



# Life Insurance as a Saving Tool

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Spending less on something—anything—and saving or investing any amount not spent to grow assets is one of the most basic and oldest accumulation strategies that exists. And “buy term (insurance) and invest the rest” is a catchy soundbite popularized by many in our industry over many decades.

Premium savings from a term insurance purchase where you invest the difference you would have paid with a higher priced product is one approach to investing but so is using life insurance as a savings and or investment vehicle.

Competition for any investment is the proverbial better mouse trap. And, often, when considering life insurance as a savings tool or as an investment, the naysayers present the better mouse trap as a historical stock market index rate of return.

While the historical return presented is what it is, and is presented with vigor, it rarely, if ever, comes with the all-important and compliance required disclaimer which states that past performance is not a guarantee of future results.

No matter, they will have you believe, because since it happened before it most certainly will happen again. Nor is it ever explained that while the historical average return referenced may be true, the historical timeframe referenced cannot and will not ever repeat itself. Think about that.

Another truth is that while life insurance products of the past may have been more costly and less attractive than many other investment options offered at the time, when compared to comparable risk assets, today’s life insurance products compare very favorably to similar asset classes regarding cost and return performance. It has been said that life insurance is not an investment—like other assets can be—but products have evolved along with the insurance industry where many products today offer many features and potential returns generally assumed to only be available through traditional investment options.

Arguably, today, life insurance is the Internal Revenue Code’s most favored asset class. Please check it yourself, but it is true. Most favored asset class in the tax code. Not equities or other investment options. That said, this is not an argument against traditional investments or the market, but to suggest that all forms of cash value life insurance make for poor investment is, simply, ignorant.

## **Evolving Life Insurance Planning**

Fortunately, life insurance products have evolved as the world has evolved based on market demand and other factors, unlike the investment world and the financial services industry as a whole.

Regarding life insurance, unfortunately too many so-called financial experts, pundits, and industry entertainers are perpetuating thought, ideas, and concepts based on realities that no longer exist given

before mentioned evolution. Yet, they continue to rail against life insurance based on facts, features, and more that are simply no longer applicable, or, most certainly, are less pervasive in the marketplace today.

Worse, too many in the financial services industry really don't understand these products but present them as the end all be all in all financial situations, creating more pundit backlash using outdated rationale and logic that is—more often than not—no longer accurate.

**Fact, permanent cash value life insurance (PCVLI) offers many features and benefits that any saver and or investor wants. Examples include but are not limited to:**

- Tax deferred growth
- Tax free access to tax deferred growth for any reason on your terms
- Tax free death benefit (in most cases) leverage where proceeds are guaranteed
- No qualified investment plan contribution limitations
- No required minimum distributions
- No inclusion in provisional income calculation used to determine Social Security taxation
- No inclusion in the FASFA college loan application process
- Creditor proof (varies by state)

And, given the number of permanent products available today, PCVLI can also offer:

- Guaranteed minimum cash value with uninterrupted compound yield that is not correlated to the market
- Or, 100 percent market exposure based on separate account options similar to those offered in 401k, 403b, 457 plans, etc.
- Or, market index upside participation with market downside protection
- There is even a product that offers guaranteed minimum cash value with uninterrupted compound yield that is not correlated to the market OR a market index credit—whichever is more favorable

So, today's PCVLI offers favorable investment features and options on par with many other traditional investments and plans, and has managed to create expense efficiencies where several in-depth studies have proven that, long term, PCVLI expense loads compare favorably with many other traditional investments and fees charged for financial guidance and advice.

Welcome to the new world of life insurance where tax efficiency, flexibility, living benefits and reasonable expenses are the norm and are no longer an outlier.

Life insurance does also offer something that investments do not, and that is the beauty of leveraged death benefit that creates unprecedented returns at early death, and very attractive returns beyond unlike traditional investments offering no leverage at all.

Consider this example, assume a client in their mid 30s-50s (say age 35, 45 & 55) and they pay 50k per year into PCVLI for 10 years (500K). The death benefit (DB) can range from 3.8-8.6 million dollars (rounded down) and is guaranteed by the carrier.

\*If only one 50K premium payment is made at age 35 and then pay no more, the IRR on DB that one year is 17,252.68 percent. Then at age 45 the IRR on DB that year is 11,388.66 percent (less because the death benefit is lower), and at age 55 the DB IRR that year is 7,559.11 percent (again, less because the death benefit is lower). Admittedly, a crummy way to capture return, but if you do the math and try and find any investment with those predetermined returns that is guaranteed not a chance as PCVLI offers leveraged DB unlike any other investment.

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## Consider Facts Not Just Opinion

Life insurance is not a religion. You don't have to believe in it, and you don't even need to like it. Life insurance is simply a remarkable and misunderstood financial tool that more people should strongly consider to improve and leverage their financial situation. Your clients need to understand this tool and the value it brings to the planning process.

In the end, PCVLI is not an end all be all place to park all your client's money, but without doubt, it should not be overlooked or dismissed as a place to put some of your client's money simply because it is life insurance especially when one wants or needs death benefit, too.

## NOT SURE ABOUT THIS???

\*Real numbers from real illustrations provided by CPS Insurance based in southern California.

With 35 years of industry experience, Jeff Snyder has personally recruited more than 700 financial professionals into the insurance and investment industry, and has trained, developed, and mentored more than 1,000 insurance and investment professionals throughout his career. With significant field experience, Jeff has been a company leading sales manager at Northwestern Mutual, John Hancock, and MassMutual, and has spent half of his career in the independent space where he has worked with Gateway Financial Advisors, LLC. and Gateway Insurance Group, Inc. for the past 9 years overseeing insurance production and business development as an Executive Vice President. Jeff can be reached at 505.585.5595 x125.



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