
4 Reasons to Start an IUL

July 2018 Newsletter | By: Ian Sachs

Over the past four years, I have had the privilege of selling hundreds of life insurance policies. Of these policies, a large percentage have been one specific type – overfunded Indexed Universal Life insurance, or IUL. My business has developed both a locally and nationally recognized niche and a passion for what we feel is one of the financial markets most significant disruptors in decades.

While many of you reading this may already be a client of mine, I wanted to share the top 4 reasons why IUL is one of the fastest growing wealth accumulation vehicles in the country.

1. Tax Benefits

To the surprise of many, federal tax rates are near the lowest they've been since the 16th Amendment legalized income tax in 1913. In fact, the average tax rate is 58% to date for the highest bracket. In 1929, taxes were at 24% and in 1945, they were at 94%. Today, we now find ourselves at 37%.

What am I getting at? The current combination of tax cuts and economic trends could lead to much higher rates down the road. Deferring taxes in a qualified plan – like a 401(k) – at historically low rates can lead to a heavy tax burden in the future. The U.S. debt is currently over \$20 trillion and isn't getting smaller anytime soon.

IUL, which is a life insurance vehicle focused on



tax-deferred cash accumulation, offers the ability to pay your taxes on the seed (now) and not the harvest (when you want to take the money out). As long as the plan is structured properly, distributions are tax-free.

2. Principal and Interest Security

As we all know, the market is volatile. It's been fun to watch our financial portfolios grow over recent years, but it wasn't much fun watching them plummet during the recession only a decade ago. If your portfolio drops by 20%, you need to make a profit of 25% just to get back to where you started.

IUL has guaranteed growth. The cash value follows different indexes, such as the S&P 500. It has a floor of 0% or 1% (depending on the carrier) and many of the indexes today have very high or no ceilings at all. The limited downside, coupled with interest rate bonuses and high participation rates, allow your cash value to grow with certain guarantees and predictability.

3. Flexibility

Many long-term wealth accumulation vehicles,

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such as 401(k)s or IRAs have their fair share of restrictions. You are limited in how much you can put in, how much you can take out, when you can take it out, and how much you can make to even qualify for contributions (if it's a Roth).

IUL does not follow the same paradigm. You can fund it for as long or as short as you would like and you also have the ability to increase, decrease, or even stop payments. It doesn't matter how much you make, and there are no tax penalties or fees for early distributions – as mentioned before – if structured properly.

4. Self-Completion / Chronic Illness

Wealth accumulation, as the phrase implies, is the process of accumulating wealth. For some that may take years, and for others it may take a lifetime. There is one guarantee that life has for us and it's that at some point, we will die. We can exercise caution and do our best to live long and meaningful healthy lives, but we can also get hit by a car tomorrow and die prematurely. Whatever "wealth" you have accumulated up until that day is all that you

have to leave behind.

IUL at its core is a life insurance product. Though it is overfunded and is focused on wealth accumulation, it has a self-completing component that pays one's heirs a death benefit. Additionally, the policy holder can receive benefits for chronic illness.

Summary

Indexed Universal Life insurance has features to it that are second to none, but like all financial products, it should be part of a well-diversified portfolio – an arrow in your financial quiver. If IUL is something that you'd like to learn more about, please do not hesitate to contact me. I work with clients both locally and nationally and am passionate about this product and the benefits that it provides.

- Ian Sachs

About Risk Resource

Risk Resource insures life's risks by providing a single-source solution for a wide range of financial services that protect our clients and their families. With four decades of experience in insurance planning, we partner with our clients to navigate the full spectrum of financial tools by exploring all options and customizing plans that meets their unique needs.

We specialize in Life Insurance, Disability, Long-Term Care, Annuities, and Tax-Free Wealth Accumulation, and understand that every need is different which is why we represent over 100 insurance carriers. This gives us the flexibility and freedom to find the right solutions for each of our clients.