The REFRIGERATOR

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1. Let’s assume you have $3,000 and you need a new refrigerator
2. Today refrigerators cost $1,000.
3. Let’s also assume refrigerators will last 20 years….the future cost of a refrigerator will be $2,000.

Which plan would you choose?

☐	☐	☐
PLAN A	**PLAN B**	**PLAN C**
PAY $1,000 NOW &	PAY $2,000 NOW &	PAY $3,000 NOW &
IN 20 YEARS	IN 20 YEARS	IN 20 YEARS
Buy a new refrigerator for $2,000	Get a FREE refrigerator	Get a FREE refrigerator + Your original $3,000 back

The Magic of Compound Interest

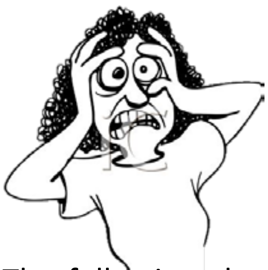
After you pay $1,000 for your new refrigerator,
this is what happens with the balance of your money…

PLAN A	PLAN B	PLAN C
Of your original $3,000; You buy the refrigerator & invest $2,000 as a Lump Sum contribution @ 8% return compounded annually	Of your original $3,000; You & they each invest $1,000 as a Lump Sum contribution @ 8% return compounded annually	Of your original $3,000; They invest $2,000 as a Lump Sum contribution @ 8% return compounded annually
		$ 9,322
$ 9,322	$ 4,661	-$ 3,000 (rebate)
-$ 2,000 (refrig.)	-$ 2,000 (refrig.)	-$ 2,000 (refrig.)
$ 7,322	$ 2,661	$ 4,322

after 20 years…

they have **$2,000** you have…	they have **$4,661** you have…	they have **$4,322** you have…
		
plus $7,322 ($9,322)	plus $4,661 ($6,661)	plus $3,000 ($5,000)
☐	☐	☐

Understand Wash Loans & Paid-Up Insurance



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The following chart shows what happens when the policyholder stops premium payments and withdraws Cash Value; called a “Partial Surrender” or policy loan…based on a “Wash Loan” theory.

In this example, due to the structure of this “benefit” - at age 72 there will be no Cash Value available to keep the policy in force, thus the policy terminates.

Since the loan was never paid back to the Insurance Company, the policyholder has two choices; begin making loan re-payments at a significantly higher premium or allow the policy to lapse --

	A	B	C	D	E	F	G
CLIENT’S AGE	**8% EARNING INTEREST FROM PREVIOUS YEAR**	**AVAILABLE C.V. FOR LOANS**	**ACTUAL LOAN AMOUNT**	**8% LOAN INTEREST**	**HYPOTHETICAL ANNUAL COST OF INSURANCE**	**ACTUAL TOTAL LOAN AMOUNT**	**REMAINING C.V. BALANCE**
	(8% of G)	(G + A)	(ASSUMES INFLATION INCREASE OF 4% PER YEAR)	(INCLUDES INTEREST ON UNPAID LOAN)	(INCLUDES OTHER POLICY FEES)	(C + D + E + UNPAID PREVIOUS LOAN AMOUNT FROM PRIOR YEAR)	(B - F)
65		$500,000	$20,000	$1,600	$3,600	$25,200	$474,800
66	$37,984	$512,784	$20,800	$3,680	$3,700	$53,380	$459,404
67	$36,752	$496,156	$21,632	$6,000	$3,800	$84,812	$411,344
68	$32,908	$444,252	$22,498	$8,585	$3,900	$117,995	$326,257
69	$26,100	$352,358	$23,396	$11,312	$4,000	$156,703	$195,655
70	$15,653	$211,308	$24,332	$14,483	$4,100	$199,618	$11,690
71	$936	$12,625	$12,625	$15,969	$4,200	$219,788	NOTHING
72	--------------	--------------	--------------	--------------	--------------	--------------	--------------

If the policy terminates, the loan is unpaid – thus becoming ordinary income and is taxable.

The Insurance Company must notify the IRS of a taxable income to the policy holder; Total original C.V. ($500,000) minus Cost basis (Total premiums paid over the policy years) plus Total loan interest accrued = Taxable income; $500,000 - [$100,000 + $61,629] = $338,371 (Taxable income) @ 28% Tax bracket = $94,744 due in taxes