

# Episode #255: IUL: The Swiss Army Knife of Retirement Planning

## Video Transcription

Hello, everybody, and welcome to another episode of "Money Script Monday." My name is Adam Reyna, and I'd like to thank you for attending.

So, today's topic is about Indexed Universal Life and how we use it as the Swiss army knife for retirement planning. But we're actually going to take it a step further and show you how you can even use it before retirement.

So, as a reminder, Indexed Universal Life Insurance is a type of permanent cash value life insurance that you fund with after-tax premiums. It grows tax-deferred, and eventually, there is access to tax-free income and a tax-free death benefit when you eventually pass away.

One of the reasons Indexed Universal Life is so important right now is because when this video is being shot, literally yesterday, there was the biggest drop in the stock market since June 2020.

So, keep in mind that Indexed Universal Life is also principle protected. That means you have a 0% floor, so you will not suffer loss in the down market.

Okay. So, with that said, we're going to talk about the Swiss army knife of planning, but we're going to take it into four different stages here. So, the first stage is protection.

So, do not forget that as soon as you pay that first premium, whether it be \$200 a month, \$20,000 a month, whenever you pay that first

premium, your family is protected. So, that's good for income replacement, mortgage protection, and debt replacement.

If you own a business, it can be used for a key person or buy/sell. So, really that stage, the first stage of protection is giving you peace of mind.

Okay. So, the second stage. So, during that funding time, during the deferral time, you have liquidity. And people like to think cash is king but cash is not king.

Liquidity is king. The reason being is if you have cash sitting in your checking or savings account or buried in the backyard, it's not earning a rate of return and it's getting eaten up by inflation.

So, having liquidity use and control of your money during this deferral phase is also something that's going to give you peace of mind. A lot of times we call it a be your own banker strategy.

Unlike IRS-regulated 401(k)s or IRAs where you don't have early access to the money or you'd be penalized, again, you have the liquidity use and control of the cash value during the deferral phase.

So, that can be used as an emergency fund, investment opportunities, maybe a real estate bucket, a working capital account, college tuition, weddings, really the list just goes on because that's your money to use as you see fit.

Okay. So, now we know the protection and the liquidity, let's talk about the distribution phase. So, stage three of benefits with an IUL after you've got your death benefit protection up front, you've got access to the cash along the way, let's say now you're 65 years old, and you want to start a stream of retirement income.

You can take tax-free income from your Indexed Universal Life Insurance policy and work with your advisor on the ways to do that but essentially

what we're doing is we're borrowing from the insurance company using our policy as collateral.

We're not going to get into the loan structure now but just know that it is a tax-free income. It can be inflation adjusted, and that would go on as long as you're alive. It can also be used for late-stage income planning.

Maybe you set up a bucket for nursing home care or cover long-term care in the future. Okay.

Really just focus in that that third stage of benefit in your IUL is TFR, tax-free retirement. Okay.

Then finally, in stage four we have our legacy. So, whenever you do pass away, let's say 85, 90 years old, you've had the protection your entire life, you've had the access to cash, you've gotten your tax-free retirement income, and then eventually when you do pass away, there's going to be a death benefit, a residual death benefit that will pass to your beneficiaries or your estate completely tax-free as well.

Obviously, that can be for final expenses, that can be for estate planning, and it's also going to give you that peace of mind and kind of dignity when you do pass away.

So, again, Indexed Universal Life can be that Swiss army knife of planning because it is so nimble, it's so dynamic, and it has these four stages of benefits.

So, if you see at the bottom there, you know, this is not just death insurance, right? People think of insurance, and it's something that's going to pay my family when I pass away.

We call this life insurance because it has all of these living, tangible benefits that you get to enjoy while you are still alive and then, of course, does have a legacy at the end of life. Okay.

I hope you found this informative, and that you understand the four stages of Indexed Universal Life, and why we now call IUL the Swiss army knife of retirement planning.

Thank you. Have a good day.