

## Indexed Universal Life (IUL) Explanation including Index Cap & Annual Reset Defined

### **It is all about averages**

If you didn't experience losses during the decade of zero, (2000-2010) we're sure you know someone who did. Wouldn't it be nice to sleep at night knowing you will never have another down year again. An IUL can create a conservative growth alternative for a portion of your retirement assets. If you don't lose and get a portion of the upside you could have good average returns without the up and down stress most experience having their money in the actual stock market.

### **First and Foremost**

Almost all of the plans we create using Indexed Universal Life (IUL) are created for maximum conservative growth with no losses to principle during downturns.

Our goal is to have the lowest cost possible for the life insurance portion of this plan. Life insurance is included in these plans but we fund for minimum life insurance to achieve maximum conservative growth potential. This plan will only work if you are in reasonably good health. We will help you through this process.

**Index Choices** — The most common index with most products is the S&P 500. Several companies have multiple indexes to choose from. Including S&P 400, Nasdaq, Russell 2000, Euro 50 and a combination of indexes. Ask your representative which ones are available in the program you choose.

**Annual Cap** — Is the most you can make each anniversary period. If the Cap is 12% , then the most you can make in one year is 12% no matter what the index does during that period.

**Annual Reset** — You would realize your annual gains one year from the date you chose a specific index or fixed account. For example: The index you choose goes up 18% and the annual cap is 13%. You would be credited the 13% on that portion of your allocations. You can also make changes to your allocations at the anniversary date.

## **No Losses after a major stock market crash**

What if on your anniversary date your index had lost 40% during the year. With an Indexed Universal life (or “IUL” for short) you lose 0. In other words “Zero is your Hero”. You were protected from a major downturn. This is one of the greatest benefits of this product , along with first dollar gains potential your next anniversary date.

## **First Dollar Gains on your next anniversary**

People unlucky enough to have been in the actual stock market during a major crash will have to wait until they recover their losses before they have any gains. Not with an IUL. You don't have to wait to recover losses because you had none.

If the index you choose returns gains the following year after a loss you will receive all those gains up to your annual cap. While there have been a few years that the market had more than 1 year of losses, the majority of the time it has been 1 year cycles.

## **Monthly Annual Anniversaries**

If you understand Annual Reset you will love having more growth opportunities with what we call month-a-versaries. For Example: with Indexed Annuities you only have 1 anniversary. The day you put your money in and the next anniversary of that day a year later. If the market goes up most of the year and then goes back down to where it started a year later you will have little to no growth for that year.

By dividing your money into multiple buckets. i.e You want to put in 480k. You would put in 40k a month over 12 months. You now have 12 separate anniversaries of each 40k deposit. Each bucket can't go down. Resets at the bottom and gets 1<sup>st</sup> dollar up next year and captures up to the cap each annual anniversary. It's essentially like having 12 separate policies in one, with multiple opportunities for gains and resets. In this way you have what we call permanent dollar cost averaging with NO DOWNSIDE RISK. You will be able to go online and see your returns every month.

If you want to give us all your money at once we can set it up with a Systematic Premium Allocation where your money earns a fixed return as it goes into the monthly buckets. You can make changes to your allocations at any time. We will help you with this.

## **Insurance & Company Costs**

You will have costs for insurance and company expenses. Costs vary and there are two ways to fund your plan.

### **Plan 1 Longer Term Plan** **to create TAX FREE Income in Retirement**

You need a longer term time frame to achieve this plan. Minimum 5-20 years growth before you take any withdrawals. Most people who only defer 5 years are putting in LARGE sums each year. Check with our professionals as to the max funding amounts allowed each year to make sure your money comes out tax free.

The longer funded plans are funded at government set annual limit levels with minimum amount of life insurance. The reason to use this is to fund your plan over time and to have extremely favorable tax treatment on your retirement income . There are ways to make sure your retirement income is tax free and will not show up on your tax returns and will not count towards social security. We will go over this in detail when we help set up your plan. These 2 reasons are the increase popularity of this type of plan.

## **Plan 2 - Super Max Funded Annuity Alternative**

### **Also used as a Bond, CD or Safe Money Alternative**

Millions of dollars are funding this type of plan. The secret is out. There is an alternative to a Fixed & Indexed Annuity and ( none of the risk of a Variable Annuity). It has many of the same benefits of the fixed and indexed annuities, but with almost double the Caps. It is called a MEC.

### **Many of the same features of an Indexed Annuity**

Lowest Insurance Cost Possible for an IUL plan

Tax Deferred Growth

No Losses during down years

**Caps as High as 14%**

**Fees** – (Insurance & Company charges) for a Person with Preferred Health are around 2% Annual Costs (Costs decrease substantially after the 10<sup>th</sup> year)

**Only taxed on the income you take out.**

Great place for money sitting in low interest rate accounts

You have access to much more of your money than an annuity

Can take out just your growth or more. ( You choose the income that you want each year.)

You can roll this into an annuity in the future if you want

There is a No Surrender version available (costs are a little bit higher to have this option)

Under 59 ½ withdrawals have 10% Government penalty

Death Benefit is tax free to your heirs

## **Death Benefit**

This is in a life insurance policy. From day one the Death Benefit is passed to your beneficiaries free of taxes. ( up to estate tax max which is currently extremely high)

If you have a net worth more than 5.25 million for one person or 10.5 million for a couple, you will need to do some estate planning. Possibly an ILIT.