

Wealth Enhancer



Grace Allen is 63 years old and has \$100,000 that she would like to set aside for her children. Currently, her income needs are being met and she does not need the money. However, Grace would like to have access to the money in case the need arises. She has a couple of choices to choose from for her money.

Using Life Insurance

Purchase an Advantage Builder Series III life insurance policy with a No-Lapse Guarantee to age 121.

- A single premium of \$100,000 would provide an initial death benefit of \$264,966.
- Though the life insurance policy would be a modified endowment contract (MEC), it provides an income-tax free death benefit, which an annuity does not.
- After 20 years, the non-guaranteed death benefit of the life policy is \$314,262.
- If Grace lives to age 100 it is projected that her death benefit could be over \$1 million based on current assumptions.

Using a Fixed Annuity

Purchase a traditional fixed annuity with a single premium of \$100,000.

- Initial premium of \$100,000 would provide an initial death benefit of \$100,000.
- The gain in the annuity policy is taxable to beneficiaries at Grace's death.
- If Grace's beneficiaries are in the 30% income tax bracket, the annuity would need to grow to over \$370,000 before the death benefit would be equal to that of the Advantage Builder Series III initial guaranteed death benefit.

Access to Money

Since the life insurance policy is a Modified Endowment Contract, Grace would have to pay income taxes on any withdrawals or loans to the extent of any gains in the policy. Withdrawals and loans from the MEC life policy would be taxed the same as the annuity. In addition, if she took money from the Advantage Builder Series III policy, the No-Lapse Guarantee Rider could be lost if the amount needed to fund the Rider is not made up within five-years.

Conclusion: After reviewing her options, Grace chose the life insurance policy, because she had the opportunity to leave substantially more to her children while still having access to her money in case of an emergency.

Advantage Builder Series III

Female, age 63, Standard, non-tobacco, single premium of \$100,000, \$264,966 initial face amount

End of Year	Age	Annual Outlay	Non-Guaranteed Cash Surrender Value	Non-Guaranteed Death Benefit
1	64	\$100,000	\$90,023	\$264,966
10	73	\$0	\$153,702	\$264,966
16	79	\$0	\$227,413	\$264,966
20	83	\$0	\$229,297	\$314,262
30	93	\$0	\$602,238	\$614,283
37	100	\$0	\$984,729	\$1,004,424

← Growing at a 7% interest rate, it would take the annuity 22 years for the after-tax death benefit to equal the guaranteed death benefit of the life policy. However, after 24 years, the non-guaranteed death benefit of the life policy is over \$400,000.

- 25% Tax Bracket

↑ At age 100, the cash value and death benefit are projected to be approximately \$1 million.

This chart shows projected non-guaranteed values. Not valid without full basic illustration.