

# Index Universal Life

A Risk Averse Approach to Retirement Planning

## Indexing Out Performs Active Management

John Bogle, founder of the Vanguard Index Fund family, and many prominent economists and market commentators, have demonstrated conclusively that over the long-term the use of indexed funds will significantly outperform the use of the vast majority of professional money managers. In addition, they conclude that it is impossible to choose, in advance, the handful of managers that will outperform a broad-based index during any given period of time.



**John Bogle**

Some, like Peter Fitzgerald, U.S. Senator from Illinois, go so far as to say, "The mutual fund industry is now the world's largest skimming operation, a \$7 trillion trough from which fund managers, brokers and other insiders are steadily siphoning off an excessive slice of the nation's household, college and retirement savings."

## But Indexing Isn't Enough

Although investing in a broad-based market index can reduce fees and eliminate the guessing game associated with active management - it doesn't take into account several important factors that should be considered when developing a retirement strategy. Three additional factors need to be considered. First, most respected market prognosticators predict that the market will be less robust in the foreseeable future than it has been in the past. Consequently, one should consider the use of strategies that will perform well in a less robust market environment. Second, we live in tumultuous times, where anything can happen. As a result, we should carefully consider the use of downside protection to prevent a major loss due to geopolitical events that are outside of our control. And lastly, one should utilize strategies that maximize tax efficiency.

## The Solution

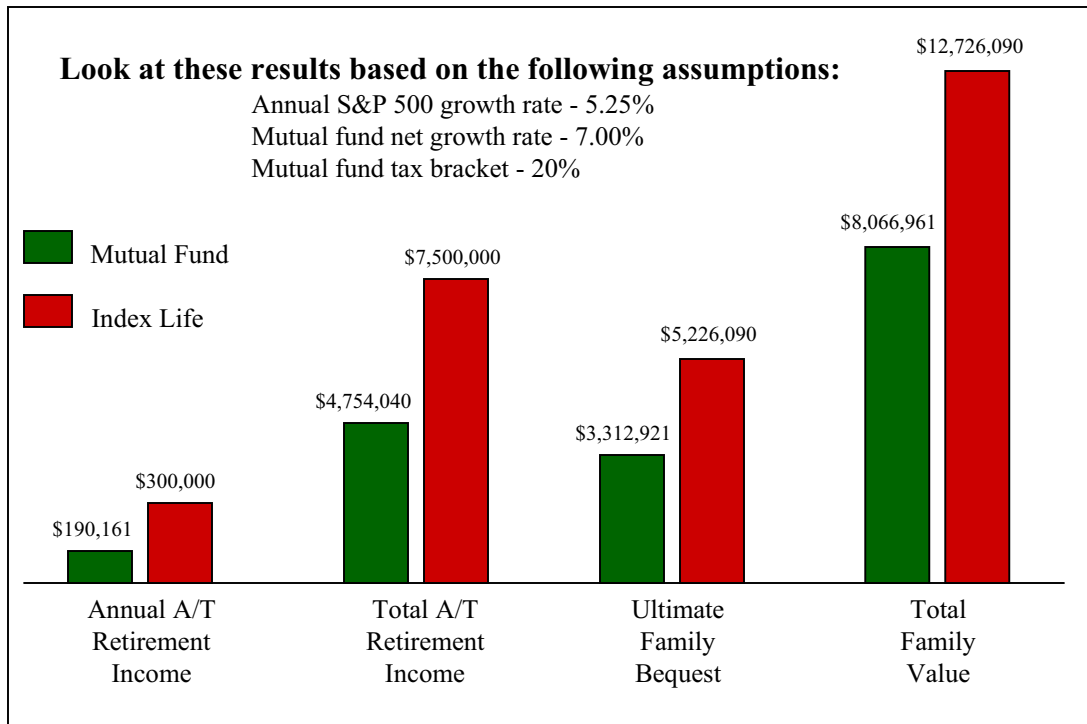
Our special version of Index Universal Life addresses all these issues. First, cash value growth is linked to the performance of a broad-based market index - the S&P 500 Index. Second, the cash value growth equals 140% of the S&P 500 growth, up to a maximum of 10%, therefore, providing a robust return in a less robust market. Third, the cash value never declines as a result of a market decline -thus providing complete downside market protection. And lastly, cash value growth, distributions in the form of policy loans, and the ultimate death benefit are completely tax free.

## Dynamic Loan Provision Leverages Gains

As mentioned above, distributions from life insurance policies are taken in the form of loans to avoid taxation. Most traditional life policies provide preferred loans, where interest charged for the loan is credited back in the same amount to the cash value. Our Dynamic Loan Provision credits back to the policy 140% of the S&P 500 growth rate, which under even the most conservative assumptions, will create a profit on borrowed funds. This positive arbitrage significantly increases the internal rate of return on the policy cash values. For example, if the S&P 500 index were to grow at a rate of 5% a year, the policy's lifetime IRR would equal over 8%, tax free, with no market risk after all policy expenses.

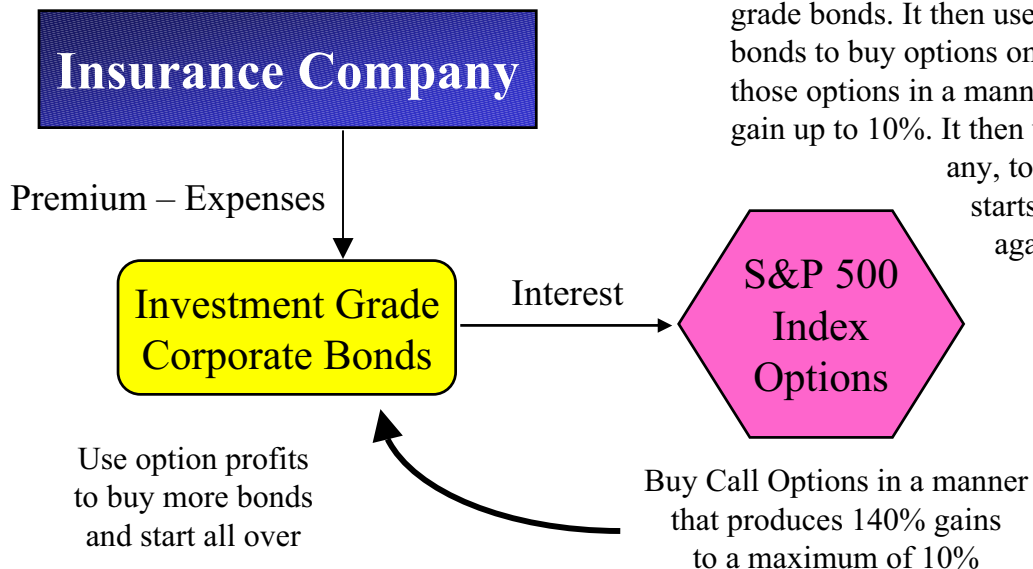
## Take a Look at How Powerful Index Life Can Be

John and Mary are both 48 and are concerned about having enough money to retire on in about 15 years. They've saved \$750,000 which is invested primarily in equity-based mutual funds and save another \$60,000 a year. They realize the market risk associated with their investments, but feel that they must take that risk in order to reach their retirement goals.



By using our unique indexed universal life policy, John and Mary can reduce their risk, costs and taxes associated with their current investments and have a better chance of reaching their retirement objectives. In this example, John and Mary reallocate their current mutual fund investments to the Index Life policy over five years and put their \$60,000 annual savings in the policy, as well.

### How Can the Insurance Company Do It?



The insurance company takes your premiums minus its expenses and invests them in investment grade bonds. It then uses the interest off those bonds to buy options on the S&P 500 Index. It buys those options in a manner that produces a 140% gain up to 10%. It then uses the option profits, if any, to purchase more bonds and starts the whole procedure over again.