



# Roadmap to Financial Success for Entrepreneurs

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**Alex Barrón**

Presents

# What is Whole Life Insurance?



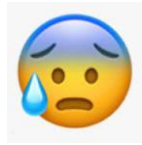


# 3 Types of Traditional Insurance

1.) Term Insurance



2.) Whole Life Insurance



3.) Indexed Universal Insurance (IUL)





# Why Whole Life Insurance?

- *“Life insurance for long term should always be permanent guaranteed participation whole life insurance. This type of insurance would have non-forfeiture values and would permit the contract to be paid up.” – Thomas W. Young*

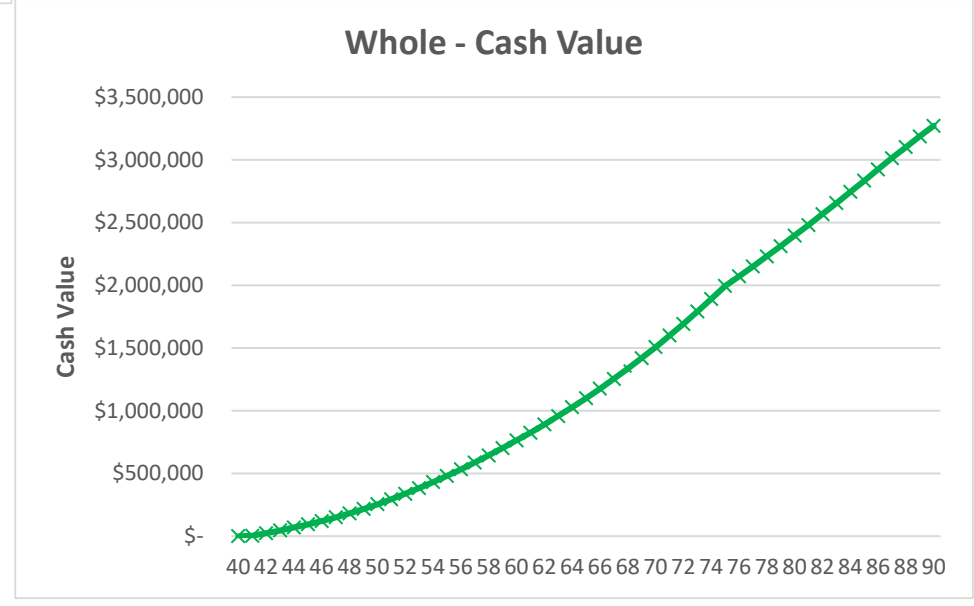
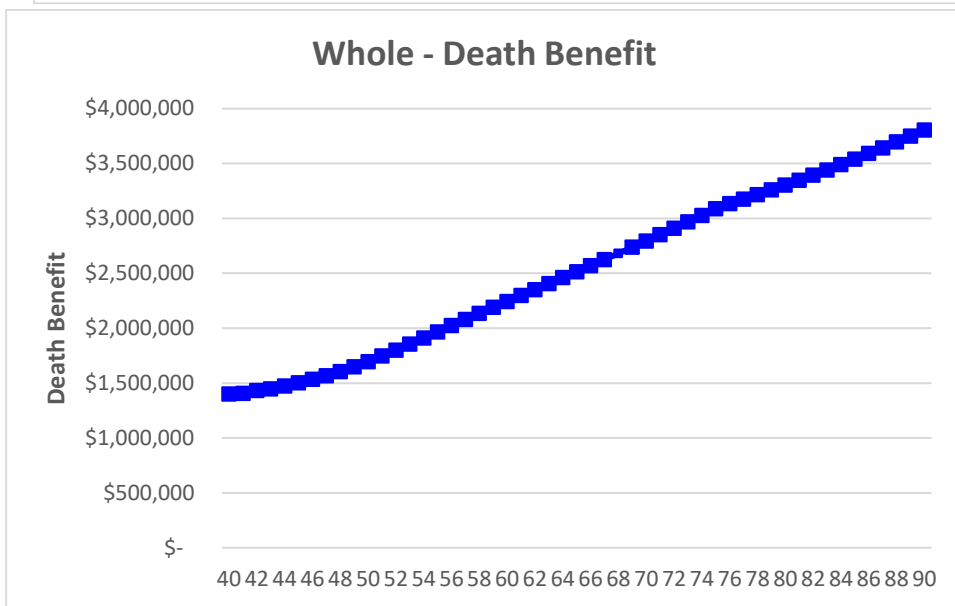
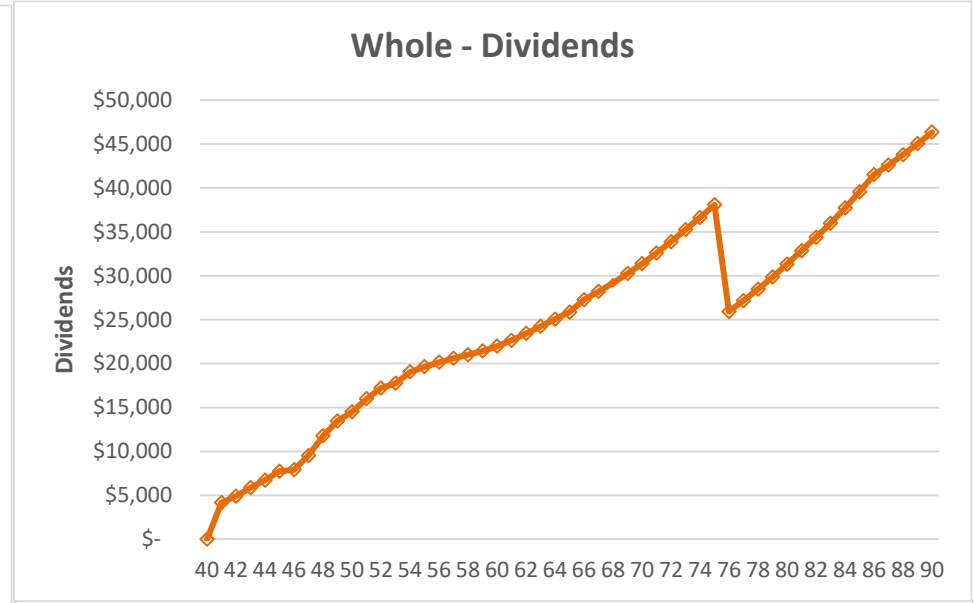
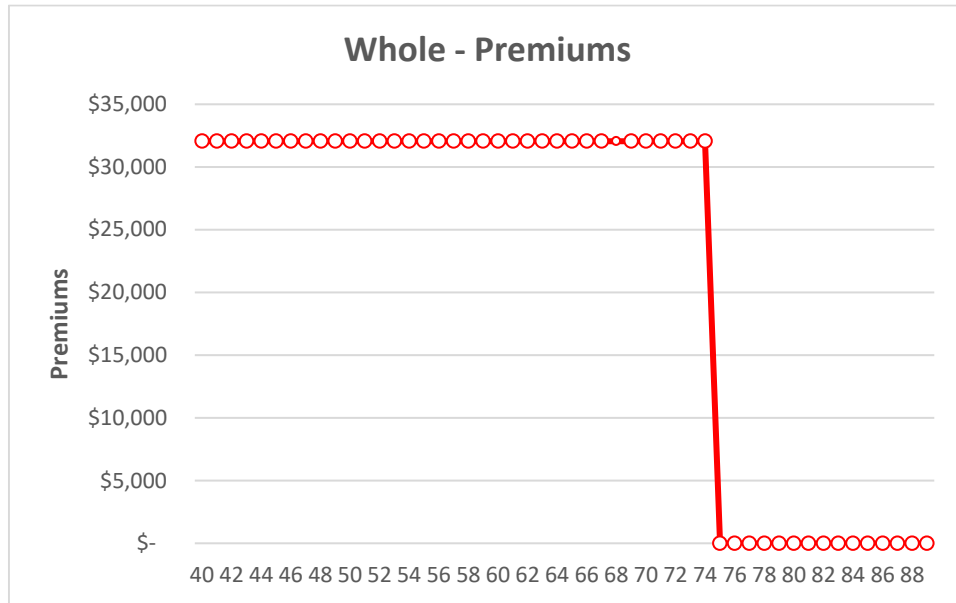
- 1. The Policy is a Legal Contract.**
- 2. The Policy is Permanent.**
- 3. The Policy has 3 Key Guarantees.**

*Three guarantees form the foundation of a whole life policy:*

- (a.) level premiums,*
- (b.) cash value,*
- (c.) death benefit.*



# 2. Whole Life Insurance







# 2. Whole Life Insurance

		<b>Guaranteed</b>			<b>Non-Guaranteed Assumptions 100% of Current Dividend Scale</b>					
					Increase in					
<u>Age</u>	<u>Year</u>	<u>Contract Premium</u>	<u>Net Cash Value</u>	<u>Death Benefit</u>	<u>Contract Premium</u>	<u>Cumulative Premium</u>	<u>Annual Dividend</u>	<u>Net Cash Value</u>	<u>Net Cash Value</u>	<u>Death Benefit</u>
41	1	32,057	308	1,400,000	32,057	32,057	4,158	4,466	4,466	1,404,158
42	2	32,057	15,428	1,400,000	32,057	64,113	4,907	20,170	24,636	1,423,932
43	3	32,057	31,052	1,400,000	32,057	96,170	5,860	21,799	46,435	1,446,591
44	4	32,057	47,180	1,400,000	32,057	128,226	6,717	23,371	69,806	1,472,511
45	5	32,057	63,896	1,400,000	32,057	160,283	7,747	25,238	95,044	1,501,320
46	6	32,057	81,228	1,400,000	32,057	192,339	7,908	26,308	121,353	1,532,460
47	7	32,057	99,204	1,400,000	32,057	224,396	9,530	28,883	150,236	1,564,654
48	8	32,057	117,838	1,400,000	32,057	256,452	11,761	32,152	182,388	1,602,506
49	9	32,057	137,144	1,400,000	32,057	288,509	13,461	34,990	217,377	1,646,703
50	10	32,057	157,122	1,400,000	32,057	320,566	14,499	37,241	254,618	1,694,761
51	11	32,057	178,486	1,400,000	32,057	352,622	15,988	40,704	295,322	1,745,211
52	12	32,057	200,508	1,400,000	32,057	384,679	17,219	43,238	338,560	1,798,636
53	13	32,057	223,188	1,400,000	32,057	416,735	17,735	45,104	383,663	1,853,504
54	14	32,057	246,540	1,400,000	32,057	448,792	19,057	47,828	431,491	1,908,968
55	15	32,057	270,592	1,400,000	32,057	480,848	19,631	49,882	481,373	1,965,821
56	16	32,057	295,400	1,400,000	32,057	512,905	20,153	51,995	533,368	2,022,435
57	17	32,057	321,034	1,400,000	32,057	544,962	20,604	54,160	587,528	2,078,610
58	18	32,057	347,536	1,400,000	32,057	577,018	21,011	56,371	643,899	2,134,154
59	19	32,057	374,934	1,400,000	32,057	609,075	21,416	58,647	702,545	2,188,977
60	20	32,057	403,200	1,400,000	32,057	641,131	21,960	61,050	763,596	2,243,206



# 2. Whole Life Insurance

PREMIUM MODE: SPECIAL MONTHLY

Guaranteed Values					Non-Guaranteed Illustrated Values				
End of Year	Age	Annualized Contract Premium	Guaranteed Cash Value	Guaranteed Death Benefit	Annualized Premium Outlay	Annual Dividend	Cash Surrender Value	Total Paid-up Additions	Total Death Benefit
6	48	15,024	61,525	500,000	15,024				
7	49	15,024	76,860	500,000	15,024	560	62,827	3,910	503,910
8	50	15,024	92,770	500,000	15,024	696	78,901	5,933	505,933
9	51	15,024	109,265	500,000	15,024	791	95,671	8,161	508,161
10	52	15,024	126,350	500,000	15,024	886	113,147	10,576	510,576
					15,024	1,018	137,695	13,262	519,579
11	53	15,024	144,035	500,000	15,024				
12	54	15,024	162,325	500,000	15,024	1,165	157,591	16,239	523,441
13	55	15,024	181,240	500,000	15,024	1,313	178,311	19,492	527,609
14	56	15,024	200,805	500,000	15,024	1,488	199,906	23,066	532,128
15	57	15,024	221,070	500,000	15,024	1,667	222,411	26,951	536,991
					15,024	1,813	245,853	31,053	542,106
16	58	0	227,670	500,000	0				
17	59	0	234,395	500,000	0	2,044	255,238	35,544	546,927
18	60	0	241,240	500,000	0	2,166	264,943	40,165	551,884
19	61	0	248,170	500,000	0	2,309	274,990	44,951	557,013
20	62	0	255,140	500,000	0	2,480	285,369	49,948	562,356
					0	2,681	296,066	55,203	567,960
21	63	0	262,130	500,000	0				
22	64	0	269,130	500,000	0	2,923	307,100	60,779	573,885
23	65	0	276,145	500,000	0	3,164	318,466	66,659	580,115
24	66	0	283,185	500,000	0	3,378	330,146	72,777	586,584
25	67	0	290,280	500,000	0	3,546	342,109	79,039	593,198
					0	3,697	354,378	85,407	599,921
26	68	0	297,435	500,000	0				
27	69	0	304,665	500,000	0	3,817	366,930	91,824	606,696
28	70	0	311,960	500,000	0	3,916	379,765	98,251	613,484
29	71	0	319,300	500,000	0	3,998	392,857	104,660	620,258





## 2. Whole Life Insurance

### Pros:

- It's Permanent: The benefit is for life. It never expires.
- It pays dividends that can be reinvested.
- The cash value grows every year.
- The death benefit grows every year.
- You have it when you need it most, in the last years of your life.
- You don't lose all the money. If you decide to cancel you get most of your money back and possibly more.
- The initial cost is recovered after a few years.
- Offers legal asset protection against lawsuits and creditors.
- You can borrow the cash value after a few years.
- The savings plan creates discipline.
- The death benefit is tax free.
- It offers a guaranteed yield of 2-3%.
- The state offers protection and a backstop insurance in case the company fails.

### Cons:

- The cash value can be \$0 for many years initially.
- The monthly cost (premiums) is high, but stable for the death benefit.
- The premiums can never increase - guaranteed.
- The growth in the cash value is very slow.
- It takes many many years to "break even" – cash value vs. premiums.
- The growth in the death benefit is very slow.
- The cash return is "low", but tax-free and always positive.
- You have the obligation to pay it for several years or coverage may be lost.
- Some companies have a high cost to borrow of 8% to discourage you from taking it out.
- Some companies stop paying a growth benefit on any money taken out as a loan.





# What Kind of Whole Life Insurance To Get?

- **Participating Whole Life.** Participating means that the policy pays dividends on a regular basis.
- **Mutual Life Insurance Companies.** It is recommended that you only get a policy from a Mutual life company because you own a part of the company by
- This means they will have your best interests in mind and you will benefit not just as a policyholder, but also as an owner. You will participate in the profits of the company. being a policy owner.



# How Reliable is Life Insurance?

*“If participating whole life insurance works so well, why is it that this powerful financial tool isn’t well known or used by the general public?”*

- Just because the masses haven’t heard of something good, it doesn’t mean it’s not true. It just means people have been robbed of an opportunity to build up a valuable asset. Could it be that perhaps others have a vested interest to keep them uninformed so they could be “financial slaves” the rest of their lives?



# Benefits of Participating Whole Life?

- **Results are fairly predictable.** They are **not** correlated to the stock market and thus are not susceptible to the volatility and risks that go with being in the market – having the value of your account go up and down all the time.

*“The performance and value of a whole life insurance policy are not correlated to the stock market. And it is guaranteed by the insurer. This means that the cash value and death benefit are not affected by declining markets. Think of a permanent life insurance contract as a thirty year, fixed mortgage that pays you. It’s a lifelong financial instrument with guaranteed predictable results. The predictability is guaranteed for life. The whole life contract is built so the cash value never decreases over the life of the contract.*”

*The cash value is guaranteed not to decrease as long as premium payments are made, no withdrawals are made, and any loans are repaid to the policy with interest.*

*The living benefits of whole life insurance make it one of the most valuable and flexible financial planning tools available. Permanent participating whole life insurance works as a financial tool and as the cornerstone of a lifetime strategy.*

*– Dwayne Burnell*



# Term Vs. Whole Life Comparison-NEW

Compare two brothers age 40 Tom and John who buy life insurance.

## Term Life Insurance

Vs.

## Whole Life Insurance

- Tom buys a 20-year term policy - \$250,000.
- Tom pays \$43/mo and “invests the difference”.
- At age 40, Tom feels he made the better choice. He has paid \$10,320 in premiums he will never see again.
- At age 60, Tom can no longer afford to buy life insurance.
- Will his investment portfolio pay off when he retires?

- John buys a whole life policy with \$250,000 face value.
- John pays \$482/mo but his cash value is growing - he pays a level premium.
- At age 45, his cash value may be worth less than Tom’s portfolio.
- At age 60 his policy is paid up. This means no more premiums and his policy will never expire. He enjoys his “Life Benefits”.
- When he retires he will have a tax free-income AND
- When he passes away he can leave a death benefit.





# Analysis of Total Policy Costs

Compare two healthy non-smoking males age 46 who buy a \$250,000 life insurance.

## Term Life Insurance

Vs.

## Whole Life Insurance

- **Age 46**: Buy 1st 10-year term policy. Annual Premium is \$345/yr. Total premiums \$3,450
  - **Age 56**: Buy 2<sup>nd</sup> 10-year Policy. Annual Premium is \$697/yr. Total premiums \$6,970
  - **Age 66**: Buy 3<sup>rd</sup> 10-year Policy. Annual Premium is \$1,835/yr. Total premiums \$18,350.
  - **Age 76-80**: Annual Premium \$7,870/yr. Total premiums \$39,350.
  - TOTAL PREMIUMS PAID: \$68,125
  - LOST OPPORTUNITY COST @ 7%: \$65,138
  - **TOTAL COST = \$133,263**
- **Age 46**: Buys Whole Life – total premiums \$5,718/yr.
  - 1st 10-years. Total premiums paid in = \$57,180
  - **Age 65**: Total premiums paid in = \$108,642. But Policy becomes Self-Funding from here.
  - TOTAL PREMIUMS PAID: \$108,642
  - TERM PREMIUMS: \$68,125
  - **NET DIFFERENCE = \$40,517**
  - **Age 81**: CASH VALUE = \$357,908
  - So an extra \$40,517 nets you \$317,391 more in cash value.
  - PLUS: You still get to use cash as you need tax free. Death Benefit would be \$485,000 , nearly 2x!



# Why is Cash Value Life Insurance Better than Term?

- *“Renting an apartment is cheaper than buying a home, on a month-to-month basis. But if you evaluate this scenario on a long-term basis, 20 years down the road, the house has built equity, while the apartment gives you nothing in return. Although rent may be cheaper, it doesn’t build equity.*
- *The same can be said about term insurance. Term insurance is like renting, while cash value insurance is like owning since you build equity.*
- *If you would like to recapture the dollars you paid in premiums for insurance, own it, don’t rent it.*



# Erroneous Traditional Views of Life Insurance

- Perspective is the lens we use to analyze a situation or how we look at life. Often times if our perspective changes we can completely transform the way we look at something.
- In a Job: If you view your job as boring, tedious, an unrewarding Vs. if you knew that by working hard and demonstrating results the business would become yours in a year per the owner's will.
- It's the same with life insurance: If we think of it as a "sacrifice", a cost with no benefit to us, it is not motivating. Vs. if you knew that the money you put in will provide you many Living Benefits and come back to you multiplied, plus when you pass away your heirs can get a Death Benefit – now the picture changes!



# CONCLUSION – TERM VS. WHOLE?

*“So, is term insurance cheaper over the entire lifetime of someone compared to cash value insurances? NO.*

*Is term insurance cheaper for a short period of time. YES!*

*Does term offer additional benefits other than the death benefit? NO.*

*Can cash value policies be a financial tool? YES.*

*Do investment people and insurance companies recommend term insurance? YES.*

*Because it will be profitable to you? NO.*

*Profitable to them? YES. There, see how easy that was?”*

*– Learning to Avoid Unintended Consequences – Leonard A.  
Renier*