

Episode #188: How an IUL Earned a \$1 Million Index Credit

Video Transcription

Hey there, my name is Kevin Nuber, and thank you so much for watching today's "Money Script Monday" video called "How an Index Universal Life Policy Earned a \$1 Million Index Interest Credit." This is a real-life in-force policy. This is not hypothetical. This is the actual in-force policy that we have on the books. There is over \$1 million of interest in this last year. When you go and purchase an IUL or anything in general, you can make things as complicated or as easy as you want.

In California, we have a restaurant that's called Cheesecake Factory. The Cheesecake Factory, hopefully, they're still in business. If you go there and you go and ask for the menu, the waitress or waiter will drop the menu on the table. It will make a thump because it is so large. You open it up and there are so many different pages, and it's so hard to make a decision about actually what you want to eat for dinner because there are so many different choices. Today we find ourselves in the same situation when we go to and make any type of purchase or even a financial decision anymore.

We have this fantastic thing called the internet. We have this unbelievable access to information, which is incredible. It's revolutionary, but at the same time, it can be a burden because if you go too far down that rabbit hole, there's too much information and you can overcomplicate things, and in the end, not do the thing that you need to be doing in your financial life. There's another restaurant here in California called In-N-Out Burger. It's super easy. There are three things on the menu. If you get in line, there could be 30 cars in the drive-through, and you can get through that in no time because things are simple and straightforward and you can get the thing that you want in no time at all.

You all can be the same way. Today, what I'd like to do is try to take something that could be very complicated and make it very simple so that you don't get lost with an excess of information. You can make a decision quickly and get the thing you want, which is tax-free interest inside of your policy. The first thing I want to do is I want to talk about many of the myths that you hear about the IUL on the internet. There are dozens and dozens of different things that are out there that are IUL myths.

For someone who's experienced, that knows how it works, you read these articles and you immediately say, "This person has no idea what they're talking about. All these things are so untrue." But for a client, they have no way of knowing if the information is good information or bad information.

While I have a list of probably 25 different things here that are myths about IUL that are simply untrue and patently false, I'm going to talk about three of them today because it applies to the conversation that we're going to be having. The first myth is that illustrations will not come true. This is just false. Illustrations come true, as long as you do three things. You have to do three things. First is you have to illustrate it at a reasonable rate of return. You have to pay the maximum premium, the maximum contribution, not the minimum. Three, you have to make the contributions or pay the premiums that you originally planned. As long as you do those three things, then the illustration will come true an overwhelming majority of the time.

The second thing that's a myth is that it's impossible to earn a high rate of return. I'm going to show you today that is entirely possible to earn a high rate of return on Index Universal Life policies. The third is that the insurance company makes or loses money based on that amount of index credit that's credited to your policy. Again, this is not true. They try to say that there's some sort of profit motive involved in the insurance company not crediting your interest. That is not true. The amount of interest you earn is determined completely by an index.

I'm going to show you the exact formula that they use. I'm going to make it as simple as possible without getting into the weeds. You can just understand the basics of how an index credit works. This here's a real-life example. This is from a statement on an actual in force contract that we have. It's quite simple. We have an index, just like in S&P 500. There are so many different indexes out there. This index on the anniversary date, which is December 5th, 2019, the value of that index was \$823.51.

What we do is we just wait one year. We measure that index again one year later, in December of the following year, it was \$912.97. We measure the change. We take this number divided by that number or minus that number divided into the original one. That gives you the percent change, very simple. You can see that the change was 10.86%.

All these different types of policies and these strategies, this is where I can get overly complicated. They all have some sort of either a multiplier or a limiter or a factor that they use to either make this number higher or lower.

Without getting into the weeds, this particular policy, this index option has a multiplier that's 105%. We take 10.86 times 1.05. There we go. We have an 11.41% index interest credit. You can see simply by doing that, that you can earn a high interest rate inside of policy. This policy, no matter how much money you have inside the contract, is going to earn 11.41%. If you have \$10,000 of the cash value in there, or you have a million dollars of cash value, the index credit is the same. It's 11.41%. Let's apply this to this actual real-life in force contract.

These are values from a client statement. This is what the client got mailed to them this last December. This is the actual interest that they earned inside of their policy. This policy had \$9,081,411 inside the policy. This client paid a lot of premium into it. They were paying \$1 million per year. The interest was alone 11.41, which we already did the math on. The result is, this is the most important part, is that the index interest credit inside that policy was \$1,036,187. That's over \$1 million of index interest credit, credit to this policy, that was credited in there completely tax-free.

That's substantial. That's a huge number. This shows that many of the things that we're talking about here, about IUL, are just simply myths or simply untrue. When you go out there and you try to make some sort of purchase decision, you can make it as complicated as possible. You can go down this rabbit hole of all the different things out there about IUL and make it just like going to that restaurant and getting 150 different things on that menu and you can't ever make a choice. If you do, sometimes you might regret it. You might think that there's something better out there.

These are the three of those things that I'm showing you that are simply...or that is just untrue, is that an illustration won't come true, it's false. This policy has earned exactly what it was supposed to do if we look back eight years ago. We're right on track. Everything is going according to plan. Two, obviously we can earn a high rate of return. It's 11.41%. The anniversary date was December 5th of 2020. If the anniversary date were today, the day of me shooting this video, that index interest

credit would be over 15%. You can see that the potential is even higher than what I showed you.

You can earn a high index interest credit. Lastly is the insurance company can make a \$1 million interest credit, and they're not going to go broke doing it. They plan for it. The budget for it. This is exactly what it's supposed to do. This is what it's designed to do. Next time you go out there and make that decision, hopefully, you can use this video and you can see that it can be quite simple. The math can be quite easy, and you can see how you can get exactly what you want, which is a tax-free interest inside the policy. Hopefully, this video has helped you make it an easier purchase decision when coming to purchase your next index universal life contract. Thank you so much for watching.