The Selario Agency, Inc.

Helping financial professionals provide world-class solutions to their client's needs

Indexed UL- Is It Misunderstood?

Many brokers are leery of jumping onto the IUL bandwagon. Some resist considering the product because of its complexity. Others logically fear a repeat of the UL debacle from the 80's and early 90's.

I understand the inertia created by both of these circumstances. Unfortunately, a categorical dismissal of an entire product class can have an adverse impact on your practice.

The best way to alleviate some of these concerns is to illustrate the planning opportunities available with IUL using an actual case study.

Male Late 50's; Standard-Non-Smoker; Approved for about 4.4M of Whole Life (Current dividend 7.00%); Policy to be held in trust (Cash value secondary concern)

Using the same Whole Life premium and rate class we were able to present $8.75M of guaranteed lifetime death benefit along with enough cash value at a 6.00% current rate to offer an exit strategy.

Yes, guaranteed death benefit in an IUL chassis. A traditional no-lapse UL would have created $9.76M of guaranteed lifetime death benefit with no cash or exit strategy.

The whole life carrier, at their current dividend scale, did not reach the IUL death benefit until the 25th year. The whole life did have a significant cash value advantage in year 25 in this scenario.

If we utilize the identical initial death benefit and premium, the IUL has a lot more cash and death benefit in year 25 than the whole life using a 6.00% IUL rate vs. 7.00% current whole life dividend. The IUL also has chronic, critical and terminal illness built-in.

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