Episode #176: How to Eliminate Market Recovery Using an IUL

Video Transcription

Hello, and welcome to another episode of Money Script Monday. My name is Marcus Kiel and today, I'm going to be talking about how to eliminate market recovery using an IUL. Before we get started, I'd like to ask a couple of questions. What if I could show you a way to participate in the stock market at the perfect time, and come out of the stock market at the perfect time every time. Would you be interested? Stay tuned and I'll answer those questions for you.

With any retirement income strategy, it's best to have a full financial portfolio that's diversified, the proverbial "don't put all your eggs in one basket." Today, I'm going to talk about the kind of stock market losses and volatility, and then use another financial vehicle that may be beneficial. When talking about portfolio loss versus recovery, you just take a look at this graph here. We have a percentage of loss, portfolio loss versus the percentage of gain. Let's use $1000 as a benchmark. Let's say you have a 10% loss on, $1000. You would think, "Well, if I lost that, I'll only need 10% to get back to level." That's incorrect. If you lose 10%, you're at $900. Remember, we used $1000, we're at $900. Ten percent of $900 is $990. You need a little bit more to get back to $1000, hence, 11.1%. I get what you're saying. I lost 10%, and 11.1%, that's not that big of a deal. Remember that for each percentage loss that you have, you need a higher percentage to regain or recoup those funds. What happens if you lose 25% of your financial portfolio stocks? You need 33.3% to get back, to recoup those losses. If you lose 50%, you need 100% to recoup those losses. As you can see, it's a big jump to get those losses back, depending on how big the portfolio loss is. If you have all your eggs in one basket, that could be detrimental to your retirement income strategy.

What if I could show you a way to be in the stock market, participate at the perfect time, and not participate, at the perfect time every time? The answer to that question is an IUL. Indexed universal life is a financial vehicle that can take advantage of those options. Let's look at our graph. We have index performance determining interest and before that, indexed universal life. It's a financial asset, not an investment. The first benefit is, of course, a tax-free death benefit to your beneficiaries. Your money grows or accumulation value grows tax-deferred, and then you can take money out, tax-free.

Back to the graph, index performance determining interest. On our y-axis, we have percentage credits. -5, 0, 5, and so forth. On our x-axis, we have time. Looking at the first bullet point, the stock market is going up. This is a hypothetical index performance. It's going up. You're participating at that time, okay. If it returns, you get about 5% index credit. The purple is your accumulation value and the hypothetical index performance is your red. At the perfect time, it's going up, you get 5% index credit. That's perfect. You're in at the right time.

What happens if the stock market or the external index goes down? Do you lose money? Do you have to recoup or gain money to get back to your level? You don't. Here's a zero line. If the stock market goes down, it's almost like we're not participating in that. We've taken our funds out. We've locked in at 5%, our accumulation value, and we just get a 0% return. You don't lose any money, 0% return. When the stock market goes back up, it resets every year so you don't go back down here to recoup your loss. You're still locked in at 5% from the previous year and you just go up. Either you go up or you remain flat. You go up or you remain flat and you reset, you don't have to worry about recouping market losses. You participate. You're not directly in the stock market so you can get most of the gains and none of the losses. hat's the beauty of an IUL.

To recap, if I could show you a way to participate in the market indirectly, at the perfect time when things are going up, and then pull out when things are going down, would you be interested? You answered, "Yes," then an IUL is a perfect vehicle for that. With the tax-free death benefit, money grows tax-deferred, and you can pull money out, tax-free. You will not lose accumulation value to stock market losses. You don't have to worry about recouping the gains. Please contact your local financial professional to see if an IUL fits in your retirement income strategy.