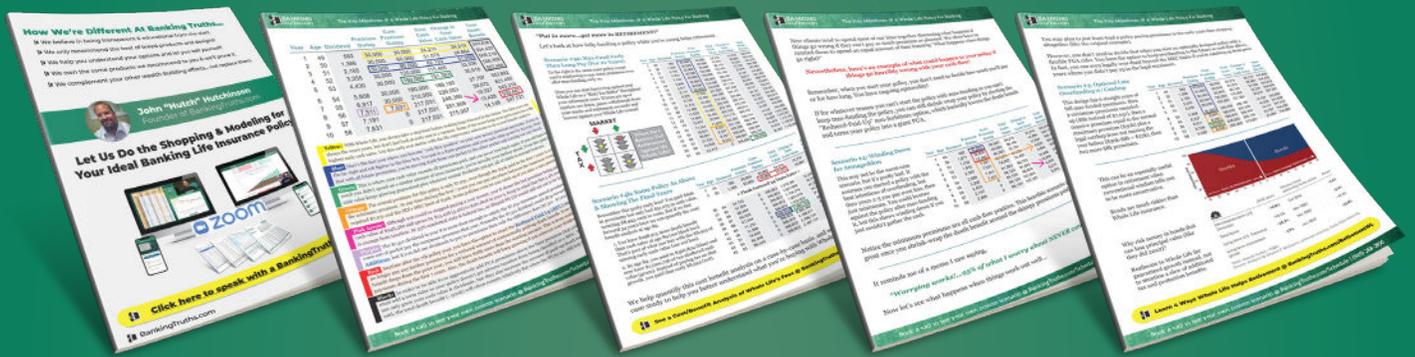




The Key Stages of a Whole Life Policy For Banking: How to Interpret A Life Insurance Illustration

By BankingTruths.com



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The Key Stages of a Whole Life Policy For Banking: How to Interpret a Life Insurance Illustration

Focusing on these WL policy pressure points will help you better evaluate the quality of the policy, the insurance company, and the agent's craftsmanship.

Here are some of the questions & key metrics you should be focusing on:

- *How much in early equity do I lose to fees/costs?*
- *Will the long-term benefits ultimately be worth it?*
- *When am I "cash flow positive" with new premiums?*
- *When will I break even on the total invested capital?*
- *When can I stop paying premiums & is my policy self-sustaining?*
- *How strong is the cash value growth once my policy is self-sustaining?*
- *How much paid-up death benefit do I get when I'm ready to stop paying?*



Obviously, this PDF case study is not your data. However...

- If you are younger/healthier, then the IRS will make you have more death
- If you are older/less-healthy, then we can shrink-wrap less death benefit

So, even though your exact cost structure may vary slightly from this particular case study, it will likely be a lot closer than you think **IF YOU ARE SHOWN A QUALITY POLICY & DESIGN.**

Below are the different assumptions being used in this "Policy Milestones" example case study:

Male, Age 48, Preferred Non-Tobacco
Contract Premium Mode: Annual
Initial Premium: \$30,000.03

Whole Life
Current Dividend Scale

Initial Base Face Amount: \$167,685
Initial Flexible Protection Rider Face Amount: \$335,369
Initial Total Face Amount: \$503,054
Initial Dividend Option: Paid-Up Additions (PUAs)

- Male Age 48
- Preferred Rating (2nd Best)
- \$30,000 max annual premium
- \$3,926 base + \$26,074 PUA/Term
- Current 2025 Dividend (6%) Every Year



Learn the design components of an IBC Whole Life policy @ BankingTruths.com/Products

Year	Age	Dividend	Premium Outlay	Cum. Premium Outlay	Total Cash Value	Change in Total Cash Value	Total Death Benefit
1	49	582	30,000	30,000	24,210	24,210	503,636
2	50	1,366	30,000	60,000	51,075	26,864	504,420
3	51	2,165	30,000	90,000	82,129	31,055	505,219
4	52	3,255	30,000	120,000	115,465	33,336	506,309
5	53	4,430	30,000	150,000	151,383	35,918	507,484
6	54	5,808	30,000	180,000	189,180	37,797	552,892
7	55	6,917	30,000	210,000	229,053	39,872	621,400
8	56	7,511	7,031	217,031	248,380	19,327	643,319
9	57	7,191	0	217,031	261,808	13,428	532,447
10	58	7,631	0	217,031	275,957	14,148	547,721

Yellow: With Whole Life, you always take a step back before making leaps forward in the future. The first years are always the worst years, but don't just look at early cost in a vacuum. Some of the worst long-term performers have the highest early cash value. Use this early cost metric with the life-expectancy milestone to do a cost/benefit analysis.

Blue: Here's the first year where you become "cash flow positive" on your new money premium payments. Focus on the far right and left figures in the blue box. You put in a \$30k premium and your cash value grows by \$31,055. Note that with all future premiums, you're moving \$30k from one pocket to the other pocket and coming out way ahead.

Green: This is where your cash value exceeds all premiums paid, and you never look back again. If you add back how much you didn't spend on a similar amount of term insurance, you're actually even further ahead. From this point your cash value keeps growing guaranteed plus whatever annual dividends you get, all of which is exempt from tax.

Orange: The annual premium for this policy is only \$7,031, even though the \$30k paid in the first 7 years is over 4x the minimum premium. At any time during the first 7 years you can pay anywhere between the insurance company's required \$7,031 and the IRS's MEC limit of \$30k. Some policies even let you catch up if you miss a max premium.

Pink Arrow: Although you could've stopped paying a year sooner, year 8 shows the last premium being paid. The cash value of \$248,380 still grows by \$13,428 (5.4%) to \$261,808 in year 9. Keep in mind that this 5.4% annual growth is exempt from taxation. At 33% combined state & federal tax, an illiquid 8% CD would still net out to be less.

Purple: The \$7,511 dividend in year 8 is more than enough to satisfy the \$7,031 minimum annual premium if you can't come out of pocket pay the minimum premium that year. Normally the \$7,511 dividend would all go towards **Paid-Up Additions**, but if you did use dividends to pay to premiums then only the difference does (\$7,511 - \$7,031 = \$480).

Red: Anytime after the 7th policy year, you have the option to enact the **Reduced Paid Up (RPU) status**, where you no longer pay any further premiums for a reduced amount of contractually paid-up death benefit. Even though the death benefit drops from the prior year, you still have \$28k more than the starting amount. This is from making all the PUA payments during the first 7 years. Also, the death benefit will keep growing if you reinvest your dividends into PUAs.

Black: In order to be able to so aggressively add PUA premiums above the base premium (\$30,000 - \$7,031), you must add a term rider so your policy doesn't get adverse taxation from being classified as a MEC. The PUA payments not only grow your cash value & dividends, but they also increase the amount of paid-up death benefit as well. That said, the total death benefit (~500k) will often remain relatively flat when the PUAs are still less than the term rider.

With most insurance companies, your premium schedule can be somewhat flexible. In fact, you may have heard Hutch say these 3 things:

“You don’t have to decide exactly how to fund your policy today”
“Put in more...get more. Put in less...get less”
“More in sooner is better”

Keep Hutch’s precepts in mind as you look at the exact same policy structure seen on the last page, only with 4 completely different funding scenarios...

For instance, here’s the same policy only light-funded early on and later:

Scenario #1: Limp Into the Minimum Optimal Policy

This design starts with 1 minimum premium, then 4 maximum premiums, then 2 minimum. As long as you can pay at least 4 maximum premiums during the first 7-years, your Whole Life policy will perform very close to the optimal max-funded 7-pay long term, only with less cash value and less death benefit.

Year	Age	Dividend	Premium Outlay	Cum. Premium Outlay	Total Cash Value	Change in Total Cash Value	Total Death Benefit
1	49	58	7,031	7,031	2,398	2,398	503,112
2	50	806	30,000	37,031	28,048	25,649	503,860
3	51	1,581	30,000	67,031	57,824	29,777	504,635
4	52	2,627	30,000	97,031	89,798	31,973	505,681
5	53	3,743	30,000	127,031	124,253	34,455	506,797
6	54	4,422	7,031	134,062	137,687	13,434	507,476
7	55	4,831	7,031	141,093	151,910	14,223	507,885
8	56	4,365	0	141,093	160,147	8,237	333,790
9	57	4,636	0	141,093	168,800	8,652	343,292
10	58	4,920	0	141,093	177,921	9,122	353,140

Original Scenario from Previous Page

You can see that the relative performance after the 7th year is similar to the max-funded 7-pay policy from the page before.

Both policies are earning greater than 5% on cash value after the earlier years.

Year	Age	Dividend	Premium Outlay	Cum. Premium Outlay	Total Cash Value	Change in Total Cash Value	Total Death Benefit
1	49	582	30,000	30,000	24,210	24,210	503,636
2	50	1,366	30,000	60,000	51,075	26,864	504,420
3	51	2,165	30,000	90,000	82,129	31,055	505,219
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“Put in more...get more. Put in less...get less”

 **Learn how we optimize your ideal policy size @ BankingTruths.com/Sizes**

New clients tend to spend most of our time together discussing what happens if things go wrong if they can't pay as much premium as planned. We often have to remind them to spend an equal amount of time learning "What happens when things go right?"

Nevertheless, here's an example of what could happen to your policy if things go horribly wrong with your cash flow!

Remember, when you start your policy, you don't need to decide how much you'll pay or for how long. You have ongoing optionality!

If for whatever reason you can't start the policy with max-funding or you can't keep max-funding the policy, you can still shrink wrap your policy by electing the "Reduced-Paid-Up" non-forfeiture option, which basically lowers the death benefit and turns your policy into a giant PUA.

Scenario #2: Winding Down for Armageddon

This may not be the worst-case scenario, but it's pretty bad. It assumes you started a policy with the best intentions of overfunding, but then years 2-3 you pay even less, then just minimums. You could borrow against the policy after max-funding it, but this shows winding down if you just couldn't gather the cash.

Year	Age	Dividend	Premium Outlay	Cum. Premium Outlay	Total Cash Value	Change in Total Cash Value	Total Death Benefit
1	49	582	30,000	30,000	24,210	24,210	503,636
2	50	1,077	18,000	48,000	39,166	14,956	504,131
3	51	1,433	12,000	60,000	51,701	12,535	504,487
4	52	1,910	7,031	67,031	60,530	8,829	504,964
5	53	2,383	7,031	74,062	70,495	9,964	505,437
6	54	2,889	7,031	81,093	80,763	10,268	505,943
7	55	3,200	7,031	88,124	91,622	10,859	506,254
8	56	2,633	0	88,124	96,605	4,983	201,351
9	57	2,797	0	88,124	101,824	5,219	207,083
10	58	2,968	0	88,124	107,327	5,503	213,024

Notice the minimum premiums are all cash flow positive. This horrible scenario performs great once you shrink-wrap the death benefit around the skimpy premiums paid.

It reminds me of a meme I saw saying,

"Worrying works!...95% of what I worry about NEVER comes true."

Now let's see what happens when things work out well...

You may plan to just front-load a policy paying premiums in the early years then stopping altogether (like the original example).

However, you don't need to decide that when you start an optimally designed policy with a flexible PUA rider. You have the option to keep overfunding in the future as cash flow allows. In fact, you can even legally over-fund beyond the MEC limits if you're catching up from prior years where you didn't pay up to the legal maximum.

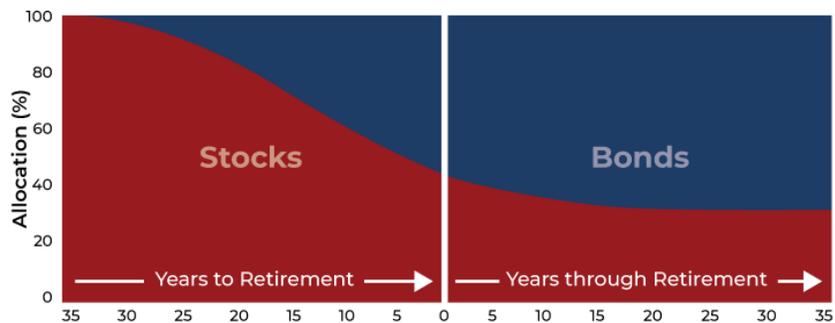
Scenario #3: Optional Late Overfunding w/ Catchup

This design has 6 straight years of full max-funded premiums, then 2 minimum premiums rounded-up (\$8k instead of \$7,031), then a massive premium equal to the normal maximum premium (\$30k) plus a legal catchup from not maxing the year before (\$30k-\$8k = \$22k), then two more \$8k premiums.

Year	Age	Dividend	Premium Outlay	Cum. Premium Outlay	Total Cash Value	Change in Total Cash Value	Total Death Benefit
1	49	582	30,000	30,000	24,210	24,210	503,636
2	50	1,366	30,000	60,000	51,075	26,864	504,420
3	51	2,165	30,000	90,000	82,129	31,055	505,219
4	52	3,255	30,000	120,000	115,465	33,336	506,309
5	53	4,430	30,000	150,000	151,383	35,918	507,484
6	54	5,808	30,000	180,000	189,180	37,797	552,892
7	55	6,327	8,000	188,000	207,258	18,078	574,838
8	56	6,911	8,000	196,000	226,369	19,111	597,443
9	57	8,729	52,000	248,000	290,156	63,787	709,436
10	58	9,450	8,000	256,000	313,821	23,665	736,066

This can be an especially useful option in retirement when conventional wisdom tells you to be more conservative.

Bonds are much riskier than Whole Life insurance.



Why risk money in bonds that can lose principal value (like they did 2022)?

Reallocate to Whole Life for guaranteed growth instead, not to mention a slew of additional tax and protection benefits.



	2022 return	Previous worst-performing 12-mo. period	Return
Intermediate-term U.S. Treasury	-10.6%	Oct 1994	-5.6%
Total bond	-13.1%	Mar 1980	-9.2%
Long-term U.S. Treasury	-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



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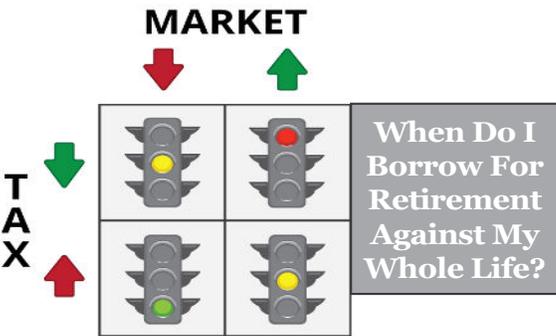
“Put in more...get more in RETIREMENT!”

Let’s look at how fully funding a policy while you’re young helps retirement.

Scenario #4a: Max-Fund Early Then Long-Pay (For 21-Years)

To the right is the same exact policy except you’re continuing to pay some premiums even after max-funding early on.

Then you can start borrowing against your Whole Life as a “Risk/Tax Buffer” throughout your retirement years. If taxes are up or markets are down, pause withdrawals from your stocks and retirement accounts and borrow against your Whole Life instead.



Year	Age	Dividend	Premium Outlay	Cum. Premium Outlay	Total Cash Value	Change in Total Cash Value	Total Death Benefit
1	49	582	30,000	30,000	24,210	24,210	503,636
2	50	1,366	30,000	60,000	51,075	26,864	504,420
3	51	2,165	30,000	90,000	82,129	31,055	505,219
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5	53	4,430	30,000	150,000	151,383	35,918	507,484
6	54	5,808	30,000	180,000	189,180	37,797	552,892
7	55	6,917	30,000	210,000	229,053	39,872	621,400
8	56	8,131	30,000	240,000	271,136	42,083	690,748
9	57	8,935	11,925	251,925	297,636	26,500	724,647
10	58	9,736	10,465	262,390	324,147	26,511	756,561
11	59	11,473	10,465	272,855	352,884	28,737	790,267
12	60	12,460	10,465	283,320	383,216	30,333	825,866
13	61	13,529	10,465	293,785	415,239	32,023	862,614
14	62	14,664	10,465	304,250	449,014	33,775	900,587
15	63	15,857	10,465	314,715	484,610	35,597	939,836
16	64	17,344	17,878	332,593	529,144	44,534	993,085
17	65	18,631	8,557	341,150	566,796	37,652	1,032,260
18	66	20,051	8,557	349,708	606,489	39,693	1,072,921
19	67	21,525	8,557	358,265	648,308	41,819	1,115,146
20	68	23,028	8,557	366,822	692,322	44,014	1,158,927
21	69	23,413	0	366,822	730,685	38,362	1,130,396

Scenario #4b: Same Policy As Above & Showing The Final Years

Remember this pesky early fees? You paid \$60k in premiums but only had \$51,075 in cash value, meaning \$8,925 went to costs. But if we fast forward 34 years later we can quantify the cost/benefit analysis at age 89.

1. You have \$258,915 more death benefit than cash value at age 89 (see black box). That’s part of what you buy with the \$8,925 of missing early cash value (see red box).
2. By age 89, you paid in \$366,822 (blue) and now have \$2,000,756 of tax-sheltered cash value (green). Instead of paying tax on that growth, you paid that early \$8,925 (red).

Year	Age	Dividend	Premium Outlay	Cum. Premium Outlay	Total Cash Value	Change in Total Cash Value	Total Death Benefit
1	49	582	30,000	30,000	24,210	24,210	503,636
2	50	1,366	30,000	60,000	51,075	26,864	504,420
< Flash Forward 34 Years Later >							
36	84	54,143	0	366,822	1,579,381	75,349	1,887,024
37	85	57,204	0	366,822	1,657,699	78,318	1,955,149
38	86	60,684	0	366,822	1,739,219	81,520	2,026,464
39	87	64,059	0	366,822	1,823,618	84,399	2,100,908
40	88	67,594	0	366,822	1,910,834	87,216	2,178,597
41	89	71,255	0	366,822	2,000,756	89,922	2,259,671
42	90	74,998	0	366,822	2,093,369	92,613	2,344,231
43	91	78,820	0	366,822	2,188,671	95,302	2,432,373
44	92	82,668	0	366,822	2,286,733	98,063	2,524,145
45	93	86,529	0	366,822	2,387,731	100,997	2,619,579

We help quantify this cost benefit analysis on a case-by-case basis, and we have a video case study to help you better understand what you’re buying with Whole Life’s fees.



Now that you understand the key phases and milestones of a Whole Life policy, you'll want to learn **"The Do's & Don'ts of a Properly Designed Infinite Banking Policy"**.

Before committing your hard-earned money, make sure you're getting the best policy!

As independent brokers we will shop and model your individual situation with the top 2-3 mutual companies so you can get the most efficient policy possible (like the one you saw in this document).



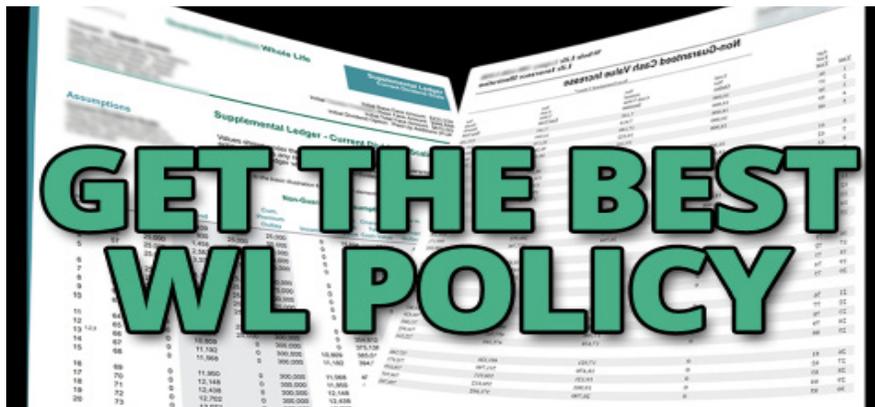
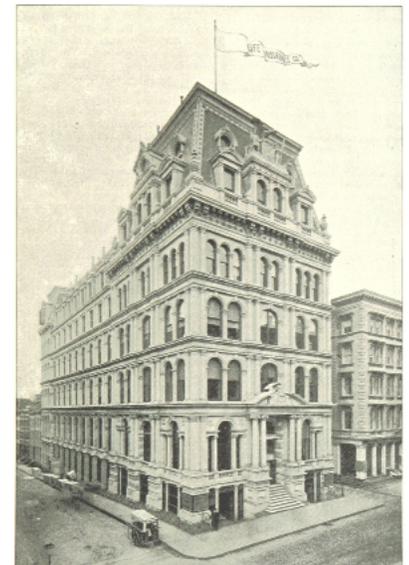
That superior performance occurred despite the fact that the insured was 48 because of:

1. Optimal funding structure
2. Quality product/company selection
3. Superior policy design/construction on our part.

We always come correct the very first time. No bologna, no games, no pressure...ever!

Get in touch with one of our team members by either:

- Clicking BankingTruths.com/Schedule to book a spot on our calendar
- Or calling our office directly at 949-288-2850



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- 📺 We help you understand your options and let you sell yourself!
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Founder of BankingTruths.com

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