

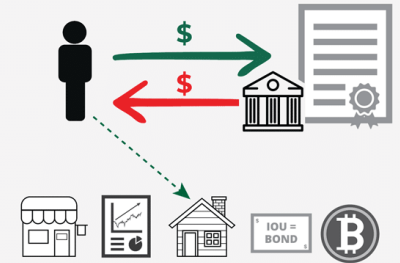


# IUL: The Truth Behind the Hype of Indexed Universal Life and its True Value

By BankingTruths.com

This report discusses how IUL (and other insurance products) can act as your own private bank before retirement & portfolio hedge during retirement.

First, let's dispel the most common hype around IUL that is overplayed and downright misleading:



## Bold False Claims & Half Truths:

**False Claim:** "IUL performs better than actual Index Funds"

**Truth:** The stock market will outperform IUL in all but the worst timeframes

**Half-Truth:** "IUL gives you market gains without the market risk"

**Truth:** IUL's gains will often be limited by caps & participation rates

**Half-Truth:** "IUL is a risk-free proposition"

**Truth:** IUL insulates against market losses, but fees may cause declines

**Half-Truth:** "IUL premiums are totally flexible"

**Truth:** If you're too flexible with IUL then performance won't be optimal

**False Claim:** "You pay yourself back when borrowing from IUL"

**Truth:** Whether you choose to make loan payments or not, the insurance company will accrue interest against your cash value acting as collateral.

*It feels like you're paying yourself back because most companies have loan options with the potential for positive arbitrage with indexing.*

**This embedded loan feature presents a unique opportunity for Indexed Universal Life to act as your own private bank and retirement vehicle.**



You should **NOT** be using Indexed Universal Life to replace stocks in your overall portfolio. That's not IUL's highest and best use at all.



**Consider IUL or Whole Life to complement & diversify your portfolio!**



# Your Star Pitcher Can Only Be Mediocre Without A Relief Pitcher

I've got several great resources for you at the end of this report, one of which is from fellow industry author Tom Wall PhD 1:

The reason your star pitcher can throw innings worth of **FIREBALLS...**



## Your Stocks



...is because of that solid relief pitcher waiting in the bullpen to takeover. Otherwise, your star pitcher can only throw at 60% speed all 9 innings.



## Your IUL/WL Policy

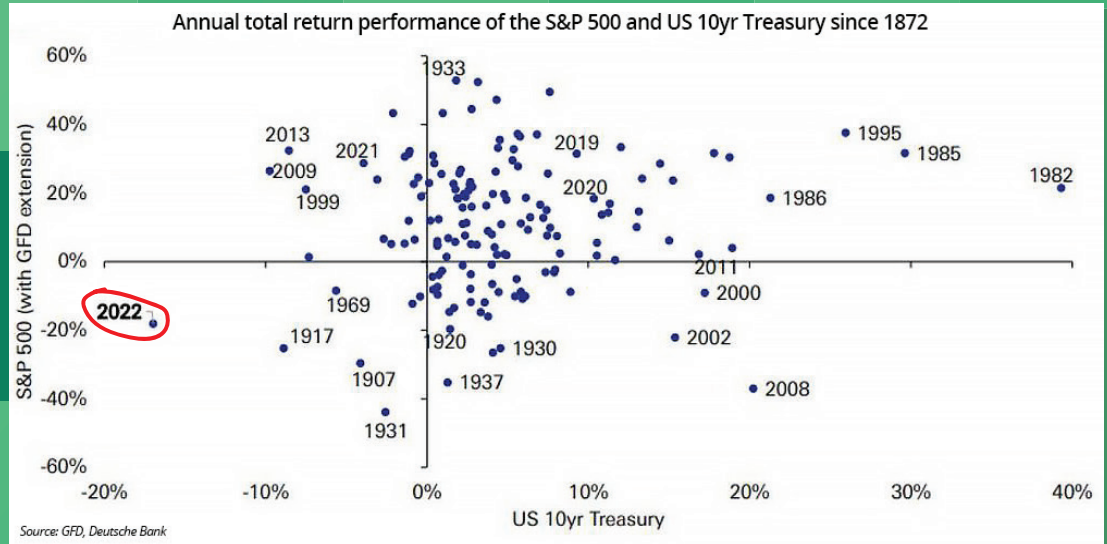
**But when you have this reliable relief pitcher, your star pitcher can cut loose and do what he does best to rack up that lead in the big game.**

# Are bond funds the “relief pitcher” in your 70/30 portfolio or Target Date fund?

Maybe your bonds even need their own relief pitcher...

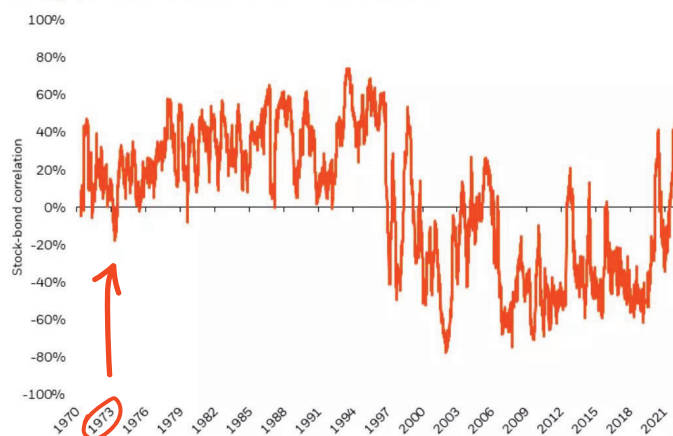
...or perhaps it's time to put bonds on the injured reserve list!

This scatterplot by Deutsche Bank shows how bonds lost about as much as stocks in 2022:



## Stock/bond correlation is now significantly positive

Rolling 3-month correlation of U.S. stocks and bonds

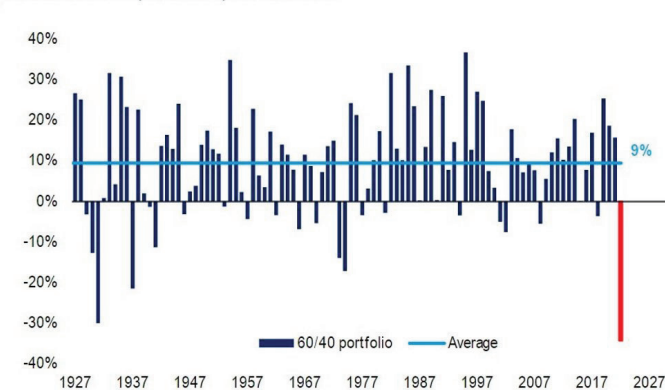


Similarly, BlackRock in their “2023 Fixed Income Outlook”<sup>2</sup> demonstrates how the stock/bond correlation is rising rapidly.

Notice how this same level of correlation started rising in 1973, the last time inflation reared its ugly head. Perhaps what's old will be new again.

## "60/40" portfolio ann. worst YTD return in past 100 years

Annual 60/40 portfolio performance



Just look at what happened in 2022 which led to disaster for the so-called balanced 60/40 portfolio (60% stocks & 40% bonds).

**Even properly diversified investors were punished!**





# How Insurance Products Like IUL Can Provide Relief in Retirement



Here are 3 areas where insurance products can save the game as relief pitcher:

1. Using IUL or Whole Life as your mid-term cash reserves on the way to retirement
2. Drawing income from your insurance when stocks are down (or taxes are high)
3. Segregate 10 years of savings to grow safely in laddered insurance products.

**Let me tell you why #3 is so important...Studies show the 10-15 years leading up to retirement are very vulnerable as are the 10-15 years after!**

Any major losses then can irreparably cripple your portfolio causing you to:

- Draw significantly less income
- Go back to work for a few more years
- Hope you run out of breath before running out of money

**You CAN'T control what the stock market does...**

**But you CAN control your exposure to it.**

*Is the potential for extra gains here really worth the risk of running out of money?*

Even if you were 100% allocated to stocks during this period and got gains, you'd still be playing with fire if you start taking more than 4% income adjusted for inflation.

Did you know that historically a portfolio of 100% stocks actually has less chance of sustaining 4% retirement withdrawals over 30 years than a diversified portfolio made up of 50% stocks and 50% bonds?

**See for yourself...**



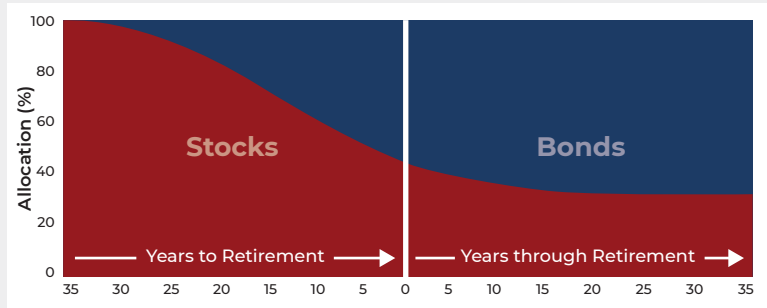
Run your own calculations with Vanguard's easy-to-use [Monte Carlo Calculator](#).<sup>3</sup>

You'll find that balancing stocks with less volatile assets produces higher success rates (especially if the less volatile assets provide additional protection and utility).



# Common Retirement Planning Causes Common Results

Common retirement planning recommends continuously ramping down your exposure to stocks as you get older. Most major mutual fund companies even make “Target Date Funds” or “Lifecycle Funds” that do this for you internally:

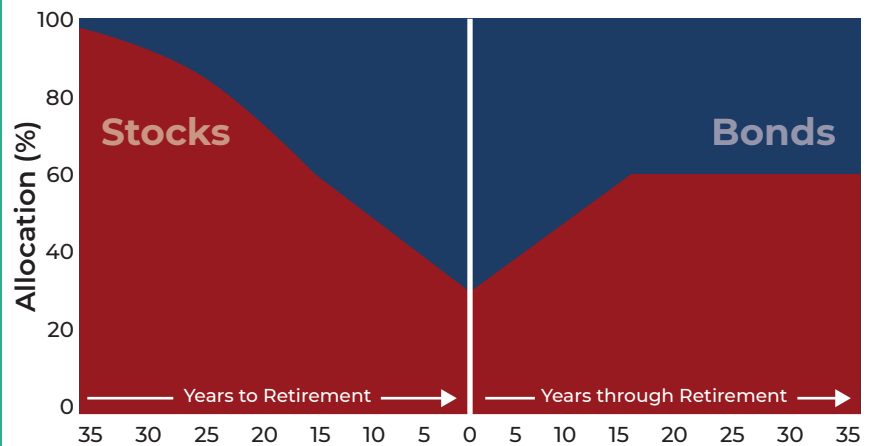


Conventional wisdom has you systematically reduce your allocation to stocks as you get older. The idea is that you can only handle the volatility while you're young, but not as you get deeper into retirement. So you shift to less volatile bond funds.

***Is this allocation glidepath optimal?***  
***Studies say NO!***

Multiple studies have found that retirees can better protect against the risk of running out of money by reducing their risk before retirement substantially. Retirees can then start incrementally ratcheting back up their allocation to stocks once they get clear of this early retirement

**DANGER ZONE!**<sup>4,5</sup>



Notice the allocation mix drops down to as low as 30% stocks & 70% bonds when retirement starts, but steadily increases the allocation back to just over 60% stocks. This dropping then rising glidepath fared better across multiple timeframes more so than any static portfolios, even the more aggressive allocations.

These studies suggest segregating a decade or more worth of income into bonds and shorter-term T-bills and spending them down rather than stocks while also dollar cost averaging back into an even heavier stock allocation.<sup>4,5</sup>

# Here's How To Take Portfolio Protection To The Next Level!



Many of the study's failed timeframes included the 1970s-1980's where inflation caused increased stock/bond correlation as BlackRock showed happening again.

Studies further revealed when high stock/bond correlation occurs, that retirees would've been better off out of bonds and in pure T-bills (like 1-year CDs or less).<sup>6</sup>

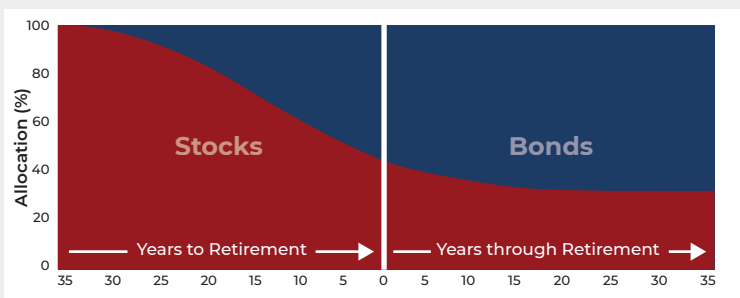
## Insurance Companies Offer T-Bill Risk With Bond-Like Returns... Or Better!<sup>7</sup>

- ✓ Seasoned IUL policies have guaranteed 0% floors less fees (0.75% - 1.75%)
  - People pay that or more for managed portfolios with NO FLOOR
- ✓ Whole Life policies grow guaranteed every year even if no dividends are paid
  - Bonds fluctuate and are often sold at a loss if you need the principal
- ✓ Fixed Annuities are principal protected with fixed rates or index crediting options
  - Some products have an optional 1% fee for a lifetime income rider

*Will bond funds keeps paying you guaranteed mailbox money after they go to zero?*

You're actually allowed to buy Fixed Annuity products using IRA funds. BlackRock recently started offering annuities within their institutional 401(k) plans.

*Think about it... If you have some Target Date or Lifecycle funds then what utility did those bonds provide in 2022?*



Here's what CNBC reported about different types of bond returns in 2022:<sup>8</sup>

	2022 return	Previous worst-performing 12-mo. period	Return
Intermediate-term U.S. Treasurys	-10.6%	Oct 1994	-5.6%
Total bond	-13.1%	Mar 1980	-9.2%
Long-term U.S. Treasurys	-29.3%	Mar 1980	-17.1%
Long-term investment grade	-27%	Jan 1842	-22.9%

Table: Gabriel Cortes / CNBC  
Source: Analysis by Edward F. McQuarrie, professor emeritus, Santa Clara University

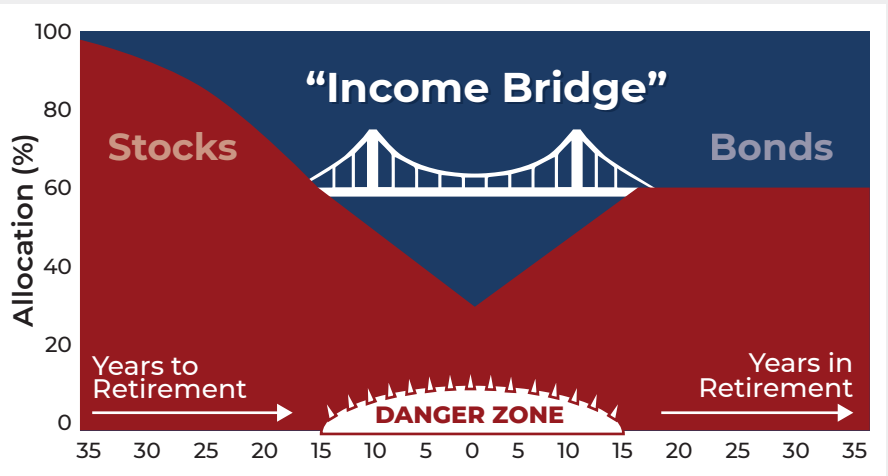
## Bonds, you had one job!

Why not create genuine principal protection with layers of different insurance products since bonds failed investors in 2022 and likely face an uphill battle?

# "The Income Bridge"

Just like money managers will often ladder traditional bonds to generate income across multiple time frames,

You can layer this kind of principal-protected "income bridge" to carry you through the DANGER ZONE around your retirement date.

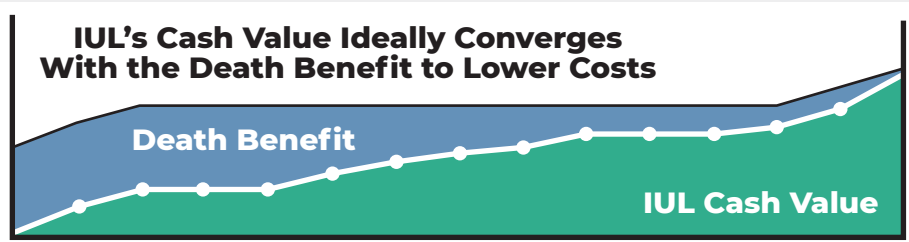


- Principal-protected annuity products can protect portions of your IRA/401(k).
- IUL and Whole Life policies can be structured for dynamic inflows and outflows.

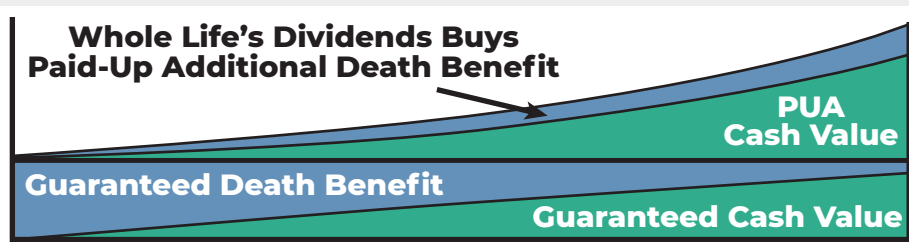
*This combination of insurance products can absorb future funds to grow them safely.*

**Some of you may be skeptical about ratcheting down your holistic allocation to only 20%-40% stocks by your retirement date. Keep in mind these rising allocation mixes did the best across multiple timeframes with 30% being historically optimal.**

Certain IUL products can provide sufficient equity exposure with miniscule downside risk from IUL's 0% floor less ongoing fees (which can be minimized).



Whole Life's dividend component acts like an adjustable-rate bond only with a rising floor thanks to guaranteed growth backed by stalwart mutual companies.





# Enough About Risk, What About Taxes?

It's true you can only pay Whole Life or IUL premiums with after-tax dollars, but that may be a blessing in disguise.

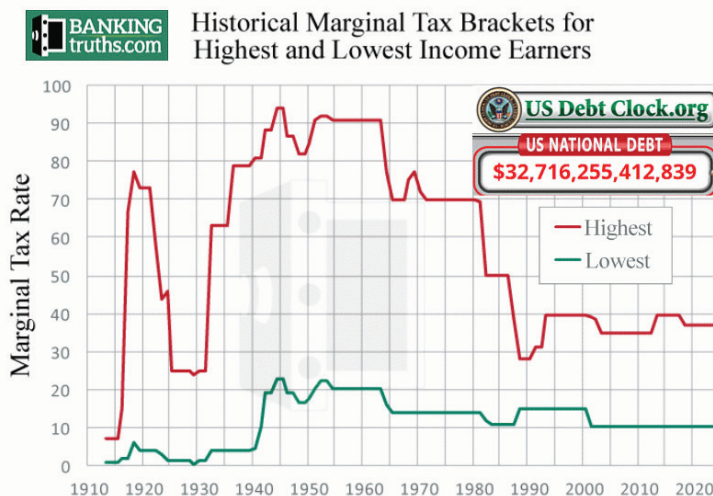
In addition to steadily increasing your allocation back into stocks as the studies suggest, you may want to systematically withdraw funds from your IRA or 401(k) throughout retirement. Too much tax-deferral can be a problem since adverse legislation may drastically change your tax rate in the future.

Did you know that at the end of 2025, taxes are set to rise for everyone?

2017/2026 Brackets*		2023 Brackets	
Married Filing Jointly		Married Filing Jointly	
Tax Rate	Income Between	Tax Rate	Income Between
10%	\$0 - \$19,050	10%	\$0 - \$22,000
15%	\$19,051 - \$77,400	12%	\$22,001 - \$89,450
25%	\$77,401 - \$156,150	22%	\$89,451 - \$190,750
28%	\$156,151 - \$237,950	24%	\$190,751 - \$364,200
33%	\$237,951 - \$424,950	32%	\$364,201 - \$462,500
35%	\$424,951 - \$480,050	35%	\$462,501 - \$693,750
39.6%	\$480,051+	37%	\$693,751 +

\* Pre/post-TCJA brackets thresholds may differ

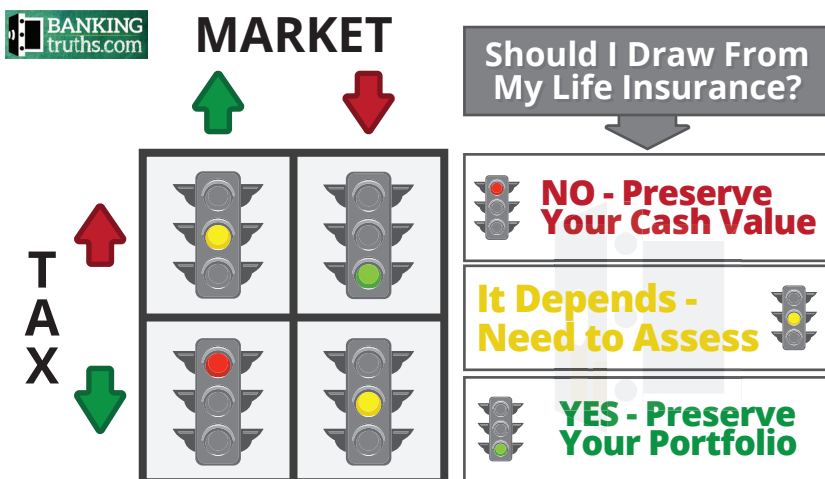
I can think of over 32 trillion reasons why tax rates will likely get even higher.



So rather than think of IUL or Whole Life policy as another bill, think of it as starting an account that never gets taxed again while also being immune from market risk.

Even if you can only pay minimum premiums leading up to retirement, at least you've created a source for reliable growth as well as supplemental tax-exempt income.

Assuming you had the foresight to fund IUL or Whole Life as the "relief pitcher" or "income bridge" for your stock portfolio, you could use our "Red, Yellow, Green Light Decision Matrix" to pull from your life insurance when its most needed in retirement.



# What's the Next Step?

Ok, so how does one get started incorporating insurance products as your “income bridge”?

Everybody's situation is different, so we suggest booking a slot on our calendar for a free custom consultation with one of our licensed specialists.

For now, I'll speak in generalities below for the sake of educational purposes:



## Considerations Leading Up to and Around Early Retirement:

- Read the studies and consider reducing risk around your retirement date
- Examine how both your after-tax and your retirement accounts are allocated
- See how your bond holdings performed in 2022 and look at their current yield
- Explore different types of principal-protected annuity options for pre-tax funds
- Learn if IUL and/or Whole Life would be an ideal receptacle for safe after-tax dollars
- Create your early retirement “income bridge” allowing your stocks to run freely
- Consider a gradual shift from pre-tax accounts (IRAs) into tax-advantaged accounts
- Understand taxes to take advantage of annual “bracket-absorbing” opportunities

### What to expect on this free consult:

- ✓ Have your questions answered on the academic studies behind the strategy
- ✓ Gain an understanding of how your situation can potentially work within it
- ✓ Determine if there would be a good mutual fit in us working together

### What Absolutely WILL NOT Happen:

- ✗ No pressure or pitches
- ✗ No speaking in financial tongues
- ✗ No holding back knowledge “until you buy”

**Book your custom consultation to better understand your options!**

# Bibliography for Footnotes

## 1. Permission to Spend by Tom Wall PhD (originator of the “relief pitcher analogy”)

<https://www.amazon.com/Permission-Spend-Maximize-Retirement-Best-Kept-ebook/dp/B0BQX4YDJZ>

## 2. Blackrock’s 2023 Fixed Income Outlook

<https://www.blackrock.com/sg/en/insights/systematic-fixed-income-outlook>

## 3. Vanguard Retirement Nest Egg Calculator (Monte Carlo simulations)

<https://retirementplans.vanguard.com/VGApp/pe/pubeducation/calculators/RetirementNestEggCalc.jsf>

## 4. Reducing Retirement Risk with a Rising Equity Glide-Path Whitepaper

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2324930](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2324930)

## 5. Safe Withdrawal Rates: A Guide For Early Retirees

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2920322](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2920322)

## 6. Accelerating The Rising Equity Glidepath, With Treasury Bills As Portfolio Ballast?

<https://www.kitces.com/blog/accelerating-the-rising-equity-glidepath-with-treasury-bills-as-portfolio-ballast/>

## 7. Treating Cash Value As A Fixed-Income Investment Choice by Wade Pfau

<https://www.forbes.com/sites/wadepfau/2021/03/23/treating-cash-value-as-a-fixed-income-investment-choice/?sh=5d7c64654af3>

## 8. CNBC Worst Year for Bonds

<https://www.cnbc.com/2023/01/07/2022-was-the-worst-ever-year-for-us-bonds-how-to-position-for-2023.html>

Dig into the data and see for yourself if a “dynamic retirement glidepath with income bridge” is right for you. I’d encourage you to read the source material as well as playing with Vanguard’s Monte Carlo simulator to test the success/failure of different safe withdrawal rates in retirement.

## Additional Learning Resources from BankingTruths.com:

### Know The Pros & Cons of Indexed Universal Life (IUL):

<https://bankingtruths.com/indexed-universal-life-insurance-pros-cons/>

### Indexed Universal Life vs. Whole Life Insurance:

<https://bankingtruths.com/indexed-universal-life-vs-whole-life-insurance/>

### The Infinite Banking Concept Explained:

<https://bankingtruths.com/infinite-banking-concept-explained/>

**Book your custom consultation to better understand your options!**



*This report is intended to be educational and thought provoking only. Consult with properly licensed professionals to test the validity of your retirement strategies before buying or selling any investment or insurance products.*