Episode #276: Do These Three Things To Make Your IUL Come True

Hey there. My name is Kevin Nuber. Thank you so much for watching today's Money Script Monday video where I'm going to be talking about how to do three things to make sure that your IUL actually comes true. There's a lot of really great things out there about the internet, but there's also some really challenging things with the internet. And one of those, at least for me, is that any time that I go try to make some sort of purchase or some sort of major decision, I seem to always go to the internet in order to find some good opinions.

The problem has gotten worse and worse over the last few years especially. Inevitably, you're going to find one group of people that have a very strong opinion for something and you're going to find one group of people that have a very, very strong opinion against something. And no matter how hard you try, you're going to get so much bad information. Some of it's going to be good information, and in the end, all it really does is confuse you.

It makes it harder to actually make any sort of major decision. Well, this is true, not just today, but was true many, many years ago and our founder, he decided that as a company, as a firm, we were going to go on a mission. And this mission was to prove to everybody that Index Universal Life policies will come true. But there's an asterisk. You have to follow a certain set of rules to increase the likelihood that the outcome's going to be exactly what you want.

So, what we did is we started tracking all the policies that we ever wrote. And over the last 10 years, 15 years, we've written well over 15,000 actual enforced contracts. So, the opinion that I am rendering to you today is based on actual experience, to the tune of 15,000 or more actual enforced policies.

And what we found was that for the most part, these IUL policies came true. Meaning that whatever we showed the client on the front end with an illustration, the actual result ended up being very close, more or slightly less to what we originally anticipated. But here's the learning experience, we were able to look at the group of policies that did not perform how they should have. And we were able to look at those policies and say, "What did those policies do or not do compared to the ones that were successful?" And that is the three rules that I'm going to be discussing today. So, if you are going to purchase an IUL contract, you have to make sure that you do these three things.

The first thing, this is the most important thing that you have to do, is that you have to make sure your Index Universal Life insurance policy is maximum funded. Now, this is counterintuitive. You see, we're all conditioned, we're all trained that when we go buy something, when it comes to insurance especially, whether homeowners' insurance or car insurance, we're supposed to find the most amount of insurance for the least amount of premium. And this is certainly true with Life Insurance, but when it comes to an Index Universal Life insurance policy, this is not true.

The most important thing is that you have to pay the maximum premium that the IRS is going to allow you to pay. In order to get tax-free growth, tax-free income and retirement, tax-free death benefits you. And in order to get the most of all those things, you need to pay the least amount of insurance.

The IRS says that there's a minimum amount of insurance that you have to pay in order to be a life insurance contract. The only way for you ever to pay that minimum amount is to pay the maximum amount of premium. You want to pay as much as you can in order to reduce the cost as much as possible. The reason why this is the most important rule is when we looked at that group of policies that were unsuccessful, what we found is this was the number one contributor, is if the policy was not designed to be maximum funded and maximum efficient.

This is the first rule. As long as you follow this rule, the likelihood of success is going to be much greater.

So, rule number two. Rule number two is you have to pay the plan premiums. This sounds kind of obvious, but it isn't really obvious, and I think maybe if I explain it with an analogy, it'll make more sense.

So, let's say you had a 401K with your employer, and you did a calculation. You said, what if I put an X amount of premium over a certain number of years and when I retire, I'm going to get Y amount of income in retirement? It's a pretty simple calculation, it's not too hard to do. Would you be surprised that if you pay less premium or less contributions into the 401k, that you would have less income in retirement? I don't think so. I think to most people, it would be obvious that if you put less contributions into your 401k plan, you're going to have less money in retirement. That's just how math works.

The same thing is true when it comes to an IUL. If you pay less than the originally planned amount on an original proposal or an illustration, then guess what? You're going to have less income that comes out. So, this actually is important because it combines with this first rule. You see, in order to have a max funded policy, you have to pay the premium.

These ones are tied together. This is the second rule because this is the second most important thing. And when we looked at those unsuccessful policies, most of the reason why the outcome wasn't what we expected is because the client wasn't able to make those contributions. So, it's really, really important that when you set up your policy, you structure it around a premium, a plan premium, that you feel very confident that you can actually pay. That will make sure that you have the successful outcome.

Rule number three. Rule number three is that you have to illustrate the policy at a reasonable rate. This is the rate of return that you're going to show on your projection to do the calculation about all the expected cash

values and income and so on and so forth. I'm going to make an analogy in your 401k plan again.

Previously I said if you put in an X amount of contribution, you'll get Y amount of income. The thing I left out of it is, what rate of return are you going to earn on your 401k plan during the accumulation years? Well, if you go on the internet, you turn on the radio, you turn on the tv, a lot of the big opinion people out there are going to tell you, "Well the stock market has averaged 12% over the long run with dividends. So, therefore that's what you should expect to earn on your investment."

Well, I'm sorry but if you project a 401k plan out at 12% over your lifetime, the result is going to show that you're going to have a lot of money in your 401k and you have a lot of income. But unfortunately, it most likely will not come true because that is not a reasonable expectation on what you should expect to perform on a 401k.

You're probably going to earn something much less and therefore your outcome's going to be less. And this is absolutely true with an IUL. With an IUL, you have to illustrate at a reasonable rate in order to make sure that the outcome is exactly what you want. Over the last 15 years and after tracking 15,000 of these policies, we were able to look at all of these enforced contracts and we were able to do a calculation and figure out what the average rate of return is of all of these policies. And that number came out to something slightly higher than 7%. Now that doesn't mean that you should illustrate at 7% because that's just on average. It means 50% of the time it comes true and 50% of the time it doesn't come true. And we want to give you an outcome that has a higher probability of success than 50%.

Maybe you should project something out a little bit less, like 6.5% or 6% because the lower the projection, the more reasonable your rate of return is and the higher the likelihood of having a successful outcome will be.

Once again, after tracking all these policies, after setting out on this mission to prove to the world that IUL can actually come true, what we learned is that these are the three rules that you have to follow. You have to have an IUL that's maximum funded all the way up to that maximum line. You have to pay the premium that you plan. And then lastly, you have to use a reasonable rate of return. And if you do these three things, then that original illustration, that original plan that you're looking at, it has a very, very high likelihood of actually coming true. Thank you so much for watching.