

A Comparison of Insurance Plans

For: George Baker, MD



Presented By: _____

[Licensed user's name appears here]

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Insured: George Baker, MD

Preface

In the accompanying pages, you will find a financial analysis that compares and contrasts benefits of different life insurance plans.

The principle utilized in making the comparison involves measuring relational rates of return. Examine the following hypothetical examples.

	<u>Plan X</u>	<u>Plan Y</u>
10 annual payments of:	\$ 1,000	
7 annual payments of:		\$ 2,000
Total payments:	10,000	14,000
20th year plan value:	30,000	40,000
Profit over 20 years:	20,000	26,000

Plan Y looks like the preferred choice since it produces a profit of \$26,000 while the profit from Plan X is only \$20,000. Nevertheless, when both plans are studied from an internal rate of return (IRR), Plan X is superior.

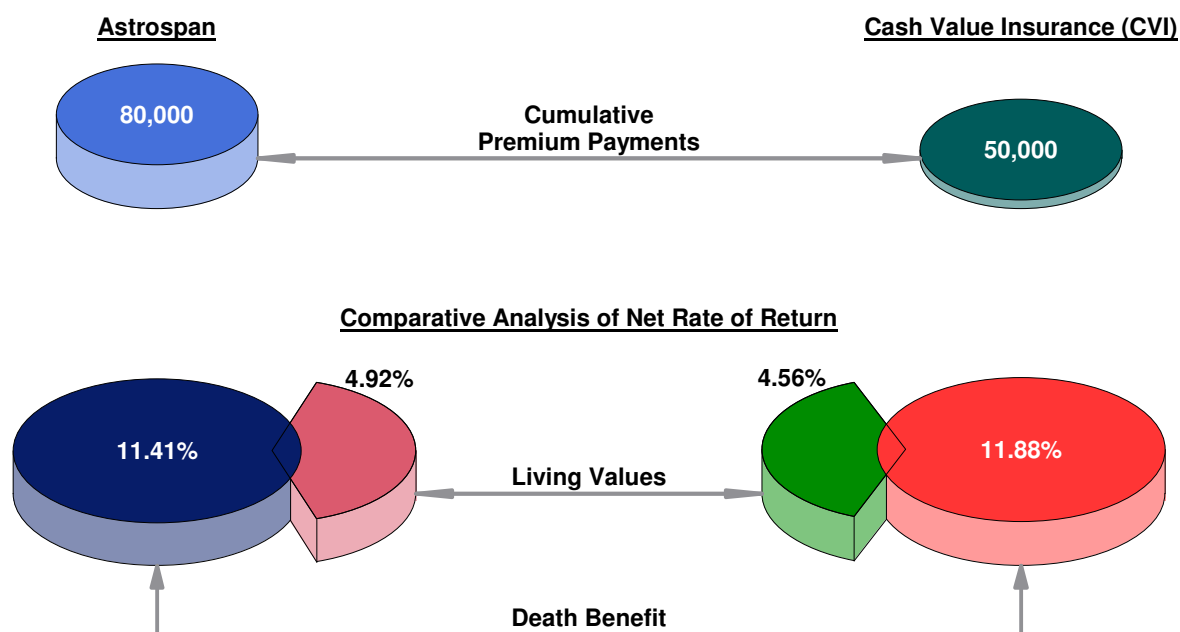
<u>Plan X</u>	<u>20th Year</u>	<u>Plan Y</u>
7.21%	Net IRR	6.32%
10.30%	Pre-Tax Equivalent IRR (30% income tax bracket)	9.03%

The results are due to the amounts and the timing of the payments. Policy Y not only requires a larger total premium, but payment of it is scheduled over a shorter time period. A comparison of financial alternatives must take both elements into account.

A mathematical evaluation is not the only important item to study when purchasing life insurance. Others are:

1. The financial strength of the company;
2. Suitability of the type of plan;
3. Plan provisions and contractual guarantees;
4. Historical results for the same or similar plans;
5. Reputation of the agent or broker.

An analysis of these points, along with conclusions drawn from the accompanying reports, should be useful to you as part of the evaluation of your life insurance purchase. Below is a graphic summarizing the results of the accompanying presentation.



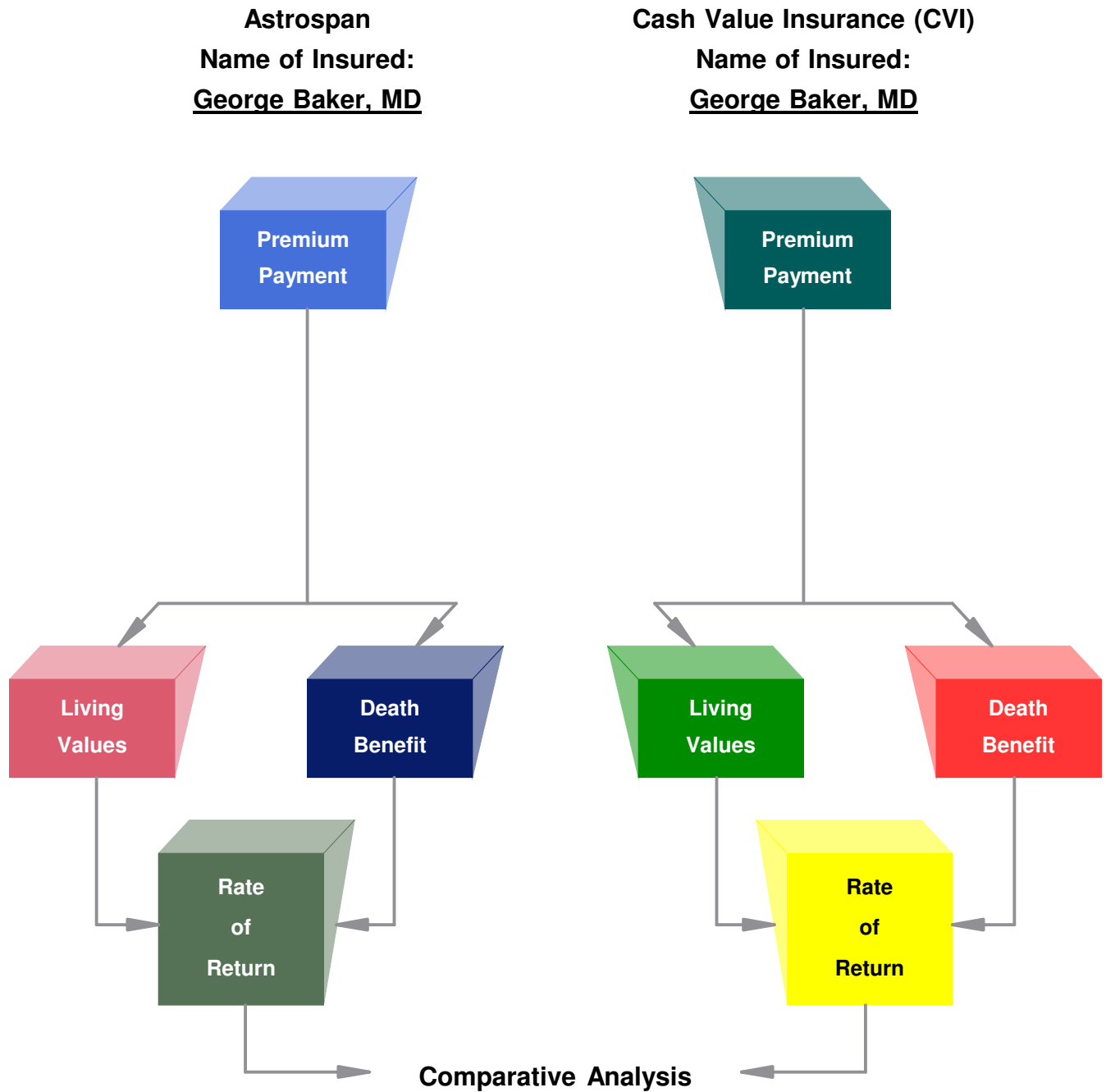
This graphic assumes the non-guaranteed values shown continue in all years. This is not likely, and actual results may be more or less favorable.

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Flow Chart



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Astrospan vs. Cash Value Insurance (CVI)

		Male Age 40	Astrospan Interest Rate 6.50%	Income Tax Rate 35.00%	Male Age 40	CVI Interest Rate 6.50%					
		Astrospan			vs.			CVI			
Year	Male Age	(1) Premium Payment	(2) Year End Cash Value*	(3) Death Benefit	Male Age	(4) Premium Payment	(5) Year End Accum Value**	(6) Year End Cash Value**	(7) Death Benefit		
1	40	4,000	0	300,000	40	5,000	4,383	738	300,000		
2	41	4,000	3,173	300,000	41	5,000	9,016	5,371	300,000		
3	42	4,000	6,911	300,000	42	5,000	13,968	10,323	300,000		
4	43	4,000	10,907	300,000	43	5,000	19,261	15,616	300,000		
5	44	4,000	15,176	300,000	44	5,000	24,919	21,274	300,000		
6	45	4,000	20,341	300,000	45	5,000	30,961	27,923	300,000		
7	46	4,000	25,854	300,000	46	5,000	37,456	35,026	300,000		
8	47	4,000	31,746	300,000	47	5,000	44,439	42,617	300,000		
9	48	4,000	37,977	300,000	48	5,000	51,882	50,667	300,000		
10	49	4,000	44,568	300,000	49	5,000	59,812	59,204	300,000		
11	50	4,000	51,656	300,000	50	0	62,957	62,957	300,000		
12	51	4,000	58,650	300,000	51	0	66,288	66,288	300,000		
13	52	4,000	66,190	300,000	52	0	69,812	69,812	300,000		
14	53	4,000	74,315	300,000	53	0	73,539	73,539	300,000		
15	54	4,000	83,070	300,000	54	0	77,483	77,483	300,000		
16	55	4,000	92,517	300,000	55	0	81,670	81,670	300,000		
17	56	4,000	102,681	300,000	56	0	86,088	86,088	300,000		
18	57	4,000	113,610	300,000	57	0	90,738	90,738	300,000		
19	58	4,000	125,219	300,000	58	0	95,589	95,589	300,000		
20	59	4,000	137,571	300,000	59	0	100,656	100,656	300,000		

80,000

50,000

*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 Sample Life.

**This is an example of a "supplemental" life insurance illustration. In actual presentations, this footnote will refer you to an accompanying "basic" illustration from a specific life insurance company.

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Astrospan vs. Cash Value Insurance (CVI)

Male Age 40
Astrospan Interest Rate 6.50%
Income Tax Rate 35.00%

Male Age 40
CVI Interest Rate 6.50%

Astrospan Gross Rate of Return Required on Column (1) to Match Policy Values						VS. CVI Gross Rate of Return Required on Column (5) to Match Policy Values				
Year	Male Age	(1) Premium Payment	(2) Year End Value*	(3) Year End Cash Value*	(4) Death Benefit	Male Age	(5) Premium Payment	(6) Year End Accum Value**	(7) Year End Cash Value**	(8) Death Benefit
1	40	4,000	n/a	n/a	11384.62	40	5,000	-12.34	-85.24	9076.92
2	41	4,000	-47.86	-47.86	1103.80	41	5,000	-6.71	-34.93	963.40
3	42	4,000	-25.16	-25.16	436.32	42	5,000	-3.52	-17.55	389.31
4	43	4,000	-14.75	-14.75	249.87	43	5,000	-1.50	-9.66	224.58
5	44	4,000	-9.06	-9.06	168.16	44	5,000	-0.11	-5.33	151.43
6	45	4,000	-4.71	-4.71	123.62	45	5,000	1.39	-2.05	111.26
7	46	4,000	-1.99	-1.99	96.04	46	5,000	2.61	0.03	86.26
8	47	4,000	-0.18	-0.18	77.47	47	5,000	3.59	2.16	69.39
9	48	4,000	1.64	1.64	64.21	48	5,000	4.36	3.64	57.31
10	49	4,000	3.01	3.01	54.32	49	5,000	4.97	4.69	48.30
11	50	4,000	4.08	4.08	46.70	50	0	5.43	5.43	41.84
12	51	4,000	4.69	4.69	40.66	51	0	5.78	5.78	36.81
13	52	4,000	5.22	5.22	35.78	52	0	6.05	6.05	32.79
14	53	4,000	5.69	5.69	31.75	53	0	6.27	6.27	29.52
15	54	4,000	6.10	6.10	28.39	54	0	6.45	6.45	26.82
16	55	4,000	6.48	6.48	25.55	55	0	6.60	6.60	24.55
17	56	4,000	6.81	6.81	23.11	56	0	6.74	6.74	22.63
18	57	4,000	7.10	7.10	21.00	57	0	6.85	6.85	20.97
19	58	4,000	7.35	7.35	19.17	58	0	6.94	6.94	19.54
20	59	4,000	7.57	7.57	17.56	59	0	7.02	7.02	18.28

80,000

50,000

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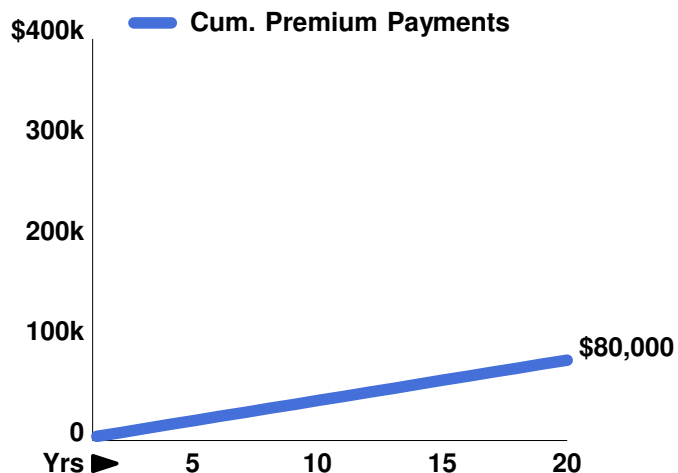
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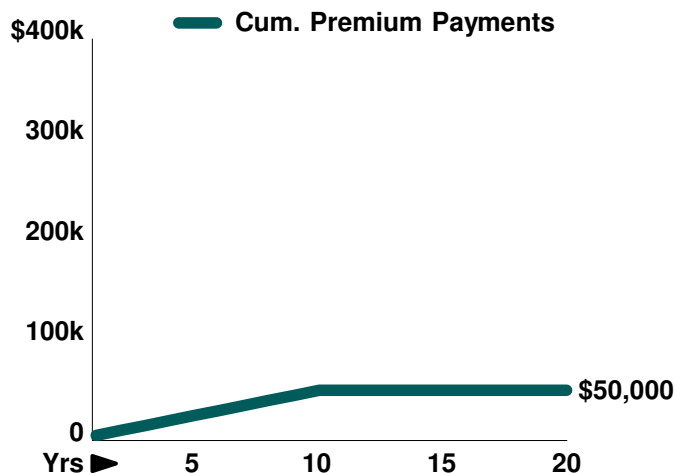
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20 Year Analysis

Astrospan



Cash Value Insurance (CVI)



Comparative Analysis of Values

