CASE STUDY | LEGACY PLANNING

Ethan is a 45-year-old businessman with a wife and two children. He has highly compensated, but wants to make sure that his family is financially secure if he were to pass away unexpectedly. Ethan also contributes fully to his company's 401(k) retirement plan but is looking for more ways to increase his income in the future. He meets with his insurance and investment advisor who recommends that he consider buying an indexed universal life insurance policy.

However, Ethan is concerned about the costs associated with internal policy fees and insurance charges. He wonders if he would achieve a better return on his investment by simply increasing his contributions to his existing managed accounts.

CLIENT PROFILE

Male – Age 45 | Non-Smoker. Good health.	
Highly compensated with at least 20 working years remaining	
Investable Assets	401(k) plan, which he's funded for the past 20 years, but he's seeking additional opportunities for future income **potential**
Concerns	With internal policy costs and insurances changes, Ethan wonders if he would receive a more cost-effective return on his money by just increasing contributions to his existing managed accounts.

SOLUTION

In order to address Ethan's concerns, his financial professional provides him with a hypothetical analysis for both options. Upon comparing the results (refer to Rate of Return Analysis: Alternative Asset Summary), the financial professional recommends that Ethan purchase an indexed universal life insurance (IUL) policy. This solution can offer Ethan lower overall costs, potential strong policy cash value, competitive policy cash value distributions, and most importantly, a death benefit for his beneficiaries.

If we assume an annual funding amount of $100,000 for 10 years with a hypothetical annual growth rate of 6.00%, Ethan can see the results of both options. By investing the $100,000 into his managed account (non-insurance assets), he could potentially accumulate $1,701,034 by the end of 20 years. This assumes a combined capital gains and ordinary income tax bracket of 25%, along with annual account management fees of 1%. When Ethan turns 66, starting in year 21, an annual after-tax income of $203,952 would last for just 9 years, decreasing to $125,559 in year 10, and leaving nothing for his beneficiaries.

Alternatively, if he chooses to purchase an IUL policy with an annual premium of $100,000 for 10 years, he could potentially have a policy cash surrender value of $2,489,306 and a net death benefit of $3,036,954 by year end 20. Starting in year 21, Ethan's annual after-tax income of $203,952 would last for 20 years and still provide a remaining net death benefit for his beneficiaries.

By opting for the life insurance policy, Ethan may be able to secure a financial legacy for his family and receive more after-tax income if he needs it in the future.

			Life Insurance (Assumed 32% income tax bracket)						Non-Insurance Assets (Assumed combined 25% income tax bracket)			
Yr	Age	Annual Premium Outlay	After Tax Income	Annual Policy Charges	Cash Surrender Value	IRR on Cash Value %	Net Death Benefit	IRR at Death %	After Tax Income	Annual Taxes + Mgmt Fee	End of Year Balance	IRR at Death %
1	45	$ 100,000	$ -	$ 22,420	$ 26,431	-73.57%	$ 1,618,332	1518.33%	$ -	$ 2,545	$ 103,455	3.46%
5	49	$ 100,000	$ -	$ 18,360	$ 449,210	-3.55%	$ 2,036,247	51.16%	$ -	$ 13,635	$ 554,275	3.46%
10	54	$ 100,000	$ -	$ 6,831	$ 1,277,948	4.41%	$ 2,812,473	18.23%	$ -	$ 29,794	$ 1,211,150	3.46%
15	59	$ -	$ -	$ 1,213	$ 1,783,797	5..55%	$ 2,390,287	8.38%	$ -	$ 35,310	$ 1,435,342	3.46%
20	64	$ -	$ -	$ 1,844	$ 2,489,306	5.97%	$ 3,036,954	7.29%	$ -	$ 41,846	$ 1,701,034	3.46%
25	69	$ -	$ 203,952	$ 2,304	$ 2,220,476	6.14%	$ 2,578,926	6.67%	$ 203,952	$ 21,782	$ 885,451	3.46%
30	74	$ -	$ 203,952	$ 2,377	$ 1,843,626	6.22%	$ 2,053,882	6.43%	$ 125,559	$ -	$ -	3.46%
35	79	$ -	$ 203,952	$ 3,870	$ 1,319,649	6.26%	$ 1,513,831	6.39%	$ -	$ -	$ -	3.46%
40	84	$ -	$ 203,952	$ 9,218	$ 571,143	6.26%	$ 814,338	6.38%	$ -	$ -	$ -	3.46%
		$ 1,000,000	$ 4,079,040	$ 212,149					$ 1,961,127	$ 707,979		
		Totals							Totals			

This hypothetical comparison is based on a 45-year-old male in a Preferred Non-Nicotine rate class with a Symetra Accumulator Ascent IUL policy and premium amount of $100,000 for 10 years. The Putnam Dynamic Low Volatility Excess Return IndexTM with Bonus Strategy assumed interest crediting rate is 5.97% and annual policy distributions withdraw to basis and switch to standard loans.2 The Internal Rate of Return (IRR) is the effective after-tax annual rate at which an amount equal to the illustrated premium must be accumulated in order to generate the net death benefit policy cash surrender value at the end of a referenced policy year.

Focus: Protection, growth and income opportunities

Age: 45

Gender: Male

Product: Indexed Universal Life

Index strategy: Putnam Dynamic Low Volatility Excess Return Index™ with Bonus Strategy - 1-Year Point-to-Point

Rate class: Preferred Non-Nicotine

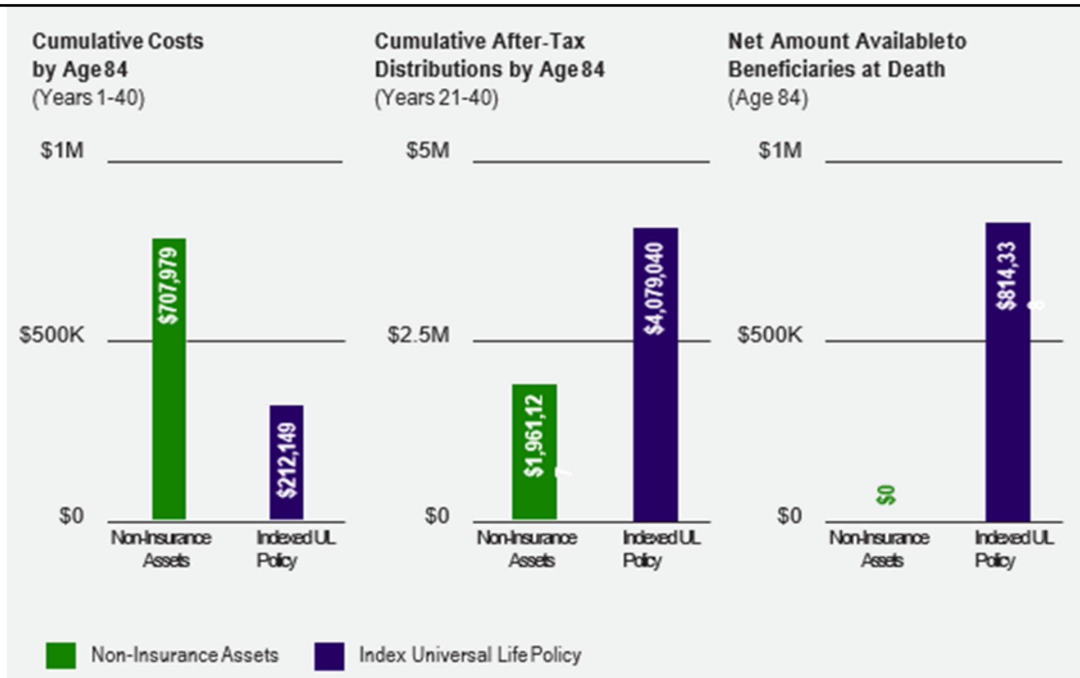
Policy illustrated rate *(assumed)*: 5.97%

Loan type: Standard

Death benefit *(year 40)*: $814,338

Annual premium: $100,000 for 10 years

Annual policy *distributions (yrs 21-40)*: $203,952



Discover how an Indexed Universal Life policy can help provide your clients with death benefit protection plus growth and future income potential by reaching out to your local **AIMCOR affiliate**.

Withdrawals or loans on modified endowment contracts (MECs) may be subject to federal income tax and an additional 10% tax on amounts taken prior to age 59½. Guarantees and benefits are subject to the claims-paying ability of Symetra Life Insurance Company. Symetra Accumulator Ascent IUL has fixed and indexed accounts. Interest credited to the indexed accounts is affected by the value of outside indexes. Values based on the performance of any index are not guaranteed. Election of a Putnam Index Strategy does not guarantee a greater index credit for any index segment term.

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