



## The Cost of Waiting to Buy Life Insurance

by

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**InsMark Chairman/CEO**

To be certain of having life insurance when it's needed, it should be acquired before it's needed. So an important factor to consider involves the advantage of acquiring a policy now -- when one's health may be the best it will ever be. Of even greater importance, should something unexpectedly happen in the short term, the family (or business) will be protected.

Life insurance tends to be a postponable purchase, but the mathematical proof of the high "cost of waiting" will often trigger immediate action.

**Cost of Waiting** illustrations using equity indexed universal life appear on [Pages 4 – 7](#) and involve the case of Joe Tripp, age 35. For a variety of reasons, Joe feels no necessity to acquire permanent life insurance now, although he expects to do so in the future. He has ample current cash flow to pay the illustrated annual premium of \$5,000.

As you would expect, the **Cost of Waiting** illustration compares two sets of source data -- in this case, over a 30-year period. In Joe's case, we compared *buying now* at age 35 versus *waiting to buy* 5 years at age 40 -- using the same face amount and premium in both cases. Although we used indexed universal life in this example, you can compare any type of policy in this new illustration module.

In Joe's case, the key to the analysis involves comparing the early cost of five premiums versus the long-range gain in cash value that occurs by *buying now*. As you can see from the text on [Page 4](#), Joe's long-range cash value gain by *buying now* is \$232,756. [Page 5](#) shows the side-by-side comparison of policy values.

Note: We used the "short print" option on our Print menu to include 30 years of values on one page.

The key report for this case is the Matching Values Report on [Page 6](#). It shows that, by Joe's age 65, he would have had to earn a pre-tax equivalent rate of return of 11.49% on the first five \$5,000 premiums saved by *waiting to buy* in order to match the \$232,756 gain in cash value that occurs by *buying now*. (This calculation assumes a 28% marginal income tax bracket for Joe.)

Table 1 shows the value at various policy durations of Joe *buying now* versus *waiting to buy* for five years.

**Table 1**  
**Cost of Waiting**  
**Equity Indexed Universal Life**  
**(Illustrated at 8.00%)**

Year	Gain in Cash Value by <i>Buying Now</i>	Pre-tax Equivalent ROR Required* to Match the Gain in Cash Value
10	\$ 46,260	11.00%
20	\$ 95,114	10.66%
30	\$ 232,756	11.49%
40	\$ 523,607	11.55%
50	\$ 1,151,833	11.52%

\*on the first five \$5,000 premiums

Presuming that Joe has the available cash flow, we believe the case for *buying now* has emphatically been made.

Note: Equally impressive results would be illustrated if participating whole life or variable universal life were used in the comparison. (If you are comparing participating whole life policies, one of the ways to compare identical premiums is to reduce the face amount of the older age policy.)

For those of you who would prefer to use universal life (rather than equity indexed universal life), Table 2 shows the value at various UL policy durations of Joe *buying now* versus *waiting to buy* five years using the same face amount and premium pattern as Table 1.

**Table 2**  
**Cost of Waiting**  
**Universal Life**  
**(Illustrated at 5.50%)**

Year	Gain in Cash Value by <i>Buying Now</i>	Pre-tax Equivalent ROR Required* to Match the Gain in Cash Value
10	\$ 39,171	7.96%
20	\$ 62,162	7.19%
30	\$ 122,074	8.08%
40	\$ 273,507	9.01%
50	\$ 642,400	9.70%

\*on the first five \$5,000 premiums

The **Cost of Waiting** illustrations reflected in Table 2 appear on [Pages 8 - 11](#).

Note: To obtain the numbers in the Tables easily, we merely changed the years to illustrate and previewed the results of the Text Introduction and Matching Values Report for each illustration.

To review the menu entries we used to prepare the attached presentation, for those licensed for the InsMark Illustration System, an electronic System Workbook is available on our website. As soon as you install Version 14.0 enhancement, this Workbook can be downloaded from our website at [www.insmark.com](http://www.insmark.com). Click on Producers Center, then on the Workbook Download icon at the top of the next page. Then click on the Concept Library icon at the far right and look for the Workbook listed under “Cost of Waiting to Buy Life Insurance”.

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Illustrations follow starting on Page 4 . . .

## Equity Indexed Universal Life (Pages 4 - 7)

(Universal Life (Pages 8 - 11))

### Analysis of the Cost of Waiting

To be certain of having life insurance when you need it, you should acquire it before you need it. So an important factor to consider involves the advantage of acquiring your policy now -- while your health may be the best it ever will be. Of even greater importance, should something unexpectedly happen to you in the short term, your family will be protected.

There is usually another reason for acquiring your life insurance early. The example below illustrates a comparison of buying a policy now versus waiting five years to buy it.

#### Insured: Joe Tripp

Current Age: 35

##### Equity Indexed Universal Life Plan A: Buy Now\*

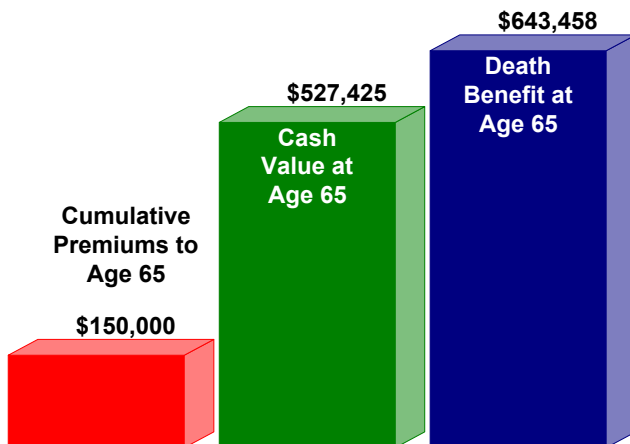
Initial Policy Death Benefit:	500,000
Policy Premium:	5,000
Number of Premiums to Age 65:	30
Cum. Premiums at Age 65:	150,000
Cash Value at Age 65:	527,425
Death Benefit at Age 65:	643,458

##### Equity Indexed Universal Life Plan B: Wait Five Years to Buy\*\*

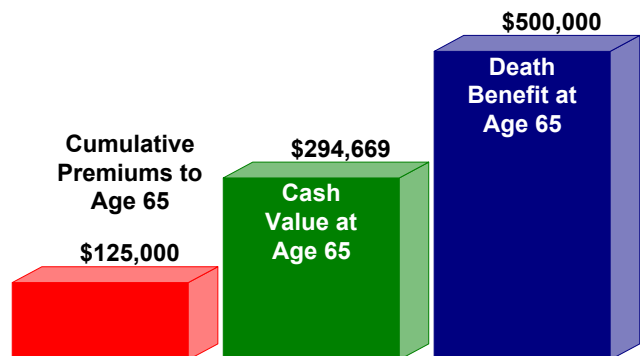
Initial Policy Death Benefit:	500,000
Policy Premium:	5,000
Number of Premiums to Age 65:	25
Cum. Premiums at Age 65:	125,000
Cash Value at Age 65:	294,669
Death Benefit at Age 65:	500,000

**Cash Value Gain at Age 65 by Buying Now: \$232,756**  
**Premiums Saved by Waiting Five Years to Buy: \$25,000**

##### Plan A: Buy Now\*



##### Plan B: Wait Five Years to Buy\*\*



\*This is an example of an InsMark supplemental illustration for equity indexed universal life. In an actual presentation, this footnote will refer to an accompanying basic illustration from a specific life insurance company with important details, caveats, and guarantees.

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## Analysis of the Cost of Waiting

### Equity Indexed Universal Life Issued at Age 35

vs.

### Equity Indexed Universal Life Issued at Age 40

Comparison Page: 1  
Date: [Current date appears here]

Presented By: [Licensed user's name appears here]

Insured: Joe Tripp

Male Age 35	Eq. Indexed UL Interest Rate 8.00%	Policy Owner Tax Bracket 28.00%	Male Age 40	Eq. Indexed UL Interest Rate 8.00%
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Year	Plan A: Equity Indexed Universal Life Issued at Age 35				Plan B: Equity Indexed Universal Life Issued at Age 40			
	(1) Net Payment	(2) Year End Accum Value*	(3) Year End Cash Value*	(4) Death Benefit	(5) Net Payment	(6) Year End Accum Value**	(7) Year End Cash Value**	(8) Death Benefit
1	5,000	4,541	541	500,000	0	0	0	0
2	5,000	9,415	1,415	500,000	0	0	0	0
3	5,000	14,716	6,216	500,000	0	0	0	0
4	5,000	20,435	11,935	500,000	0	0	0	0
5	5,000	26,610	18,110	500,000	0	0	0	0
6	5,000	33,275	25,200	500,000	5,000	4,324	0	500,000
7	5,000	40,475	32,910	500,000	5,000	8,955	0	500,000
8	5,000	48,258	41,288	500,000	5,000	13,984	2,734	500,000
9	5,000	56,670	50,380	500,000	5,000	19,399	8,149	500,000
10	5,000	65,769	60,244	500,000	5,000	25,234	13,984	500,000
11	5,000	75,612	70,937	500,000	5,000	31,521	20,833	500,000
12	5,000	86,229	82,489	500,000	5,000	38,261	28,248	500,000
13	5,000	97,688	94,968	500,000	5,000	45,491	36,266	500,000
14	5,000	110,059	108,444	500,000	5,000	53,246	44,921	500,000
15	5,000	123,419	123,419	500,000	5,000	61,566	54,253	500,000
16	5,000	137,859	137,859	500,000	5,000	70,499	64,312	500,000
17	5,000	153,451	153,451	500,000	5,000	80,070	75,120	500,000
20	5,000	208,244	208,244	500,000	5,000	113,130	113,130	500,000
25	5,000	334,946	334,946	500,000	5,000	186,743	186,743	500,000
30	5,000	527,425	527,425	643,458	5,000	294,669	294,669	500,000
	<b>150,000</b>				<b>125,000</b>			

\*This is an example of an InsMark supplemental illustration for equity indexed universal life. In an actual presentation, this footnote will refer to an accompanying basic illustration from a specific life insurance company with important details, caveats, and guarantees.

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## Analysis of the Cost of Waiting

### Equity Indexed Universal Life Issued at Age 35 vs. Equity Indexed Universal Life Issued at Age 40

Comparison Page: 2  
Date: [Current date appears here]

Presented By: [Licensed user's name appears here]

Insured: Joe Tripp

Male	Policy Owner
Age	Tax Bracket
35	28.00%

#### Gross Interest Rate Required over 30 Years on a Hypothetical Taxable Investment Equal to the First Five Premiums of Plan A in Order to Match the Increase in Cash Values of Plan A over Plan B.

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	Hypothetical Taxable Alternative
To match increase in Accumulation Value of \$232,756:	11.49%
To match increase in Cash Value of \$232,756:	11.49%

#### Plan A: Buy Now

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#### Plan B: Wait Five Years to Buy

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# Analysis of the Cost of Waiting

## Equity Indexed Universal Life Issued at Age 35

vs.

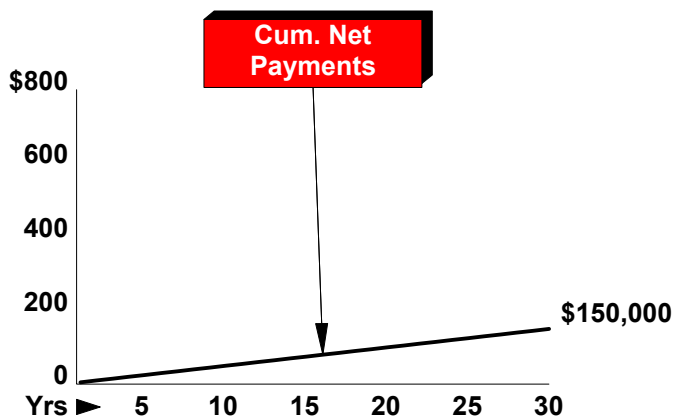
## Equity Indexed Universal Life Issued at Age 40

Date: [Current date appears here]

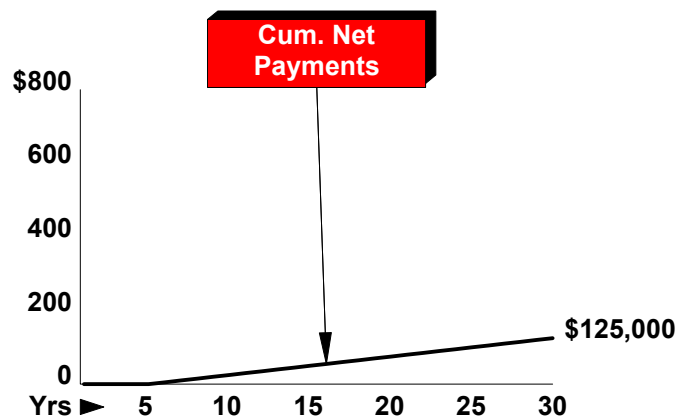
Presented By: [Licensed user's name appears here]

Insured: Joe Tripp

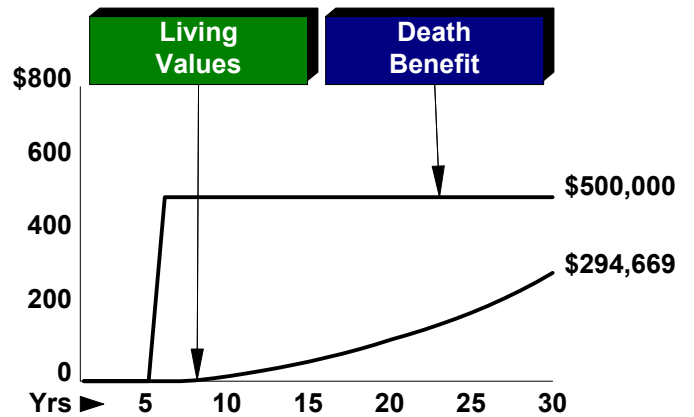
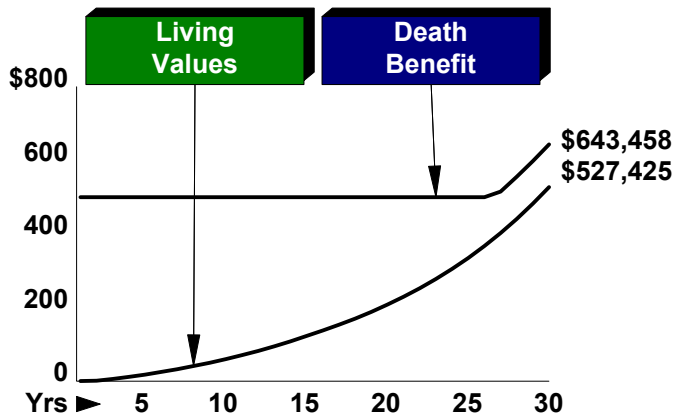
Equity Indexed Universal Life  
Plan A: Buy Now



Equity Indexed Universal Life  
Plan B: Wait Five Years to Buy



### Comparative Analysis of Values



## Analysis of the Cost of Waiting

To be certain of having life insurance when you need it, you should acquire it before you need it. So an important factor to consider involves the advantage of acquiring your policy now -- while your health may be the best it ever will be. Of even greater importance, should something unexpectedly happen to you in the short term, your family will be protected.

There is usually another reason for acquiring your life insurance early. The example below illustrates a comparison of buying a policy now versus waiting five years to buy it.

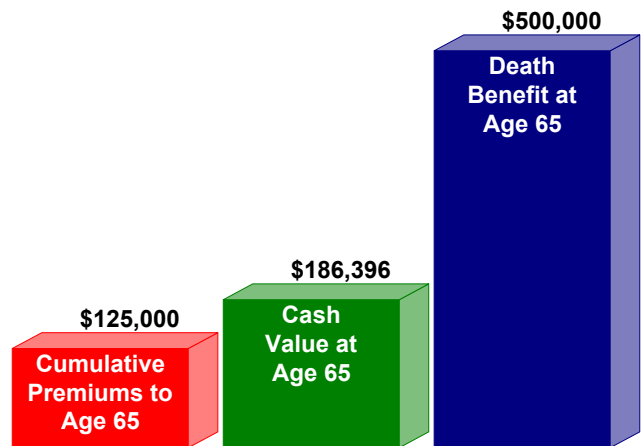
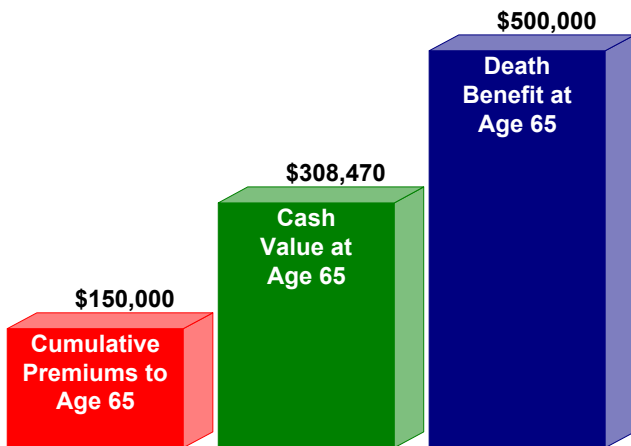
### Insured: Joe Tripp Current Age: 35

Universal Life Insurance (UL) Plan A: Buy Now*	Universal Life Insurance (UL) Plan B: Wait Five Years to Buy**
Initial Policy Death Benefit: 500,000	Initial Policy Death Benefit: 500,000
Policy Premium: 5,000	Policy Premium: 5,000
Number of Premiums to Age 65: 30	Number of Premiums to Age 65: 25
Cum. Premiums at Age 65: 150,000	Cum. Premiums at Age 65: 125,000
Cash Value at Age 65: 308,470	Cash Value at Age 65: 186,396
Death Benefit at Age 65: 500,000	Death Benefit at Age 65: 500,000

**Cash Value Gain at Age 65 by Buying Now: \$122,074**  
**Premiums Saved by Waiting Five Years to Buy: \$25,000**

#### Plan A: Buy Now\*

#### Plan B: Wait Five Years to Buy\*\*



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## Analysis of the Cost of Waiting

### Universal Life Insurance (UL) Issued at Age 35

vs.

### Universal Life Insurance (UL) Issued at Age 40

Comparison Page: 1  
Date: [Current date appears here]

Presented By: [Licensed user's name appears here]

Insured: Joe Tripp

Male Age 35	UL Interest Rate 5.50%	Policy Owner Tax Bracket 28.00%	Male Age 40	UL Interest Rate 5.50%
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Plan A: UL Issued at Age 35

Plan B: UL Issued at Age 40

Year	Plan A: UL Issued at Age 35				Plan B: UL Issued at Age 40			
	(1) Net Payment	(2) Year End Accum Value*	(3) Year End Cash Value*	(4) Death Benefit	(5) Net Payment	(6) Year End Accum Value**	(7) Year End Cash Value**	(8) Death Benefit
1	5,000	4,427	427	500,000	0	0	0	0
2	5,000	9,067	1,067	500,000	0	0	0	0
3	5,000	13,998	5,498	500,000	0	0	0	0
4	5,000	19,191	10,691	500,000	0	0	0	0
5	5,000	24,665	16,165	500,000	0	0	0	0
6	5,000	30,431	22,356	500,000	5,000	4,213	0	500,000
7	5,000	36,510	28,945	500,000	5,000	8,618	0	500,000
8	5,000	42,921	35,951	500,000	5,000	13,292	2,042	500,000
9	5,000	49,682	43,392	500,000	5,000	18,203	6,953	500,000
10	5,000	56,815	51,290	500,000	5,000	23,369	12,119	500,000
11	5,000	64,340	59,665	500,000	5,000	28,798	18,111	500,000
12	5,000	72,247	68,507	500,000	5,000	34,470	24,458	500,000
13	5,000	80,557	77,837	500,000	5,000	40,397	31,172	500,000
14	5,000	89,289	87,674	500,000	5,000	46,585	38,260	500,000
15	5,000	98,464	98,464	500,000	5,000	53,043	45,730	500,000
16	5,000	108,112	108,112	500,000	5,000	59,787	53,599	500,000
17	5,000	118,233	118,233	500,000	5,000	66,800	61,850	500,000
20	5,000	151,711	151,711	500,000	5,000	89,549	89,549	500,000
25	5,000	219,799	219,799	500,000	5,000	133,597	133,597	500,000
30	5,000	308,470	308,470	500,000	5,000	186,396	186,396	500,000
	<b>150,000</b>				<b>125,000</b>			

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# Analysis of the Cost of Waiting

## Universal Life Insurance (UL) Issued at Age 35 vs. Universal Life Insurance (UL) Issued at Age 40

Comparison Page: 2  
Date: [Current date appears here]

Presented By: [Licensed user's name appears here]

Insured: Joe Tripp

Male	Policy Owner
Age	Tax Bracket
35	28.00%

### Gross Interest Rate Required over 30 Years on a Hypothetical Taxable Investment Equal to the First Five Premiums of Plan A in Order to Match the Increase in Cash Values of Plan A over Plan B.

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	Hypothetical Taxable Alternative
To match increase in Accumulation Value of \$122,074:	8.08%
To match increase in Cash Value of \$122,074:	8.08%

#### Plan A: Buy Now

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#### Plan B: Wait Five Years to Buy

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# Analysis of the Cost of Waiting

## Universal Life Insurance (UL) Issued at Age 35

vs.

## Universal Life Insurance (UL) Issued at Age 40

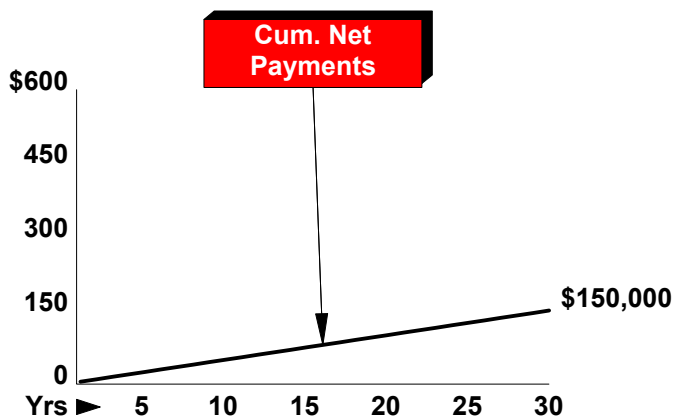
Date: [Current date appears here]

Presented By: [Licensed user's name appears here]

Insured: Joe Tripp

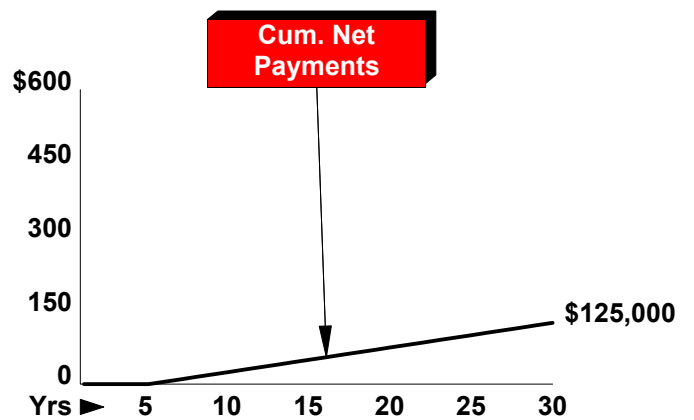
### Universal Life Insurance (UL)

#### Plan A: Buy Now



### Universal Life Insurance (UL)

#### Plan B: Wait Five Years to Buy



### Comparative Analysis of Values

