Funding Family Needs With Discounted Dollars

For: Paul Tripp

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.

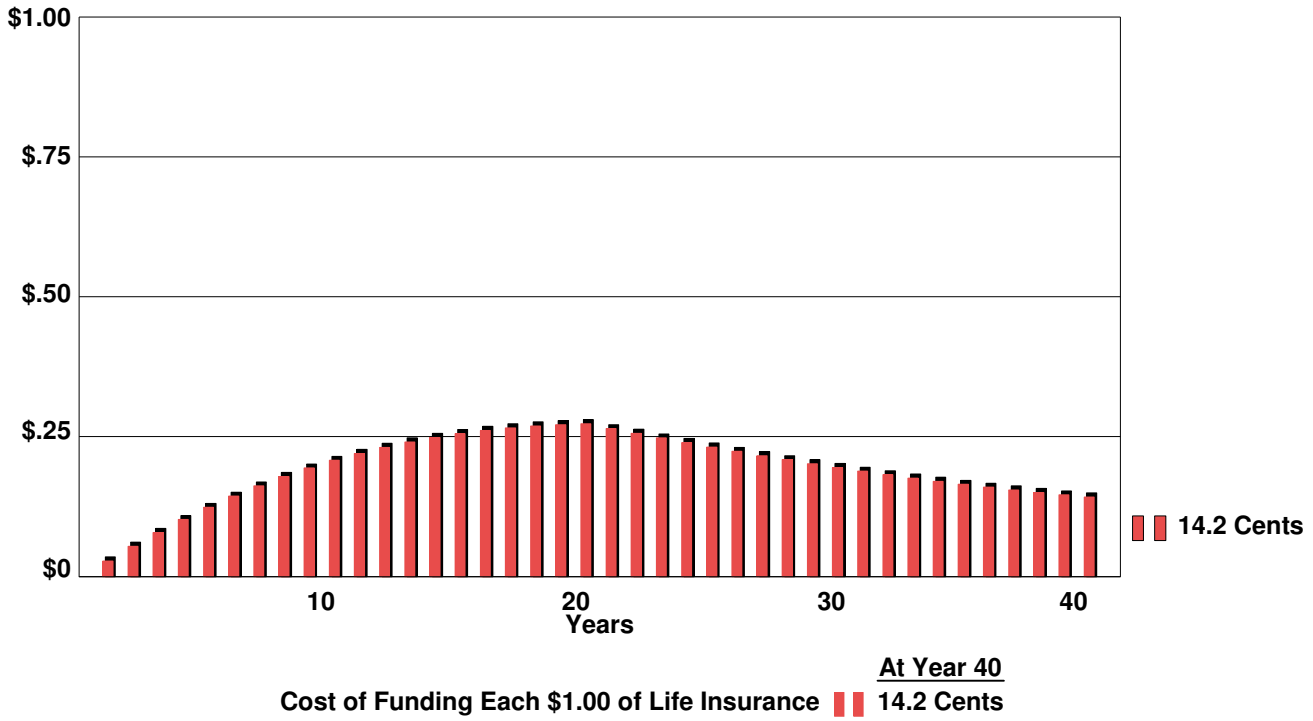
In the presentation, the sum of the policy's premiums, divided by the policy's death benefits, gives a "cost-per-dollar-of-benefit" solution that is very helpful when analyzing the economics of the transaction.

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 change from year to year.

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.

Analysis

Income Tax Rate	CVI Interest Rate	Initial Payment	Initial Death Benefit
30.00%	8.00%	20,000	700,000

		Payment Analysis		Death Benefit Analysis		Living Values	
		(1)	(2)	(3)	(4)	(5)	(6)
Year	Male Age	Net Payment	Cumulative Net Payments	Year End Death Benefit	Cost per $1.00 of Funding**	Year End Accum Value*	Year End Cash Value*
1	50	20,000	20,000	718,849	2.8 Cents	18,848	5,548
2	51	20,000	40,000	739,130	5.4 Cents	39,130	14,770
3	52	20,000	60,000	760,855	7.9 Cents	60,855	36,495
4	53	20,000	80,000	784,113	10.2 Cents	84,113	59,753
5	54	20,000	100,000	808,998	12.4 Cents	108,998	84,638
6	55	20,000	120,000	835,622	14.4 Cents	135,622	112,480
7	56	20,000	140,000	864,099	16.2 Cents	164,099	142,419
8	57	20,000	160,000	894,534	17.9 Cents	194,533	174,558
9	58	20,000	180,000	927,057	19.4 Cents	227,057	209,031
10	59	20,000	200,000	961,804	20.8 Cents	261,804	245,970
11	60	20,000	220,000	998,894	22.0 Cents	298,894	285,496
12	61	20,000	240,000	1,038,482	23.1 Cents	338,482	327,764
13	62	20,000	260,000	1,080,721	24.1 Cents	380,721	372,925
14	63	20,000	280,000	1,125,756	24.9 Cents	425,756	421,127
15	64	20,000	300,000	1,173,747	25.6 Cents	473,747	473,747
16	65	20,000	320,000	1,224,868	26.1 Cents	524,868	524,868
17	66	20,000	340,000	1,279,290	26.6 Cents	579,290	579,290
18	67	20,000	360,000	1,337,188	26.9 Cents	637,188	637,188
19	68	20,000	380,000	1,398,763	27.2 Cents	698,763	698,763
20	69	20,000	400,000	1,464,190	27.3 Cents	764,190	764,190
21	70	0	400,000	1,511,964	26.5 Cents	811,964	811,964
22	71	0	400,000	1,562,146	25.6 Cents	862,146	862,146
23	72	0	400,000	1,614,776	24.8 Cents	914,776	914,776
24	73	0	400,000	1,669,889	24.0 Cents	969,889	969,889
25	74	0	400,000	1,727,497	23.2 Cents	1,027,497	1,027,497
26	75	0	400,000	1,787,605	22.4 Cents	1,087,605	1,087,605
27	76	0	400,000	1,850,191	21.6 Cents	1,150,191	1,150,191
28	77	0	400,000	1,915,207	20.9 Cents	1,215,207	1,215,207
29	78	0	400,000	1,982,575	20.2 Cents	1,282,575	1,282,575
30	79	0	400,000	2,052,192	19.5 Cents	1,352,192	1,352,192
		400,000					

*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.

**Column (2) divided by column (3) is equal to column (4).

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		(1)	(2)	(3)	(4)	(5)	(6)
Year	Male Age	Net Payment	Cumulative Net Payments	Year End Death Benefit	Cost per $1.00 of Funding**	Year End Accum Value*	Year End Cash Value*
31	80	0	400,000	2,123,921	18.8 Cents	1,423,921	1,423,921
32	81	0	400,000	2,197,555	18.2 Cents	1,497,555	1,497,555
33	82	0	400,000	2,272,858	17.6 Cents	1,572,858	1,572,858
34	83	0	400,000	2,349,516	17.0 Cents	1,649,516	1,649,516
35	84	0	400,000	2,427,152	16.5 Cents	1,727,152	1,727,152
36	85	0	400,000	2,505,308	16.0 Cents	1,805,308	1,805,308
37	86	0	400,000	2,583,441	15.5 Cents	1,883,441	1,883,441
38	87	0	400,000	2,660,878	15.0 Cents	1,960,878	1,960,878
39	88	0	400,000	2,736,846	14.6 Cents	2,036,846	2,036,846
40	89	0	400,000	2,810,435	14.2 Cents	2,110,435	2,110,435

400,000

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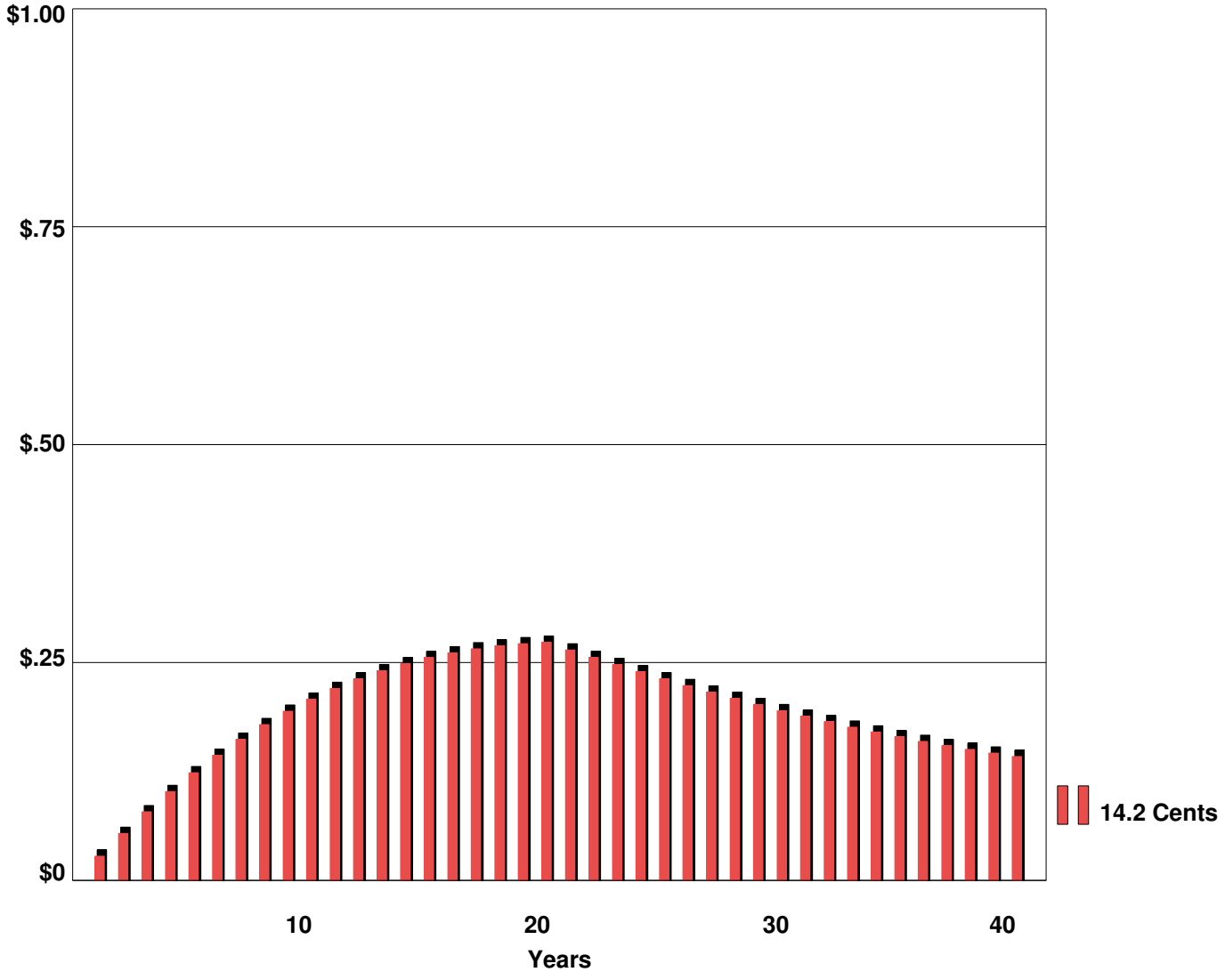
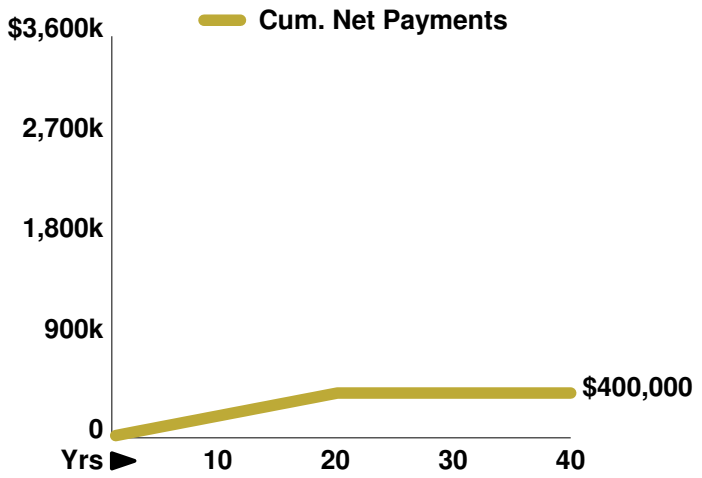
40 Year Analysis
Cost per $1.00 of Funding



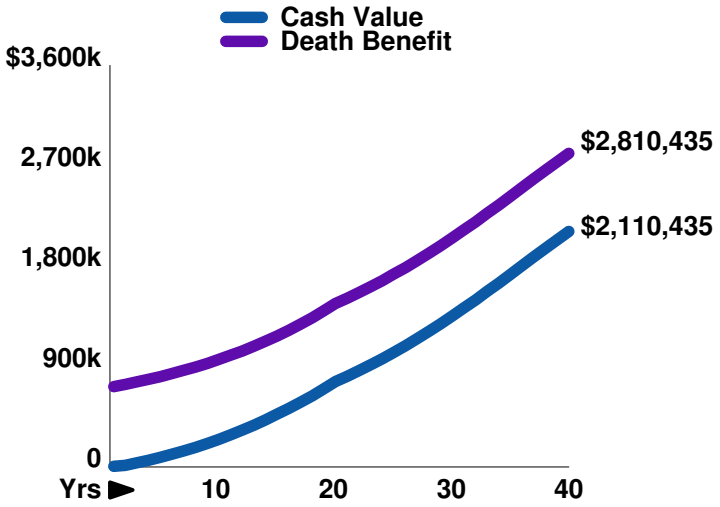
	At Year 40
Cost of Funding Each $1.00 of Life Insurance	14.2 Cents

40 Year Analysis

Cumulative Net Payments



Policy Values



Cost per $1.00 of Funding