

Protection Solutions

# Making Retirement Better...

With the *Guaranteed Insured Inheritance* concept

June 2010





***Making Retirement Better means  
different things to different people***



What could be recommended for a couple, looking for guarantees, with money currently invested in GICs earmarked for their loved ones.....



# *One Solution...*



*A Term Certain Annuity*

**PLUS**

*A Whole Life Insurance policy*

**EQUALS**

**THE GUARANTEED INSURED INHERITANCE CONCEPT**

# Example of the Guaranteed Insurance Inheritance concept



A couple with \$250,000 accumulated in a GIC that they plan on leaving to their children

- Female age 66 non-smoker **in good health**
- Male age 70 non-smoker **in good health**
- Invested at 3.85% in a GIC
- Have no need for any of these funds for personal use



# Report generated by AddCalc on the Guaranteed Insured Inheritance concept



The **Guaranteed Insured Inheritance** concept demonstrates an opportunity to take a **lump sum** amount, currently invested in a GIC, and convert it to an income stream that can be used to make deposits into a whole life insurance contract. This will insure that the maximum tax-free dollars become available to your heirs, or other named beneficiaries upon death.

The illustration emphasizes the difference in potential results from attempting to achieve a goal like this with a conventional guaranteed Alternative Investment, versus the life insurance policy approach. An identical lump sum is invested in either a guaranteed Alternative Investment (GIC) or into a Term Certain Annuity which provides income to pay the annual premiums into the life insurance policy illustrated. The death benefit in the policy is paid on a tax-free basis. In the Alternative Investment, annual interest is reduced by taxes, at the rate shown, prior to reinvestment.

“...maximum tax-free dollars become available to your heirs, or other named beneficiaries...”

The Annuity payments are used to pay for the life insurance policy for the number of years illustrated. Payments cease upon death or at the number of years indicated in the Annual Deposit column of the illustration. The policy cash values are a part of the death benefit of the policy, and therefore are not paid in addition.

# Report generated by AddCalc on the Guaranteed Insured Inheritance concept



## CONCEPT ASSUMPTIONS

### Insureds

Joint Insured #1:.....**June Sertain,**  
Female, Age 66, Non-Smoker  
Joint Insured #2:.....**Victor Sertain,**  
Male, Age 70, Non-Smoker

### Product

Name..... \$641,582 Whole Life Limited Pay 20,  
Joint Last-To-Die  
Planned Deposits (20 years)

### Alternative Investment

Growth Breakdown..... 100 % Interest  
Effective Tax Rate On Interest..... 40.00 %  
Projected Annual Growth Rate..... 3.850 % (Years 1-0)  
3.850 % (Years 1-43)

### Other Details

Rate used for Net Present Value..... 5.000 %  
Investment..... \$250,000  
Annuity Income..... \$18,625  
Taxable Portion..... \$6,125  
Annuity Type..... Term Certain

# Report generated by AddCalc on the Guaranteed Insured Inheritance concept



## ALTERNATIVE INVESTMENT

| Policy year | Annual Growth | Tax Due on Growth | Balance | Tax Due on Unrealized Capital Gains (if any) | After-Tax Estate Benefit |
|-------------|---------------|-------------------|---------|--|--------------------------|
| 1           | 9,625         | 3,850             | 255,775 | 0  | 255,775                  |
| 2           | 9,847         | 3,939             | 261,683 | 0  | 261,683                  |
| 3           | 10,075        | 4,030             | 267,728 | 0  | 267,728                  |
| 4           | 10,308        | 4,123             | 273,913 | 0  | 273,913                  |
| 5           | 10,546        | 4,218             | 280,240 | 0  | 280,240                  |
| 6           | 10,789        | 4,316             | 286,714 | 0  | 286,714                  |
| 7           | 11,038        | 4,415             | 293,337 | 0  | 293,337                  |
| 8           | 11,293        | 4,517             | 300,113 | 0  | 300,113                  |
| 9           | 11,554        | 4,622             | 307,046 | 0  | 307,046                  |
| 10          | 11,821        | 4,729             | 314,138 | 0  | 314,138                  |
| 11          | 12,094        | 4,838             | 321,392 | 0  | 321,392                  |
| 12          | 12,373        | 4,949             | 328,811 | 0  | 328,811                  |
| 13          | 12,658        | 5,062             | 336,400 | 0  | 336,400                  |
| 14          | 12,949        | 5,177             | 344,163 | 0  | 344,163                  |
| 15          | 13,246        | 5,294             | 352,105 | 0  | 352,105                  |
| 16          | 13,549        | 5,413             | 360,232 | 0  | 360,232                  |
| 17          | 13,858        | 5,534             | 368,549 | 0  | 368,549                  |
| 18          | 14,173        | 5,657             | 377,061 | 0  | 377,061                  |
| 19          | 14,494        | 5,782             | 385,773 | 0  | 385,773                  |
| 20          | 14,854        | 5,942             | 394,731 | 0  | 394,731                  |
| 21          | 15,197        | 6,079             | 403,850 | 0  | 403,850                  |
| 22          | 15,548        | 6,219             | 413,179 | 0  | 413,179                  |
| 23          | 15,907        | 6,363             | 422,723 | 0  | 422,723                  |
| 24          | 16,275        | 6,510             | 432,488 | 0  | 432,488                  |
| 25          | 16,651        | 6,660             | 442,478 | 0  | 442,478                  |
| 26          | 17,035        | 6,814             | 452,700 | 0  | 452,700                  |
| 27          | 17,429        | 6,972             | 463,157 | 0  | 463,157                  |
| 28          | 17,832        | 7,133             | 473,856 | 0  | 473,856                  |
| 29          | 18,243        | 7,297             | 484,802 | 0  | 484,802                  |
| 30          | 18,665        | 7,466             | 496,001 | 0  | 496,001                  |
| 31          | 19,096        | 7,638             | 507,459 | 0  | 507,459                  |
| 32          | 19,537        | 7,815             | 519,181 | 0  | 519,181                  |
| 33          | 19,988        | 7,995             | 531,174 | 0  | 531,174                  |
| 34          | 20,450        | 8,180             | 543,444 | 0  | 543,444                  |

# Report generated by AddCalc on the Guaranteed Insured Inheritance concept



## GUARANTEED INSURED INHERITANCE

| Policy year | Life Insurance Policy  |                          |                |                      |                             |                      | Estate Benefit Difference |                                       |
|-------------|------------------------|--------------------------|----------------|----------------------|-----------------------------|----------------------|---------------------------|---------------------------------------|
|             | Pre-tax Annuity Income | After tax Annuity Income | Annual Deposit | Policy Death Benefit | NPV of Term Certain Annuity | Total Estate Benefit | Policy minus AI           | Percent Increase Using Life Insurance |
| 1           | 18,625                 | 16,175                   | \$16,175       | 641,582              | 236,344                     | 877,926              | 622,151                   | 243 %                                 |
| 2           | 18,625                 | 16,175                   | \$16,175       | 641,582              | 228,605                     | 870,187              | 608,504                   | 233 %                                 |
| 3           | 18,625                 | 16,175                   | \$16,175       | 641,582              | 220,479                     | 862,061              | 594,333                   | 222 %                                 |
| 4           | 18,625                 | 16,175                   | \$16,175       | 641,582              | 211,947                     | 853,529              | 579,616                   | 212 %                                 |
| 5           | 18,625                 | 16,175                   | \$16,175       | 641,582              | 202,988                     | 844,570              | 564,330                   | 201 %                                 |
| 6           | 18,625                 | 16,175                   | \$16,175       | 641,582              | 193,581                     | 835,163              | 548,449                   | 191 %                                 |
| 7           | 18,625                 | 16,175                   | \$16,175       | 641,582              | 183,704                     | 825,286              | 531,949                   | 181 %                                 |
| 8           | 18,625                 | 16,175                   | \$16,175       | 641,582              | 173,333                     | 814,915              | 514,802                   | 172 %                                 |
| 9           | 18,625                 | 16,175                   | \$16,175       | 641,582              | 162,443                     | 804,025              | 496,979                   | 162 %                                 |
| 10          | 18,625                 | 16,175                   | \$16,175       | 641,582              | 151,009                     | 792,591              | 478,453                   | 152 %                                 |
| 20          | 18,625                 | 16,175                   | \$16,175       | 641,582              | 0                           | 641,582              | 246,851                   | 63 %                                  |
| 21          | 0                      | 0                        | \$0            | 641,582              | 0                           | 641,582              | 237,732                   | 59 %                                  |
| 22          | 0                      | 0                        | \$0            | 641,582              | 0                           | 641,582              | 228,403                   | 55 %                                  |
| 23          | 0                      | 0                        | \$0            | 641,582              | 0                           | 641,582              | 218,859                   | 52 %                                  |
| 24          | 0                      | 0                        | \$0            | 641,582              | 0                           | 641,582              | 208,881                   | 49 %                                  |
| 25          | 0                      | 0                        | \$0            | <b>\$641,582</b>     | 0                           | <b>\$442,478</b>     | 199,104                   | <b>45%</b>                            |
| 26          | 0                      | 0                        | \$0            | 641,582              | 0                           | 641,582              | 188,882                   |                                       |
| 27          | 0                      | 0                        | \$0            | 641,582              | 0                           | 641,582              | 178,425                   |                                       |
| 28          | 0                      | 0                        | \$0            | 641,582              | 0                           | 641,582              | 167,726                   | 35 %                                  |
| 29          | 0                      | 0                        | \$0            | 641,582              | 0                           | 641,582              | 156,780                   | 32 %                                  |
| 30          | 0                      | 0                        | \$0            | 641,582              | 0                           | 641,582              | 145,581                   | 29 %                                  |
| 31          | 0                      | 0                        | \$0            | 641,582              | 0                           | 641,582              | 134,123                   | 26 %                                  |
| 32          | 0                      | 0                        | \$0            | 641,582              | 0                           | 641,582              | 122,401                   | 24 %                                  |
| 33          | 0                      | 0                        | \$0            | 641,582              | 0                           | 641,582              | 110,408                   | 21 %                                  |
| 34          | 0                      | 0                        | \$0            | 641,582              | 0                           | 641,582              | 98,138                    | 18 %                                  |

25

**\$641,582**

**\$442,478**

**45%**



**In this example, for the GIC to equal the GII solution .....**

*In year 10..... the GIC would have to yield **20%***

*In year 25.....the GIC would have to yield **6.5%***

*In year 34..... the GIC would have to yield **4.75%***

Making Retirement Better is more than just income.

It's also about having assets to transfer to the next generation...

... Life & Annuity products help you do both.