



Pay the Mortgage Early

When **Kevin Smithson and his wife, Gloria**, purchased their new house, he approached his insurance agent about getting additional life insurance to cover the mortgage in the event of his untimely death. He assumed his agent would suggest an inexpensive term life policy. However, Kevin was surprised when the agent presented a permanent life insurance policy with a Mortgage Balance Analysis run on the Sales Solutions illustration software.

Situation: Kevin could either purchase a term life policy to cover the mortgage in the event of his death, or a permanent life policy and use the income tax savings to more than just cover the mortgage.

The agent gave Kevin the following options:

1. In the event of his death, Kevin's mortgage could be paid off.
2. Sometime between years 20 and 21, the cash value of the permanent policy is projected to be greater than the remaining mortgage balance. At that time, Kevin could use the cash value to pay the mortgage balance. This would save him approximately \$37,000 in future interest payments. It would also allow Kevin to have the mortgage paid before he retired.
3. In the event Kevin and Gloria decided to move into another house, the policy could be used to cover a new mortgage. It could also be used as a source of down payment if needed.
4. If Kevin decided not to pay off the mortgage balance, he and Gloria could continue to use the policy as life insurance protection, supplemental retirement income, or a source of emergency funds in later years.

If Kevin purchased the term policy, only option #1 would apply. If Kevin purchased a permanent policy, such as Lifetime Builder Series II Indexed Universal Life, options #1, #2, #3 and #4 apply to his situation.

Conclusion: Kevin could see the obvious benefits that the permanent policy had over the term policy, since it offered him greater planning opportunities for mortgage payoff, insurance needs and retirement planning.

■ Solution: Lifetime Builder Series II

Male, age 43, standard, non-tobacco, 3,600 annual premium until age 65
\$250,000 initial face amount

Mortgage Information

Mortgage Amount: \$250,000
Loan Interest Rate: 6%
Monthly Payment: \$1,498.88
Term: 30 Years

End of Year	Age	Annual Outlay	Years to Pay Mortgage	Sum of future mortgage payments	Sum of future interest payments	Mortgage balance	Non-Guaranteed cash surrender value	Non-Guaranteed Death Benefit
1	44	\$3,600	29	\$521,607	\$274,677	\$246,930	\$0	\$250,000
10	53	\$3,600	20	\$359,727	\$150,514	\$209,214	\$29,139	\$250,000
20	63	\$3,600	10	\$179,862	\$44,855	\$135,007	\$105,491	\$250,000
21	64	\$3,600	9	\$161,875	\$37,031	\$124,845	\$116,306	\$250,000
23	66	\$0	7	\$125,902	\$23,302	\$102,600	\$132,772	\$250,000
30	73	\$0	0	\$0	\$0	\$0	\$214,879	\$250,000
40	89	\$0	0	\$0	\$0	\$0	\$449,901	\$472,396
50	93	\$0	0	\$0	\$0	\$0	\$924,220	\$942,705
57	100	\$0	0	\$0	\$0	\$0	\$1,523,020	\$1,553,480

At age 100, the policy has approximately \$1.5 million in death benefit

Amount saved in interest payments if mortgage was paid off early

Between policy years 20 and 21, the cash value is projected to be greater than the mortgage balance, which would allow the mortgage to be paid off

If Kevin chooses to not pay off the mortgage, the cash value is available for a down payment on another home or for supplemental retirement income