AIG

What Can $3-A-Day Do For You?

The Advantages Of IUL

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Hello and thanks for joining me.
Today we're going to learn about some of the advantages of owning an index universal life insurance policy.

We'll begin by learning about WHEN permanent life insurance is important to your client's financial security.

Then, once you realize the importance of owning permanent life insurance as part of your overall financial plan, we'll look at the differences between *"paying the minimum amount of premium"* and *"paying just a little bit more."*

I think you'll be surprised when you see what *"just a little bit more"* can do.

Important Notes

This information is general in nature, was developed for educational use only, and is not intended to provide financial, legal, fiduciary, accounting or tax advice, nor is it intended to make any recommendations. Applicable laws and regulations are complex and subject to change. Please consult with your financial professional regarding your situation. For legal, accounting or tax advice, consult the appropriate professional.

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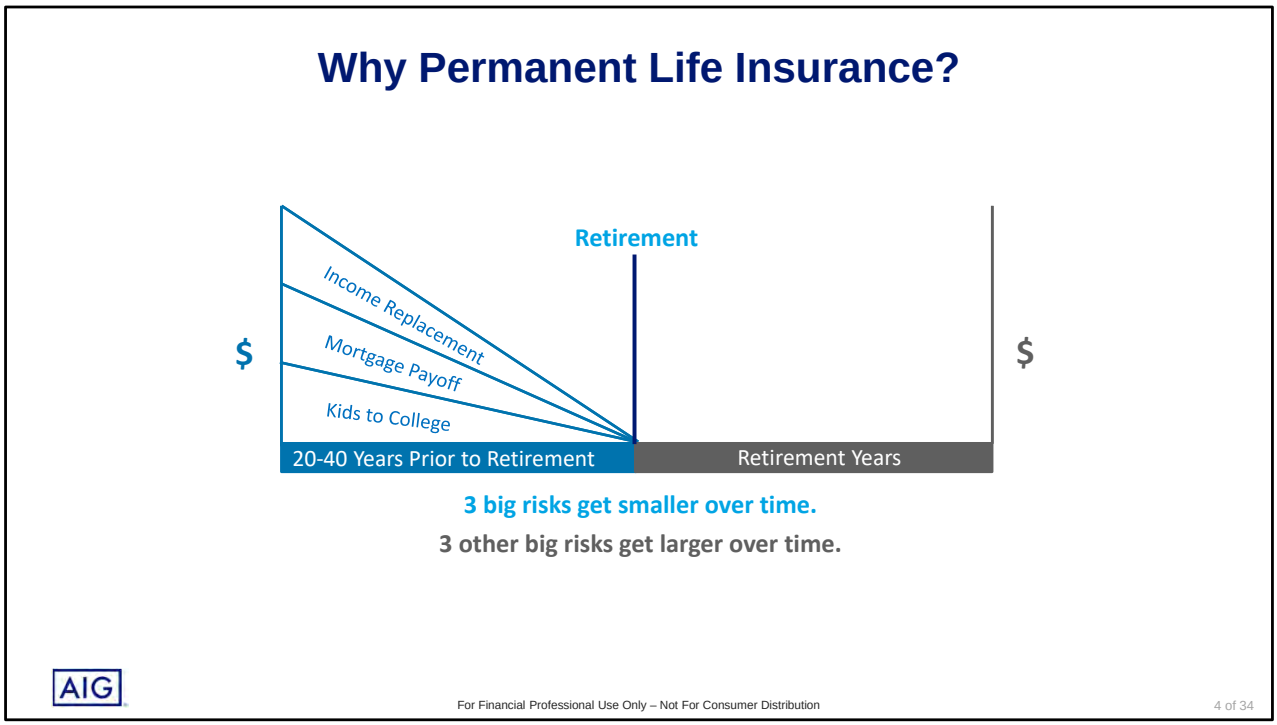
Before we begin, here are some important notes you should know about today's discussion.

Let's begin today's conversation by talking about WHY people need permanent life insurance, WHEN they need it, and WHAT it can do.



I like to call this graphic "The Butterfly Chart" because of it's shape, as you'll see in a few minutes. It depicts some of the most significant and important risks people face during their working years, and during retirement.

Earlier in life there are 3 major risks that individuals and families face, but each risk tends to get smaller over time.
Those 3 major risks are:

- The cost of college savings for children…
- Paying off the mortgage, and…
- Income replacement due to the death of a primary breadwinner.

Notice that the graphic depicts all three of these financial concerns sloping downward to the right.
That's because each of these concerns typically gets smaller and smaller as you near retirement.

1. By the time you retire, your kids have probably already graduated from college, so you don't need life insurance to put them through college anymore;

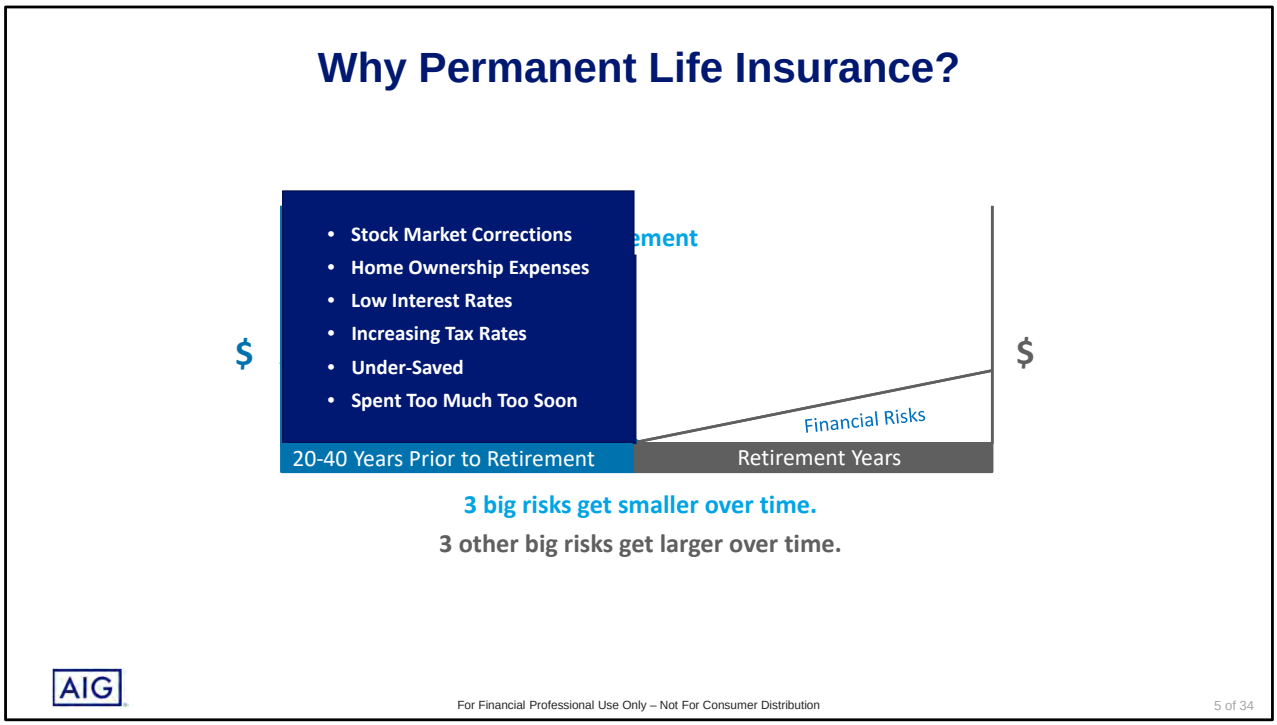
2. By the time you retire, your mortgage has most likely been paid-down if not completely paid-off; and

3. The closer you get to retirement, the fewer years of income you need to replace in the event of a premature death. In fact, once you retire, if you're not working any longer, you have no work income to replace in the event of death.

For many people, all three of these major financial concerns have subsided or disappeared by the time they retire.

If you're client is concerned about these issues, they typically purchase a nice 20-year or 30-year term life insurance policy that lasts until they retire, and they might consider their problems solved.

In many cases, clients don't see any reason why life insurance might be beneficial during their retirement years.
Let's think about those concerns for a minute.



As we get older and these risks decline, a few other risks emerge, and they tend to become more daunting over time:
First, there are a multitude of long-term financial risks….

- stock market corrections: those of you who've studied retirement distributions know that market corrections that occur while taking retirement distributions can wreak havoc on the portfolio.

- Home ownership expenses… here we're not just talking about food, property taxes and clothing, but those significant house repairs that'll invariably arise if you live in the same house for more than 20 years. Things such as replacing the furnace, air conditioner and water heater. Or replacing the roof, flooring, or windows… even replacing furniture can be a significant expense.

- Low interest rates: Because interest rates are so low, it's difficult for retirees to live off of the interest earnings their retirement portfolio can generate, which causes retirees to systematically liquidate portions of their portfolio principle just to have enough money to survive. But that problem compounds itself over time. The more principle they liquidate, the less interest earnings the portfolio can generate, so they liquidate even MORE principle, and the problem just gets worse.

- And what about the potential for increasing tax rates? Ask around. See what people think. Ask them if they think future tax rates will go up, go down, or stay the same. The vast majority of people I ask tell me that they expect tax rates to increase. If you're a retiree, and if the vast majority of your retirement savings are in your IRA, what happens if tax rates increase? Well, your living expenses didn't go down, they actually went up! So now you have to **withdraw even more** from your IRA to pay the increased taxes and still be able to pay your bills, causing your IRA to deplete.

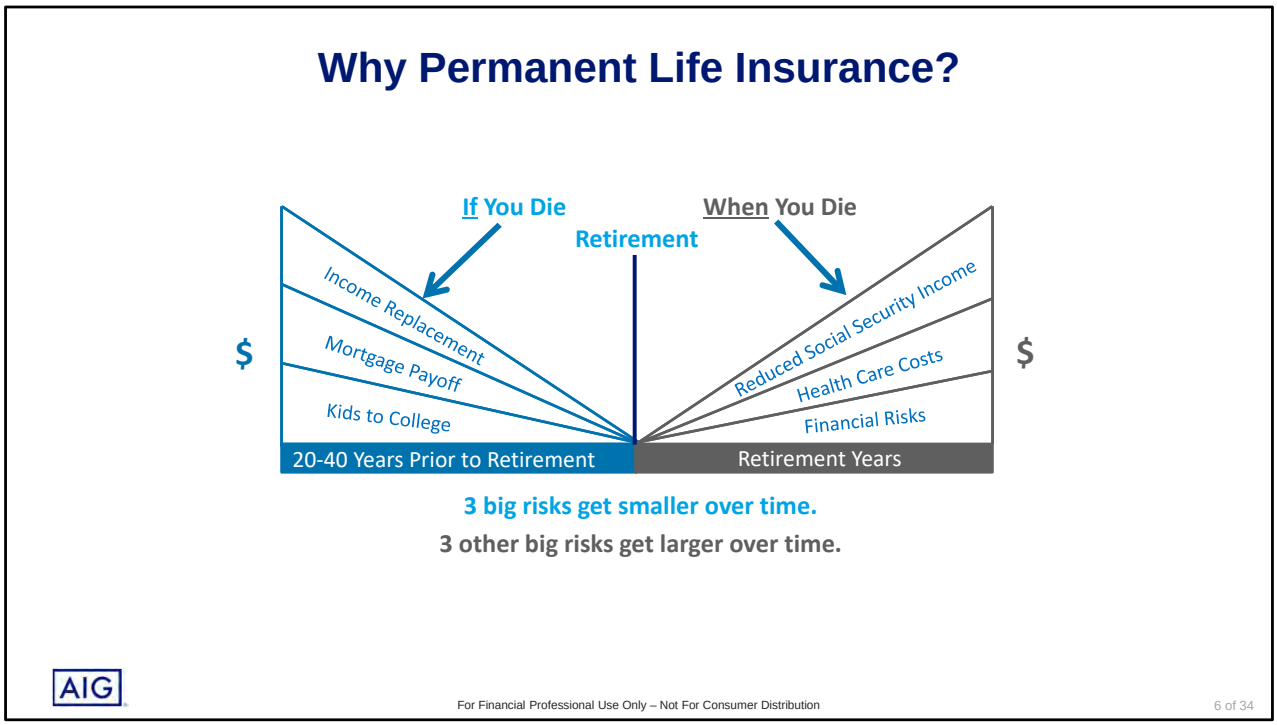
- Do you know of anyone that began their retirement with less money than they probably should have? If you place any credence in ***"The 4% Rule,"*** you'd realize that your portfolio should be 25-times your first-year retirement expenses. To withdraw $50,000 from your portfolio in your first year of retirement, your portfolio should be worth about $1,250,000. If you withdraw $100,000 from your portfolio in your first year of retirement, you'd need $2,500,000! How many retirees have that much money set aside? If they don't, they're likely to already be "behind."

- And how many times to retirees spend more than they should during their first 5 to 10 years of retirement, while they're young, healthy and active? That kind of excess spending can cause significant longevity problems for the portfolio.

And you might ask yourself… ***"Which one of these risks affect ME?"***

If you look at the list, I suspect you'd agree that your retirement will be affected by more-than-one of these risks.

And so far we've only talked about the "Financial Risks"…
We still have two more retirement risks to talk about!



The next major retirement risk is the rising cost of health care…
In fact, there are two things to be concerned about with health care costs: ***Inflation*** and ***Utilization***
It's pretty clear to most people that the older you get, the more you spend on health care.
Add the fact that inflation historically tends to affect the costs of health care more than it impacts the general economy, and you can see why health care costs are a problem for retirees
.
And then add to all of that the potential costs of Nursing Home Care, which could be $75,000 to $150,000 per year… or more… depending on where you live.
You can see that 5 years of Nursing Home Care can put a dent in many portfolios that's so big that the portfolio can't keep a surviving spouse financially secure and independent.

And then we have the potential reduction of social security income or pension income due to the death of a spouse.
If your client is a couple and they're receiving Social Security income, the Social Security income the surviving spouse receives will be reduced by a minimum of 33% and by as much as 50%. Is the surviving spouse prepared to survive on that much less Social Security Income?

If your client has a pension, many retirees think that household and living expenses will reduce when the first spouse dies. While that may be true to some extent, many retirees select a pension option of “2/3 or 50% to the survivor.” If either of those selections have been made, the surviving spouse could face a significant drop in pension income when the first spouse dies.

Add all of these financial concerns together and think about the potential consequences…

So let’s paint a picture of a possible scenario. Let’s assume a couple where the husband is 5 years older than his wife. Further assume the husband is frail… he’s in the nursing home where he’s been for the last 3 years, and his final day is fast approaching. While he’s been in the nursing home, here’s what happened:

1. They’ve spent approximately $100,000 per year for his care, taking a $300,000 bite out their retirement resources.

2. While he’s been in the nursing home, there’s been a stock market correction that further reduced the value of their retirement resources.

3. While he’s been in the nursing home, there’s been a tax-rate increase, so they need to withdraw even more from their portfolio in order to pay the increased taxes and still be able to pay for their living expenses.

4. During his stay in the nursing home, the furnace, air conditioner and water heater needed to be replaced in their home, taking another “bite” out of their retirement resources.

5. He knows that immediately after his death, her Social Security or pension income is going to drop significantly.

With all of these things occurring, what do you suppose is happening to the value of their retirement resources?
That’s right… these resources have been significantly depleted.

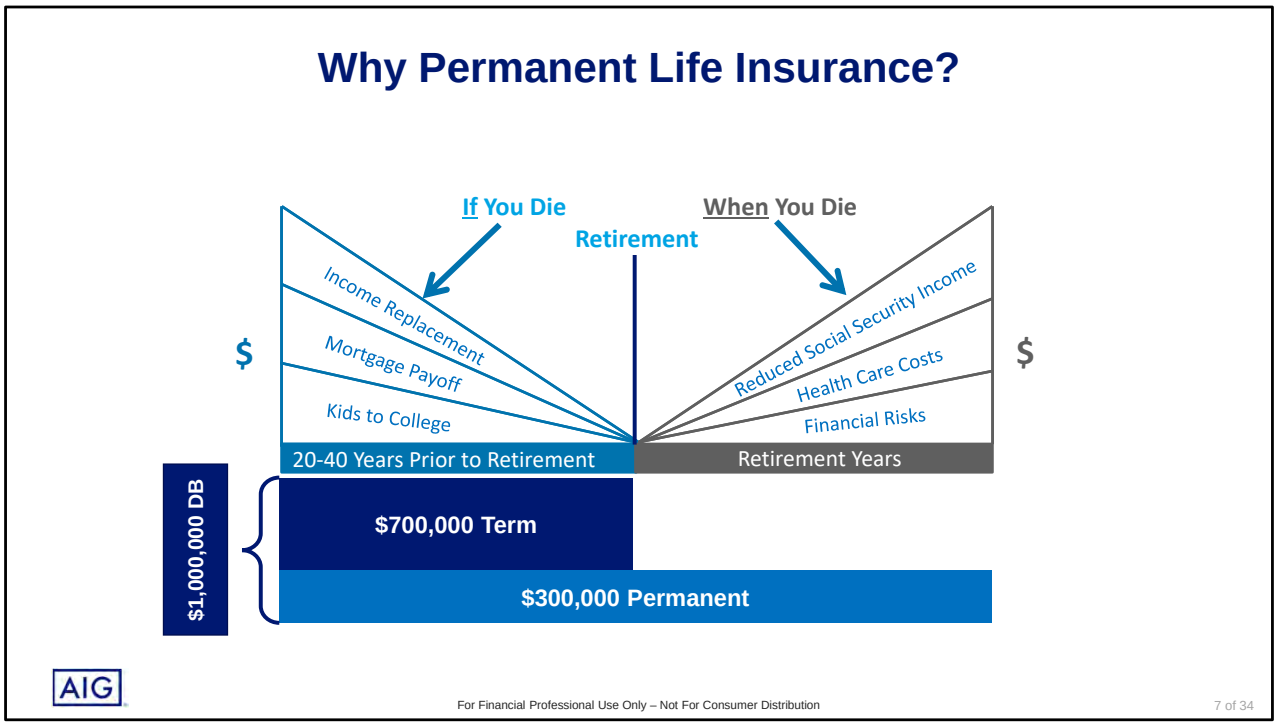
What is the husband’s biggest financial concern at this moment, as he knows his final breath is not far away?
That’s right, he’s wondering if his wife will be financially independent and secure after he’s gone… and he knows she’s won’t be… that she’s quickly running out of money.

Wouldn't it be great if, after his death, an income-tax-free death benefit check would appear in his wife's mailbox, restoring the value of their portfolio, giving her increased confidence that she won't run out of money in her remaining years?

So when you're talking to your pre-retirement couple, ask them if they think they're going to die before they reach retirement age? Probably none of them think that'll happen.
And when you're talking to them about life insurance to protect their kids' college, their mortgage, and replacing income, you're talking to them about life insurance for IF they die. That's Term life insurance.

But when you're talking to them about these financial concerns on the right, you're talking about financial problems that will be around for the rest of their lives, and about financial problems that typically only get worse over time.
You're talking to them about life insurance for WHEN they die, no matter when that might be. That's Permanent life insurance.

Once you understand these short-term pre-retirement and long-term in-retirement financial risks, you can begin to think about how to create a life insurance policy portfolio that addresses these concerns.



For example, let's say you're meeting with a pre-retirement dual-income couple with children and a mortgage.
You perform a Needs Analysis and determine that they need $1,000,000 of life insurance.

Next, ask a question: *Imagine you're retired, in your 70's or 80's, and you don't have a lot of sand left in your hour-glass.*
How much money would you like your surviving spouse to have after your gone to assure him / her of a lifetime of financial security and independence?

Often the answer will be between $100,000 and $500,000.

Let's assume the answer in this case was $300,000.

OK… let's build a portfolio with $300,000 of permanent life insurance that'll be there for the rest of your life; and complement it with a $700,000 term life insurance policy to cover your short-term needs until retirement.

If we can get this to work correctly, your term life insurance policy will end when you retire, and so will the premiums.
And we can tailor your permanent life insurance policy so that you can stop premiums at retirement also, while the policy remains in-force for the rest of your life.

In this scenario, you have your primary pre-retirement and in-retirement financial risks addressed, with no premiums necessary during retirement, freeing that money up during retirement to be spent on other things.

Now that you understand the role of Term Insurance and Permanent Insurance, you realize that Permanent Life Insurance is likely to have a place in everyone's overall life insurance strategy.

So you might be wondering: *What about that "$3-a-Day" concept?*

Let's learn about how that works.

Now That You See The Need For Permanent Life Insurance…

- Permanent life insurance policies, like Index Universal Life, have tax advantages:
  - Tax-Deferred growth of the cash values
  - Income-Tax-Free access to the policy's cash values *(using loans and withdrawals)*[1]
  - Income-Tax-Free death benefits for the beneficiaries when the insured dies[2]
- If you're going to purchase an Index Universal Life insurance policy, would it make sense to take advantage of these tax benefits?
- How do you do that?

1. Based on current federal income tax law. Assumes the use of withdrawals to basis and/or policy loans. If the policy is classified as a modified endowment contract (see IRC section 7702A), withdrawals or loans are subject to regular income tax and an additional 10% tax penalty may apply if taken prior to age 59 ½.
2. Death Benefits are generally excludable from the beneficiary's federal taxable income under most circumstances and under current federal income tax law.

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Now you're able to see that permanent life insurance can play an important role in your overall life insurance strategy, and help you to achieve and protect your long-term financial goals.

So far our conversation has really focused on the role of the death benefits.
Indeed, death benefits are the most important reason to purchase life insurance.

But let's not stop there.
Permanent life insurance policies – like Index Universal Life – have some additional tax advantages that are important to know about, such as:

- Tax-deferred growth of the cash values;
- Income-Tax-Free access to the policy's cash values using policy loans and withdrawals; and…
- Income-Tax-Free death benefits for the beneficiaries when the insured dies.

So the question we need to ask is:
If you're going to purchase a Universal Life insurance policy, would it make sense to take advantage of these tax benefits?

If your answer is "YES," then your next question should be: ***How do you do that?***
Let's see…

Now That You See The Need For Permanent Life Insurance…

- Different life insurance polices are designed to perform differently:
  - Some are designed to generate low premiums for long durations of death benefit protection
  - Others are designed to generate maximum cash accumulation within the policy
  - Depending on the policy design, different policies can illustrate different maximum interest rates. *(These maximum projected interest rates are determined using complex, regulated formulas.)*
- AIG offers two different IUL policies that you may want to consider:
  - ***Value+ Protector II*** – Designed for low premiums and long-term protection
  - ***Max Accumulator+ II*** – Designed to maximize cash accumulation with long-term protection

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You see, different life insurance policies are designed to perform differently:

- Some are designed to generate low premiums for long durations of death benefit protection
- Others are designed to generate maximum cash value accumulation within the policy
- And, depending on the policy design, different policies have different maximum interest rates they can project. These maximum projected interest rates are determined using complex, regulated formulas.

AIG offers two different IUL policies that you may want to consider:

- ***Value+ Protector II*** is designed for low premiums and long durations of death benefit protection
- ***Max Accumulator II*** is designed to maximize cash accumulation with long durations of protection

So why might you choose ***Value+ Protector II*** instead of ***Max Accumulator II***, and vice-versa?
Let's look at an example…

Now That You See The Need For Permanent Life Insurance…

- Universal Life has funding flexibility…
- As an example, based on your assumptions, you could fund a Universal Life policy:
  1. At the minimum level necessary to keep the policy inforce for the desired time frame; or…
  2. You could increase your premiums by a few dollars-a-day; or…
  3. You could increase your premiums by a few more dollars-a-day

Based on current federal income tax law. Assumes the use of withdrawals to basis and/or policy loans. If the policy is classified as a modified endowment contract (see IRC section 7702A), withdrawals or loans are subject to regular income tax and an additional 10% tax penalty may apply if taken prior to age 59 ½. Death Benefits are generally excludable from the beneficiary's federal taxable income under most circumstances and under current federal income tax law.

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First of all, it's important to understand That each universal life policy has its own funding flexibility, and that different universal life insurance policies can make a difference, too.

For example, based on the assumptions of how much life insurance you need, you could fund a Universal Life policy:

1. At the minimum level necessary to keep the policy inforce for the desired timeframe; or…

2. You could increase your premiums by a few dollars-a-day; or…

3. You could increase your premiums by a few more dollars-a-day

Why would someone choose to increase their premiums above the minimum?

Well, you may have heard the old adage that "price only matters in the absence of value."

You'll soon see what a few extra dollars-a-day can potentially do for you.

Now That You See The Need For Permanent Life Insurance…

Let's look at a sample case:

- Male, age 35, Preferred Non-Tobacco (PNT); premiums to age 70 *(no premiums in retirement)*
- He needs $300,000 of Universal Life as the "***permanent life insurance***" portion of his solution

1. His ***"minimum-funding solution"*** will be illustrated using **Value+ Protector II**
   - Illustrated at 5.00% projected interest
   - Solving for the minimum premium necessary to carry the policy to age 110 under "current" assumptions
2. His ***"$3-A-Day"*** option will also be illustrated using **Value+ Protector II**
   - Illustrated at 5.00% projected interest
   - Adding $3-a-day to the premium; solving for retirement income loans
3. His ***"$8-A-Day"*** option will be illustrated using **Max Accumulator+ II**
   - Illustrated at 6.00% projected interest
     - *The maximumAG49-A interest rate for Max Accumulator+ II is about 1% higher than the maximum AG49-A interest rate for Value+ Protector II*
   - Adding $5-more-a-day, taking the total to an additional $8-a-day; solving for retirement income loans

Based on current federal income tax law. Assumes the use of withdrawals to basis and/or policy loans. If the policy is classified as a modified endowment contract (see IRC section 7702A), withdrawals or loans are subject to regular income tax and an additional 10% tax penalty may apply if taken prior to age 59 ½. Death Benefits are generally excludable from the beneficiary's federal taxable income under most circumstances and under current federal income tax law.
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In this sample case we'll look at a male, age 35, and we'll assume that he qualifies for AIG's "Preferred Non-Tobacco" underwriting classification.
Keep in mind that this is not AIG's very best underwriting class, which is available to the healthiest insureds.
Here' we're assuming someone that's in good health, but not necessarily pristine health.
And we'll assume in all three cases that we're only illustrating premiums being paid to age 70.
Why age 70?
Because most clients would prefer NOT to spend their retirement income on life insurance premiums.
Therefore, when it's possible, we'd like to design the policy so that the premiums end when retirement begins.
This isn't always feasible, but when premiums can be stopped before retirement begins, it can be very attractive.

We'll assume that he needs $300,000 of Index Universal life as the ***"permanent life insurance"*** portion of his solution.

Here are the three options I'm going to simulate to help you see the differences in how a client might want to approach this situation:

We'll look at a ***minimum funding solution***, a ***$3-A-Day*** option, and an ***$8-A-Day*** option.
You might think of it as "small, medium and large."

1. The ***minimum funding solution*** will be illustrated using ***Value+ Protector II***

We'll project the values using a 5.00% assumed interest rate. Please remember that this projected interest rate is completely hypothetical, is not guaranteed, and is not intended to predict future interest rates, and that the interest credited to an Index Universal Life policy is likely to change every year.

To create this ***minimum funding*** scenario, we'll solve for the minimum premium necessary to keep the policy inforce to age 110 under "current" assumptions and policy expenses.

2. To create the ***$3-A-Day*** scenario, we'll use ***Value+ Protector II*** again, and we'll project the values using the same hypothetical 5% non-guaranteed interest rate.

In this scenario we'll project the values using the same premium as the first scenario, but we'll add the equivalent of $3-a-day… or $90-a-month to the premiums for this $300,000 ***Value+ Protector II*** policy.

We'll let the software calculate projected loans from age 71 to age 95 that could be taken from the policy, income-tax-free, to help supplement their other retirement distributions.

3. To create the ***$8-A-Day*** scenario, we'll switch policies and use ***Max Accumulator II*** IUL, and we'll project the values using a hypothetical 6% non-guaranteed interest rate.

Why 6% instead of 5%?
Because, as we previously **mentioned**, different product designs allow different maximum illustrated rates, and when you apply the formula for determining the maximum illustrated rate under AG-49A, the ***Max Accumulator II*** maximum projected interest rate is approximately 1% higher than the maximum projected ***Value+ Protector II*** interest rate.

Just note that, in the vein of being conservative, and to use rounded interest rate numbers, as of August 1, 2021, 5% is below the maximum illustrated interest rate for ***Value+ Protector II***, and 6% is below the maximum illustrated interest rate for ***Max Accumulator II***.
In this "***$8-A-Day***" scenario we'll pay additional premiums equivalent to $8-a-day… an increase of $240-per-month more than the original ***minimum premium*** solve.
As we did in the previous scenarios, we'll assume that premiums are paid to age 70.

Then we'll let the software calculate projected loans from age 71 to age 95 that could be taken from the policy, income-tax-free, to help supplement their other retirement distributions. *(Based on current federal income tax law. Assumes the use of withdrawals to basis and/or policy loans. If the policy is classified as a modified endowment contract (see IRC section 7702A), withdrawals or loans are subject to regular income tax and an additional 10% tax penalty may apply if taken prior to age 59 ½. Death Benefits are generally excludable from the beneficiary's federal taxable income under most circumstances and under current federal income tax law.)*

Let's look at the results.

Important Notes Regarding This Sample Case Study:

This sample case study is not an actual case. It is hypothetical for illustrative purposes only.

The equity index accounts provides benefits linked to an external equity indices and do not participate directly in the equity index market.

Policy values and benefits may be affected by the Owner's decisions to change elements, such as but not limited to:

- amount of premium paid;
- timing of premium payments;
- lapse and reinstatement;
- loans; withdrawals; addition/ termination of riders; and/or
- any other Owner-initiated contractual changes, such as increasing the death benefit, accelerating a death benefit, or changing the death benefit option.

These scenarios assume that the illustrated non-guaranteed elements will continue unchanged for all years shown. This is not likely to occur, and actual results may be more or less favorable than the results shown.

These are some very important notes regarding this case study example.

What Can Permanent Life Insurance Do?

Male, Age 35
Preferred NT
$300,000 DB

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So we have our male, age 35, Preferred Non-Tobacco purchasing a $300,000 death benefit.

What Can Permanent Life Insurance Do?

Male, Age 35 Preferred NT $300,000 DB	**Minimum Funding** *(Value+ Protector II projected @ 5.00%)*

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Let's begin with the Minimum Funding approach, illustrating ***Value+ Protector II*** IUL using a 5.00% projected non-guaranteed interest rate.

What Can Permanent Life Insurance Do?

Male, Age 35 Preferred NT $300,000 DB	**Minimum Funding** *(Value+ Protector II projected @ 5.00%)*
Premiums **Age 35 – 70**	

This is not an actual case. It is a hypothetical case for illustrative purposes only. Projected interest rates are hypothetical and are not guaranteed.

We funded this illustration with premiums from age 35 to age 70 *(so that no premiums are intended to be paid during retirement)* into a ***"Value+ Protector II"*** IUL policy, and calculated to keep the policy inforce to age 110 on a projected basis.

What Can Permanent Life Insurance Do?

Male, Age 35 Preferred NT $300,000 DB	**Minimum Funding** *(Value+ Protector II projected @ 5.00%)*
Premiums **Age 35 – 70**	**$150 / month** *($1,800 / year)*

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Funded this way, the illustration showed premiums of $150-per-month… total premiums of $1,800 per year to age 70.

What Can Permanent Life Insurance Do?

Male, Age 35 Preferred NT $300,000 DB	**Minimum Funding** *(Value+ Protector II projected @ 5.00%)*
Premiums Age 35 – 70	$150 / month *($1,800 / year)*
Cumulative Premiums	$63,000

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If you added-up the total premiums that would be paid over that 35-year period of time, the total premiums would be around $63,000.

What Can Permanent Life Insurance Do?

Male, Age 35 Preferred NT $300,000 DB	**Minimum Funding** *(Value+ Protector II projected @ 5.00%)*
Premiums Age 35 – 70	$150 / month *($1,800 / year)*
Cumulative Premiums	$63,000
Accumulation Age 70	$103,000

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At age 70 the illustration shows a projected account value of about $103,000.

We all know that this is just an illustration, and that the policy won't actually have $103,000 of account value in it. But based on these assumptions, that's what the projections show in the illustration.

You can see that, if the client decided at age 70 that they no longer needed the life insurance, they could cancel the policy, and it's possible that their surrender value would equal-or-exceed the total premiums they've paid. In fact, as you can see in the projected values, it's even possible that they would receive more than their premiums if they cancelled the policy… in this hypothetical example, about $40,000 more.

What Can Permanent Life Insurance Do?

Male, Age 35 Preferred NT $300,000 DB	**Minimum Funding** *(Value+ Protector II projected @ 5.00%)*
Premiums Age 35 – 70	$150 / month *($1,800 / year)*
Cumulative Premiums	$63,000
Accumulation Age 70	$103,000
Distributions Age 71 – 95	$0

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Since we minimum-funded this illustration, it's only designed to last until age 110.

If we extract any policy loans the policy won't remain inforce to age 110, defeating the primary purpose of their policy.

So the illustrated supplemental retirement distributions in the minimum-funded scenario would be zero.

What Can Permanent Life Insurance Do?

Male, Age 35 Preferred NT $300,000 DB	Minimum Funding *(Value+ Protector II projected @ 5.00%)*	Add $3-A-Day *(Value+ Protector II projected @ 5.00%)*
Premiums Age 35 – 70	$150 / month *($1,800 / year)*	
Cumulative Premiums	$63,000	
Accumulation Age 70	$103,000	
Distributions Age 71 – 95	$0	

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Now let's look at the $3-a-day scenario, where we contribute an additional $90 of premium per month, which is the equivalent of an additional $3-a-day.

Again we'll project the values using a 5% interest rate using Value+ Protector II.

What Can Permanent Life Insurance Do?

Male, Age 35 Preferred NT $300,000 DB	Minimum Funding *(Value+ Protector II projected @ 5.00%)*	Add $3-A-Day *(Value+ Protector II projected @ 5.00%)*
Premiums Age 35 – 70	$150 / month *($1,800 / year)*	$240 / month *($2,880 / year)*
Cumulative Premiums	$63,000	
Accumulation Age 70	$103,000	
Distributions Age 71 – 95	$0	

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When we add $3-a-day to the premium, we're now paying a premium of $240 per month.

Why would a client that could minimum-fund the policy for just $150-per-month consider contributing the equivalent of an extra $3-a-day?

What Can Permanent Life Insurance Do?

Male, Age 35 Preferred NT $300,000 DB	Minimum Funding *(Value+ Protector II projected @ 5.00%)*	Add $3-A-Day *(Value+ Protector II projected @ 5.00%)*
Premiums Age 35 – 70	$150 / month *($1,800 / year)*	$240 / month *($2,880 / year)*
Cumulative Premiums	$63,000	$100,800 *($63,000 + $37,800)*
Accumulation Age 70	$103,000	
Distributions Age 71 – 95	$0	

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When you look at the math, you can see that their total premiums through age 70 would increase from about $63,000 to around $100,800… an increase in total premiums of about $37,800. What do they get for that extra premium?

What Can Permanent Life Insurance Do?

Male, Age 35 Preferred NT $300,000 DB	Minimum Funding *(Value+ Protector II projected @ 5.00%)*	Add $3-A-Day *(Value+ Protector II projected @ 5.00%)*
Premiums Age 35 – 70	$150 / month *($1,800 / year)*	$240 / month *($2,880 / year)*
Cumulative Premiums	$63,000	$100,800 *($63,000 + $37,800)*
Accumulation Age 70	$103,000	$204,000 *($103,000 + $101,000)*
Distributions Age 71 – 95	$0	

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Their projected account value on the illustration is about $212,000…
roughly double the projected cash value in the minimum-funded scenario.

So, in this example, the extra $37,800 of premium generated an extra $101,000 of projected account value.

Do you have clients that would like the possibility of doing ***that?***

What Can Permanent Life Insurance Do?

Male, Age 35 Preferred NT $300,000 DB	Minimum Funding *(Value+ Protector II projected @ 5.00%)*	Add $3-A-Day *(Value+ Protector II projected @ 5.00%)*
Premiums Age 35 – 70	$150 / month *($1,800 / year)*	$240 / month *($2,880 / year)*
Cumulative Premiums	$63,000	$100,800 *($63,000 + $37,800)*
Accumulation Age 70	$103,000	$204,000 *($103,000 + $101,000)*
Distributions Age 71 – 95	$0	$400,000 *($16,000 x 25)*

Based on current federal income tax law. Assumes the use of withdrawals to basis and/or policy loans. If the policy is classified as a modified endowment contract (see IRC section 7702A), withdrawals or loans are subject to regular income tax and an additional 10% tax penalty may apply if taken prior to age 59 ½.
Death Benefits are generally excludable from the beneficiary's federal taxable income under most circumstances and under current federal income tax law.

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But you really begin to notice the difference the extra $3-a-day makes when you look at the potential to take policy loans to supplement their retirement.

In this $3-a-day scenario, the software calculates that they can take income-tax-free policy loans of $16,000 per year for 25 years… from age 71 to age 95… a total of $400,000 of income-tax-free supplemental retirement income.

That's why someone would consider increasing their premiums by $3-a-day.

We know an illustration is only hypothetical, but in this example the additional $37,800 of premium turned into an additional $400,000 of tax-free retirement income.

What Can Permanent Life Insurance Do?

Male, Age 35 Preferred NT $300,000 DB	Minimum Funding *(Value+ Protector II projected @ 5.00%)*	Add $3-A-Day *(Value+ Protector II projected @ 5.00%)*	Add $8-A-Day *(Max Accumulator+ II projected @ 6.00%)*
Premiums Age 35 – 70	$150 / month *($1,800 / year)*	$240 / month *($2,880 / year)*	
Cumulative Premiums	$63,000	$100,800 *($63,000 + $37,800)*	
Accumulation Age 70	$103,000	$204,000 *($103,000 + $101,000)*	
Distributions Age 71 – 95	$0	$400,000 *($16,000 x 25)*	

Based on current federal income tax law. Assumes the use of withdrawals to basis and/or policy loans. If the policy is classified as a modified endowment contract (see IRC section 7702A), withdrawals or loans are subject to regular income tax and an additional 10% tax penalty may apply if taken prior to age 59 ½.
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Now let's take it one step further and look at an $8-per-day scenario.

To contribute the $8-a-day of additional premium we'll switch from ***Value+ Protector II*** to ***Max Accumulator+ II***.

Max Accumulator+ II has higher MEC and Guideline Premium limits, so we can contribute more.

Max Accumulator+ II is designed to build cash values better than ***Value+ Protector II.***

And, under the illustration regulations, ***Max Accumulator+ II*** allows a higher maximum illustrated rate… so we can project ***Max Accumulator+ II*** at 6.00%

What Can Permanent Life Insurance Do?

Male, Age 35 Preferred NT $300,000 DB	Minimum Funding *(Value+ Protector II projected @ 5.00%)*	Add $3-A-Day *(Value+ Protector II projected @ 5.00%)*	Add $8-A-Day *(Max Accumulator+ II projected @ 6.00%)*
Premiums Age 35 – 70	$150 / month *($1,800 / year)*	$240 / month *($2,880 / year)*	$390 / month *($4,680 / year)*
Cumulative Premiums	$63,000	$100,800 *($63,000 + $37,800)*	
Accumulation Age 70	$103,000	$204,000 *($103,000 + $101,000)*	
Distributions Age 71 – 95	$0	$400,000 *($16,000 x 25)*	

Based on current federal income tax law. Assumes the use of withdrawals to basis and/or policy loans. If the policy is classified as a modified endowment contract (see IRC section 7702A), withdrawals or loans are subject to regular income tax and an additional 10% tax penalty may apply if taken prior to age 59 ½.
Death Benefits are generally excludable from the beneficiary's federal taxable income under most circumstances and under current federal income tax law.

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If we increase the premium by $8-a-day more than the ***minimum-funding example***, the policy premium would now be $390-per-month… a little more than double the original premium.

Why would someone choose to pay this extra $8-a-day?

What Can Permanent Life Insurance Do?

Male, Age 35 Preferred NT $300,000 DB	Minimum Funding *(Value+ Protector II projected @ 5.00%)*	Add $3-A-Day *(Value+ Protector II projected @ 5.00%)*	Add $8-A-Day *(Max Accumulator+ II projected @ 6.00%)*
Premiums Age 35 – 70	$150 / month *($1,800 / year)*	$240 / month *($2,880 / year)*	$390 / month *($4,680 / year)*
Cumulative Premiums	$63,000	$100,800 *($63,000 + $37,800)*	$163,800 *($63,000 + $100,800)*
Accumulation Age 70	$103,000	$204,000 *($103,000 + $101,000)*	
Distributions Age 71 – 95	$0	$400,000 *($16,000 x 25)*	

Based on current federal income tax law. Assumes the use of withdrawals to basis and/or policy loans. If the policy is classified as a modified endowment contract (see IRC section 7702A), withdrawals or loans are subject to regular income tax and an additional 10% tax penalty may apply if taken prior to age 59 ½.
Death Benefits are generally excludable from the beneficiary's federal taxable income under most circumstances and under current federal income tax law.

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Their total premiums would now be about $163,800 from age 35 to age 70…
That's about $100,000 of additional premium over that 35 year period.
What is that projected to be worth at age 70?

What Can Permanent Life Insurance Do?

Male, Age 35 Preferred NT $300,000 DB	Minimum Funding *(Value+ Protector II projected @ 5.00%)*	Add $3-A-Day *(Value+ Protector II projected @ 5.00%)*	Add $8-A-Day *(Max Accumulator+ II projected @ 6.00%)*
Premiums Age 35 – 70	$150 / month *($1,800 / year)*	$240 / month *($2,880 / year)*	$390 / month *($4,680 / year)*
Cumulative Premiums	$63,000	$100,800 *($63,000 + $37,800)*	$163,800 *($63,000 + $100,800)*
Accumulation Age 70	$103,000	$204,000 *($103,000 + $101,000)*	$451,000 *(103,000 + $348,000)*
Distributions Age 71 – 95	$0	$400,000 *($16,000 x 25)*	

Based on current federal income tax law. Assumes the use of withdrawals to basis and/or policy loans. If the policy is classified as a modified endowment contract (see IRC section 7702A), withdrawals or loans are subject to regular income tax and an additional 10% tax penalty may apply if taken prior to age 59 ½.
Death Benefits are generally excludable from the beneficiary's federal taxable income under most circumstances and under current federal income tax law.

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Their projected account value would be around $451,000 at age 70…

So they paid an extra $100,000 in premiums, and generated a projected increase in the age 70 account value of almost $350,000.

But that's not where this story ends. *(continued on next slide)*

What Can Permanent Life Insurance Do?

Male, Age 35 Preferred NT $300,000 DB	Minimum Funding *(Value+ Protector II projected @ 5.00%)*	Add $3-A-Day *(Value+ Protector II projected @ 5.00%)*	Add $8-A-Day *(Max Accumulator+ II projected @ 6.00%)*
Premiums Age 35 – 70	$150 / month *($1,800 / year)*	$240 / month *($2,880 / year)*	$390 / month *($4,680 / year)*
Cumulative Premiums	$63,000	$100,800 *($63,000 + $37,800)*	$163,800 *($63,000 + $100,800)*
Accumulation Age 70	$103,000	$204,000 *($103,000 + $101,000)*	$451,000 *(103,000 + $348,000)*
Distributions Age 71 – 95	$0	$400,000 *($16,000 x 25)*	$970,000 *($38,800 x 25)*

Based on current federal income tax law. Assumes the use of withdrawals to basis and/or policy loans. If the policy is classified as a modified endowment contract (see IRC section 7702A), withdrawals or loans are subject to regular income tax and an additional 10% tax penalty may apply if taken prior to age 59 ½.
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Their projected distributions using policy loans would be $38,800 per year for 25 years… a total of about $970,000 of income-tax-free supplemental retirement distributions.

Just ask your client if they'd consider paying an extra $8-per-day of premium if it could potentially result in nearly a million dollars of income-tax-free retirement distributions.

What Can A Few Dollars-A-Day Do For You?

A few dollars-a-day has the potential to provide cash values that you can access to provide additional financial flexibility during retirement.

Contact your agent or financial advisor to explore the options, and make your life insurance policy an important part of your overall financial plan.

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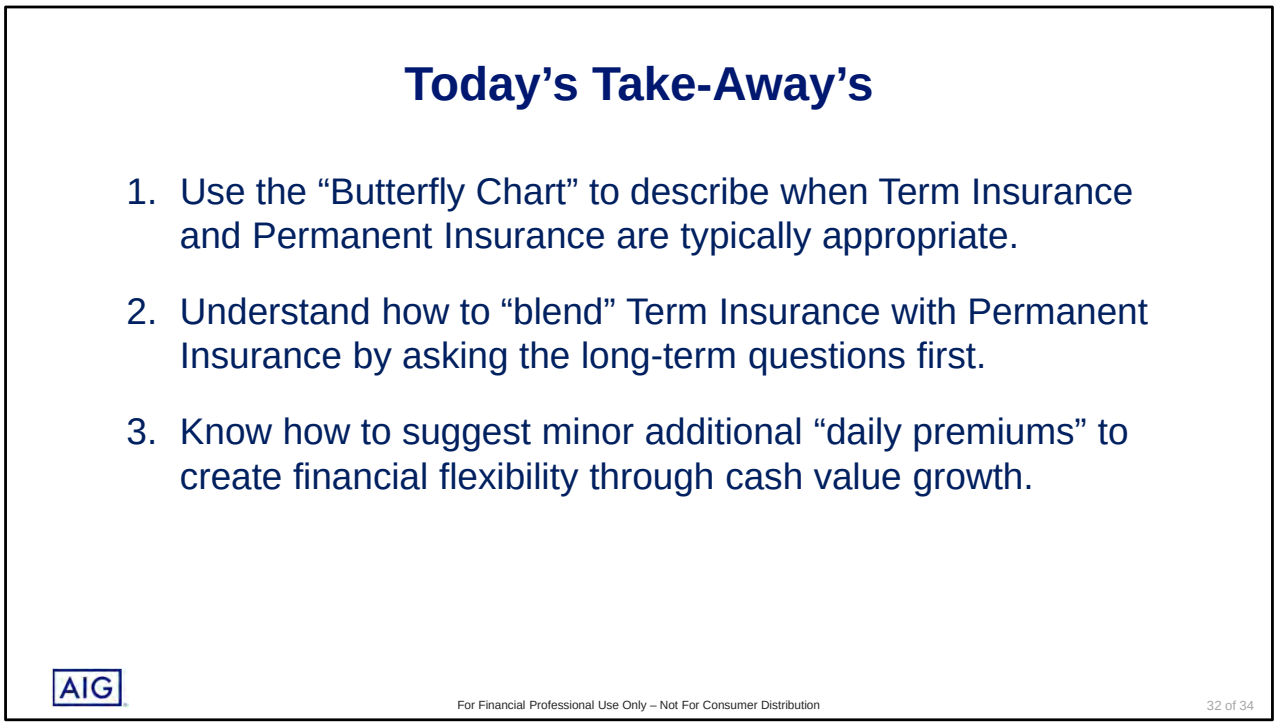
As you can see, a-few-dollars-a-day can make a LOT of difference.

Once you've purchased a permanent life insurance policy, like Index Universal Life, you acquire a collection of tax benefits that you can use to your advantage to create a future of financial security while you're alive, and for your loved ones when you die.

The extra few dollars-a-day has the potential to provide cash values you can access to provide additional financial flexibility during your retirement.

Contact your agent or financial advisor to explore the options, and make your life insurance policy an important part of your overall financial plan.



Hopefully you learned a few key points today, such as:

1. How to use the "Butterfly Chart" to describe when Term Insurance and Permanent Insurance are typically appropriate;

2. How to "blend" Term Insurance with Permanent Insurance by asking the long-term questions first. For example, ask them: *"If one of you enters a nursing home in retirement, how much money would you want your surviving spouse to have to be confident they'll be able to live independently and remain financially secure?"* The answer to that question tells you how much Permanent Life Insurance you should consider recommending. Make-up the balance of their life insurance portfolio with Term Insurance.

3. Know how to suggest minor additional monthly premiums, and how those additional premiums can help create financial flexibility through cash value growth.

If you master these three take-away's, you're well on your way to helping your clients achieve new levels of financial security.

Next Steps

1. Memorize the “Butterfly Chart” story.
2. For each presentation, prepare an illustration for minimum-funding, medium-funding and maximum-funding.
3. Know the math: *How much additional premium per-day?*
4. Discuss the big question: *What are you concerned that you’ll need to give-up for $3-a-day or $8-a-day?*
5. Show them the potential reward they’ll get for their sacrifice.

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So what can you do with what you’ve learned today?

1. Memorize the “Butterfly Chart” story

2. For each sales presentation you make, prepare an illustration for each of the three scenarios: minimum-funding; a few dollars-a-day more; and a few dollars-a-day more than that… something close to the maximum funding limits.

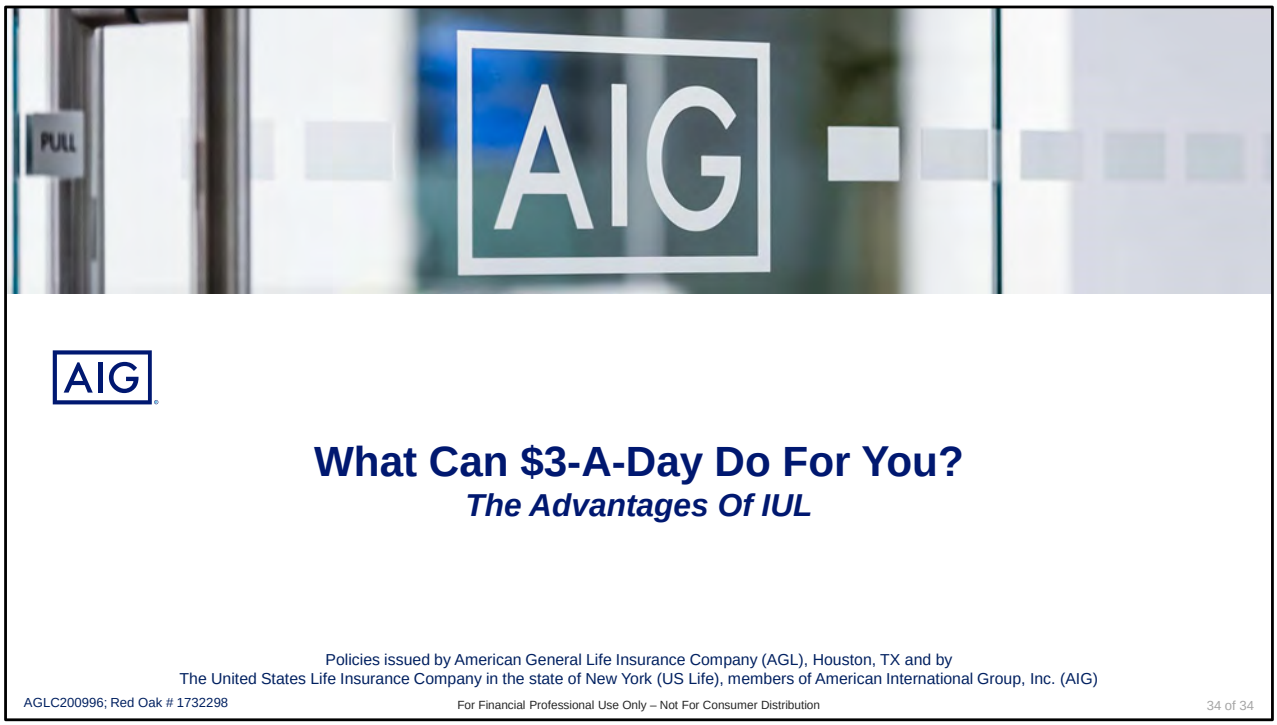
3. Know the math… be able to translate the additional monthly premium into an additional daily premium.

4. Discuss with your client “**the big question**,” which is: ***What are you concerned that you’ll need to give-up for $3-a-day or $8-a-day?***

Discuss whether it’s more important to “give that up” to create the financial security you need for your family… during your working years… and during your retirement years.

5. Be able to show them the potential reward they’ll get for their sacrifice… *This much additional premium-per-day can turn into this much additional income-tax-free supplemental retirement income. (Based on current federal income tax law.*

Assumes the use of withdrawals to basis and/or policy loans. If the policy is classified as a modified endowment contract (see IRC section 7702A), withdrawals or loans are subject to regular income tax and an additional 10% tax penalty may apply if taken prior to age 59 ½.)



Hopefully you learned something valuable about permanent life insurance, and how to use the tax advantages to create additional financial security.

Thanks for joining me today.
Here at AIG we'll continue providing you with the products, the services, and the people that are the hallmark of AIG's reputation.

And I'd like to thank you for everything you do, every day, to help your clients achieve and protect their lifetime of financial security.