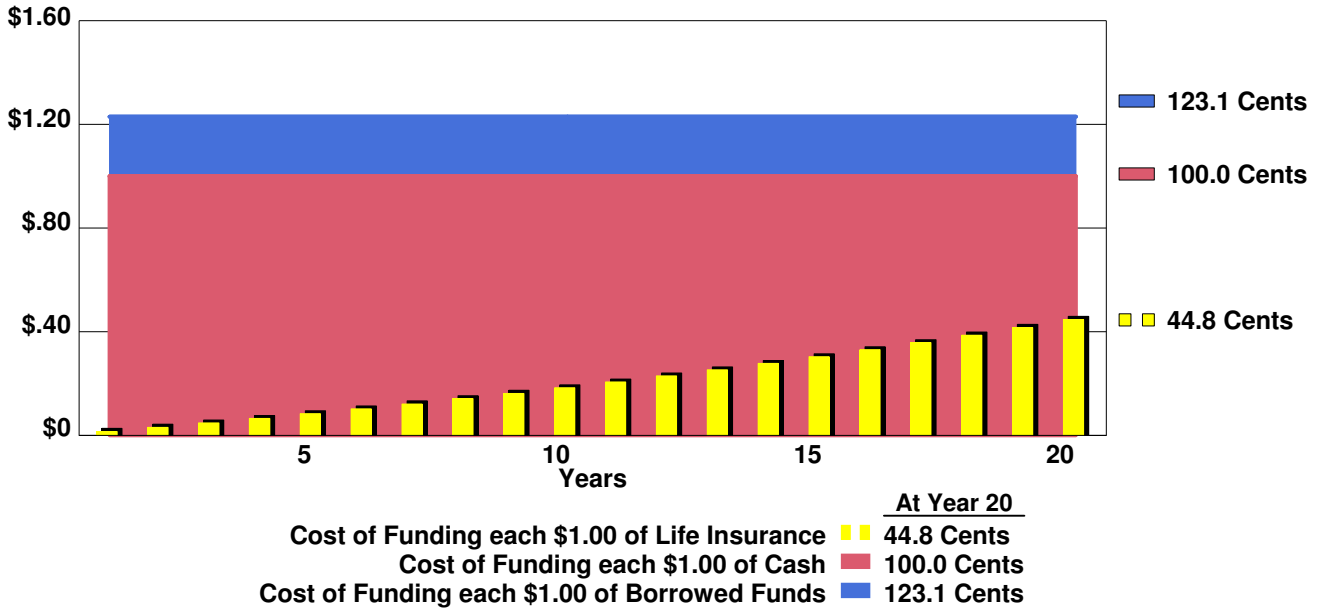
A factor for the "use of money" can also be included in the calculation so that you can evaluate alternative use of the funds used to acquire the life insurance. In the accompanying presentation, a 5.25% use of money assumption is included.

Funding estate liquidity with cash and borrowed funds is also an alternative, and these options can also be included in the evaluation and compared to the life insurance. Overall, life insurance generally is perceived as a superior fund vehicle.

Cash value life insurance also contains the following features:

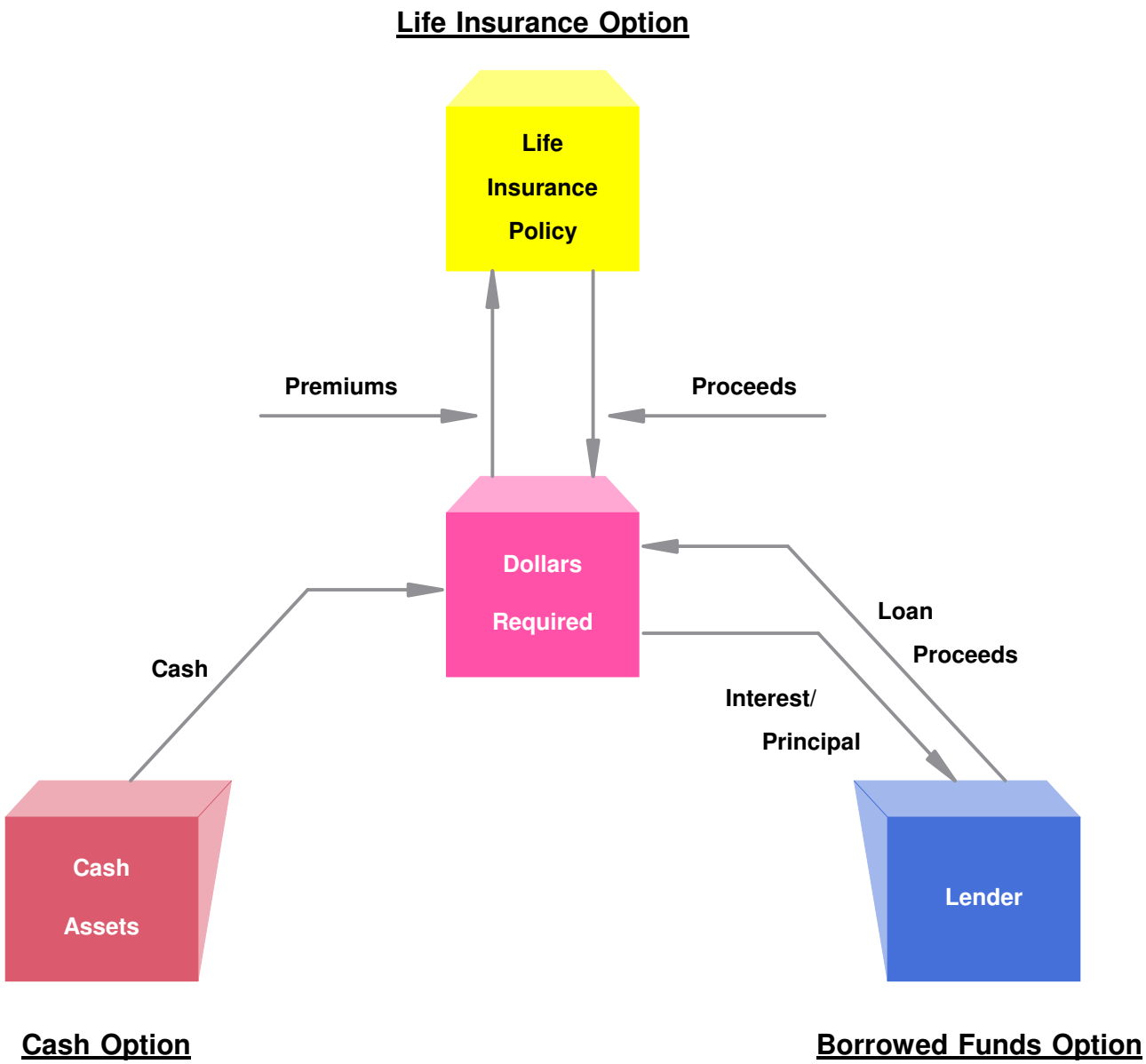
1. Accumulating cash values;
2. Income tax favored growth of cash values;
3. Competitive current rate of return;
4. Tax free access to cash values via policy loans;
5. Income tax free death benefits;
6. Probate free death benefits;
7. Privacy of all transactions.

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 is particularly evident in the following presentation, and below is a graphic summarizing the results.



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.

Flow Chart
(Alternative Sources of Funds)



Purchaser: Tyler Family Trust

Summary

		Forgone Interest Yield 5.25%*	Indexed SUL Interest Rate 8.00%	
		Cost per $1.00 of Funding		
Year	M/F Ages	(1) Life Insurance	(2) Cash	(3) Borrowed Funds
1	60/55	1.6 Cents	100.0 Cents	123.1 Cents
2	61/56	3.2 Cents	100.0 Cents	123.1 Cents
3	62/57	4.8 Cents	100.0 Cents	123.1 Cents
4	63/58	6.6 Cents	100.0 Cents	123.1 Cents
5	64/59	8.4 Cents	100.0 Cents	123.1 Cents
6	65/60	10.2 Cents	100.0 Cents	123.1 Cents
7	66/61	12.2 Cents	100.0 Cents	123.1 Cents
8	67/62	14.2 Cents	100.0 Cents	123.1 Cents
9	68/63	16.2 Cents	100.0 Cents	123.1 Cents
10	69/64	18.4 Cents	100.0 Cents	123.1 Cents
11	70/65	20.6 Cents	100.0 Cents	123.1 Cents
12	71/66	22.9 Cents	100.0 Cents	123.1 Cents
13	72/67	25.3 Cents	100.0 Cents	123.1 Cents
14	73/68	27.8 Cents	100.0 Cents	123.1 Cents
15	74/69	30.4 Cents	100.0 Cents	123.1 Cents
16	75/70	33.1 Cents	100.0 Cents	123.1 Cents
17	76/71	35.8 Cents	100.0 Cents	123.1 Cents
18	77/72	38.7 Cents	100.0 Cents	123.1 Cents
19	78/73	41.7 Cents	100.0 Cents	123.1 Cents
20	79/74	44.8 Cents	100.0 Cents	123.1 Cents

20 Year Summary

	Cost per $1.00 of Funding
Life Insurance	44.8 Cents
Cash	100.0 Cents
Borrowed Funds	123.1 Cents

*On the life insurance premium.

See accompanying life insurance analysis and borrowed funds analysis for yearly calculations.

Purchaser: Tyler Family Trust

Analysis

Forgone Interest Yield	Indexed SUL Interest Rate	Initial Payment	Initial Death Benefit
5.25%	8.00%	37,500	2,500,000

		Payment Analysis			Death Benefit Analysis		Living Values	
Year	M/F Ages	(1) Net Payment	(2) Cumulative Net Payments	(3) Effective Cumulative Net Payments***	(4) Year End Death Benefit	(5) Cost per $1.00 of Funding**	(6) Year End Accum Value*	(7) Year End Cash Value*
1	60/55	37,500	37,500	38,878	2,500,000	1.6 Cents	23,130	0
2	61/56	37,500	75,000	79,185	2,500,000	3.2 Cents	63,106	12,106
3	62/57	37,500	112,500	120,973	2,500,000	4.8 Cents	106,219	55,219
4	63/58	37,500	150,000	164,297	2,500,000	6.6 Cents	152,925	101,925
5	64/59	37,500	187,500	209,213	2,500,000	8.4 Cents	203,503	152,503
6	65/60	37,500	225,000	255,780	2,500,000	10.2 Cents	258,092	207,092
7	66/61	37,500	262,500	304,058	2,500,000	12.2 Cents	316,887	265,887
8	67/62	37,500	300,000	354,110	2,500,000	14.2 Cents	380,300	329,300
9	68/63	37,500	337,500	406,002	2,500,000	16.2 Cents	448,806	397,806
10	69/64	37,500	375,000	459,800	2,500,000	18.4 Cents	522,842	471,842
11	70/65	37,500	412,500	515,576	2,500,000	20.6 Cents	602,841	556,941
12	71/66	37,500	450,000	573,402	2,500,000	22.9 Cents	689,334	648,534
13	72/67	37,500	487,500	633,352	2,500,000	25.3 Cents	782,336	746,636
14	73/68	37,500	525,000	695,506	2,500,000	27.8 Cents	882,233	851,633
15	74/69	37,500	562,500	759,944	2,500,000	30.4 Cents	990,153	964,653
16	75/70	37,500	600,000	826,750	2,500,000	33.1 Cents	1,106,488	1,086,088
17	76/71	37,500	637,500	896,012	2,500,000	35.8 Cents	1,232,049	1,216,749
18	77/72	37,500	675,000	967,818	2,500,000	38.7 Cents	1,368,066	1,357,866
19	78/73	37,500	712,500	1,042,264	2,500,000	41.7 Cents	1,515,733	1,510,633
20	79/74	37,500	750,000	1,119,445	2,500,000	44.8 Cents	1,676,301	1,676,301

750,000

*This is an example of an InsMark supplemental illustration for an indexed survivor universal life policy. In an actual presentation, this footnote will refer to an accompanying basic illustration from a specific life insurance company with important details and caveats.

**Column (3) divided by column (4) is equal to column (5).

***Including after tax forgone interest on column (2). (Foregone interest is a hypothetical interest rate that the policy owner could earn if the life insurance is not acquired.)

Purchaser: Tyler Family Trust

Borrowed Funds Analysis

Total Dollars Required	Amount Borrowed	Term of Loan	Loan Interest Rate	Present Value Interest Rate
1,000,000	1,000,000	10	8.50%	5.25%

		Payment Analysis	Loan Analysis				Cost per $1.00 Analysis	
Year	M/F Ages	(1) Amount Borrowed	(2) Beginning of Year Loan Balance	(3) End of Year Loan Repayment*	(4) Annual Loan Interest	(5) Total Annual Cost (3) + (4)	(6) After Tax Present Value of Column (5)	(7) Cost per $1.00 of Funding**
1	60/55	1,000,000	1,000,000	100,000	85,000	185,000	1,230,585	123.1 Cents
2	61/56		900,000	100,000	76,500	176,500		
3	62/57		800,000	100,000	68,000	168,000		
4	63/58		700,000	100,000	59,500	159,500		
5	64/59		600,000	100,000	51,000	151,000		
6	65/60		500,000	100,000	42,500	142,500		
7	66/61		400,000	100,000	34,000	134,000		
8	67/62		300,000	100,000	25,500	125,500		
9	68/63		200,000	100,000	17,000	117,000		
10	69/64		100,000	100,000	8,500	108,500		
				1,000,000	467,500	1,467,500		

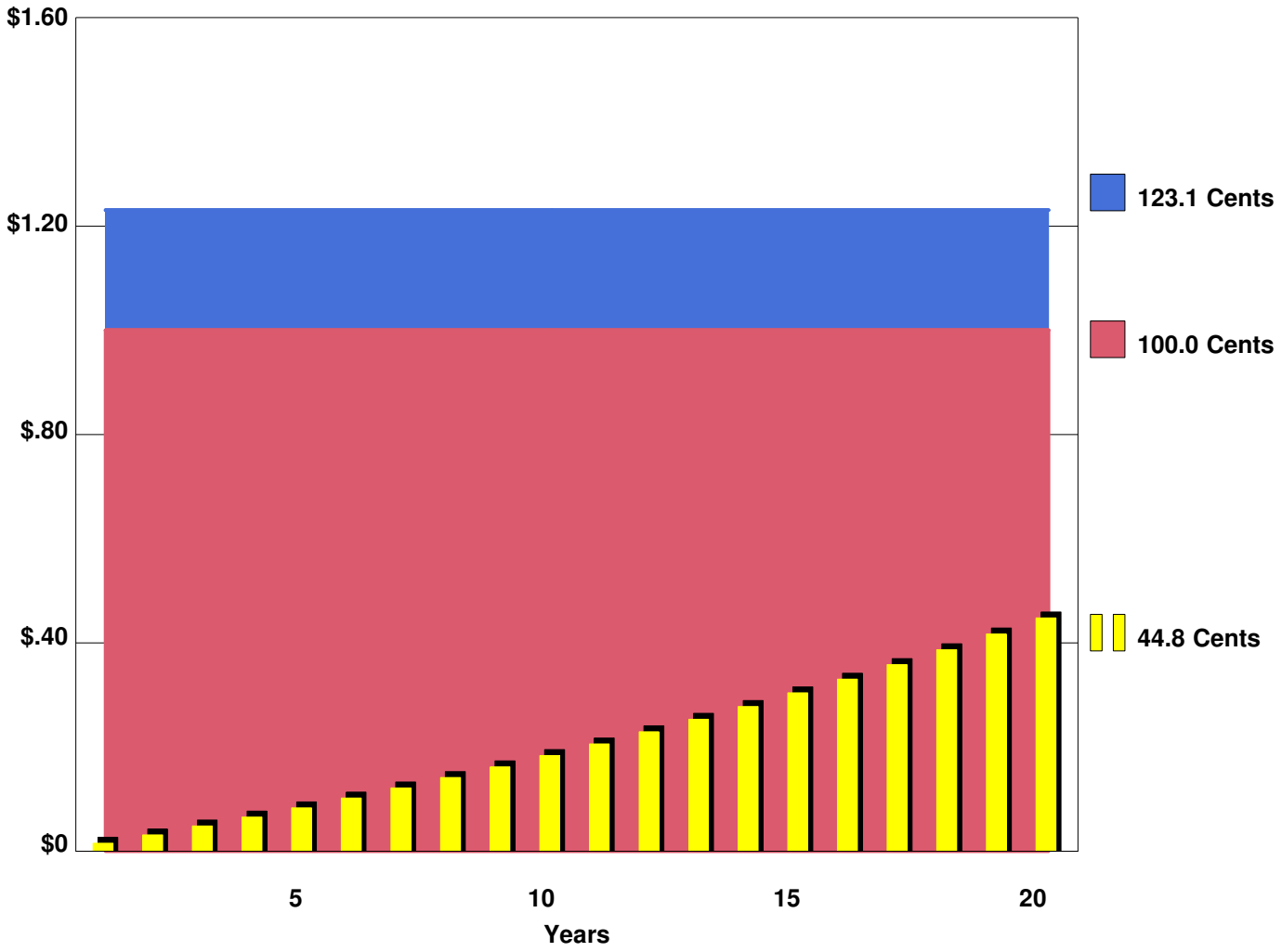
*Assumes annual payments at end of year shown.

Rounding may cause minor math inconsistencies.

**Column (6) divided by the total dollars required equals Column (7). If the total dollars required changes but all other assumptions remain constant, the cost per $1.00 of funding will remain the same.

Purchaser: Tyler Family Trust

20 Year Analysis
Cost per $1.00 of Funding

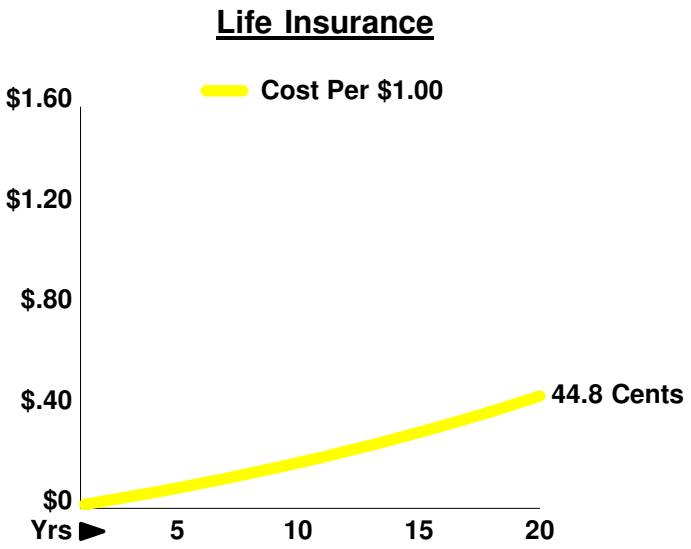


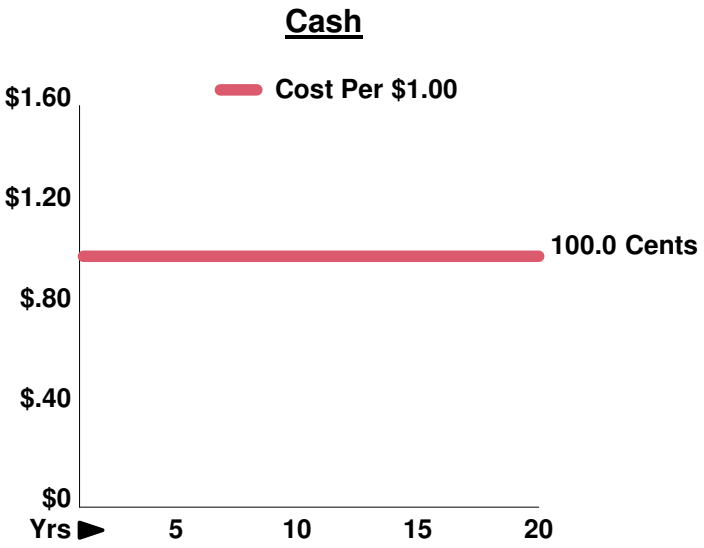
	At Year 20
Cost of Funding each $1.00 of Life Insurance	44.8 Cents
Cost of Funding each $1.00 of Cash	100.0 Cents
Cost of Funding each $1.00 of Borrowed Funds	123.1 Cents

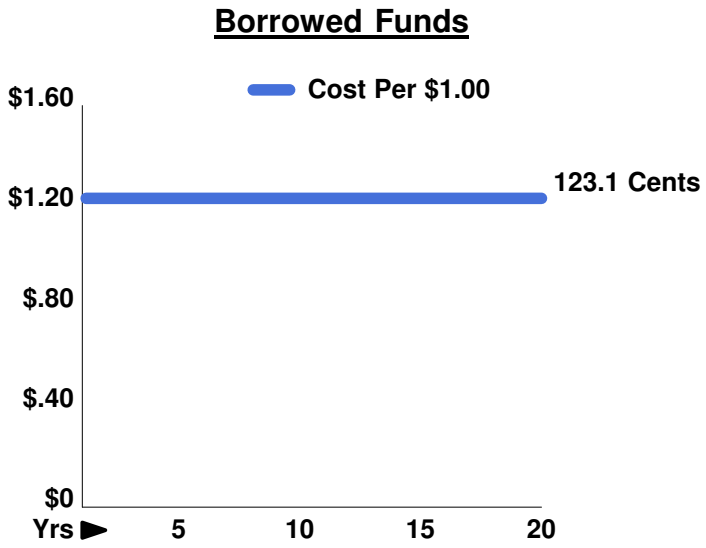
Life insurance analysis includes forgone interest yield on premiums.

Purchaser: Tyler Family Trust

20 Year Analysis
Cost per $1.00 of Funding







Life insurance analysis includes forgone interest yield on premiums.