

# Episode #333 - How IUL Can Fill These 4 Financial Gaps

Hello, and thank you for tuning in today. My name is Adam Reyna, and I'm excited to be covering today's topic. We're going to discuss how Index Universal Life insurance, or IUL, can serve as a powerful tool in bridging various financial gaps, such as the retirement income gap, wealth transfer, gap investment, diversification gap, and finally, tax diversification gap.

As a reminder, with IUL, you pay the premium with after-tax dollars. A portion of that premium goes towards building cash value, gains are tax-deferred, you get tax-free income, and eventually, the death benefit goes tax-free to your heirs. An IUL will really is one of the most tax-advantaged, wealth-building vehicles we have, and we'll cover how it can help cover these gaps mentioned.

Before we get into these gaps, let's talk about how these gaps were created. One of the reasons these gaps exist is because a lot of people in this country actually have a saving problem. We get it. It's hard to sacrifice and put away the amount of money we really want for retirement, especially with inflation being at some of the highest levels we've seen in some time. Here's the unfortunate truth. According to the Bureau of Economic Analysis, the average saving rate is only about 3-5%. The top 10% of wage earners save about 9-12%. The shocking reality is that in order to maintain our lifestyle and retirement, we should be saving 30 to 35%.

In addition to undersaving, there's another misconception that exists among investors. A lot of investors are so focused on the next hot stock or some investment that they forget about the most important thing, which is making consistent contributions. According to a retirement success study by Blanchett and Grants, only about 26% of your desired outcome is made up from your return, while 74% is from the contributions. What this study

determined is that the time in the market versus timing the market is what's most important, and continually contributing is what's going to help you build wealth.

Now, let's talk about how IUL can help bridge these gaps. The retirement income gap. Remember, IUL can be used as a form of tax-free retirement income. This means to supplement your income, such as Social Security, pensions, withdrawals from investments, or income-generating annuities. One of the best parts about IUL is you can fund it on your terms. Sometimes, a 7 to 10-year period and then be done, letting that compounding interest exist, which is eventually going to get you that retirement income tax-free.

In addition to the retirement income gap, many individuals are concerned about leaving a legacy to their loved ones or that wealth transfer gap. The challenge is that IUL is able to create a tax-free legacy without the burden of estate taxes for the next generation. Bridging that gap and preserving your legacy.

Additionally, investment diversification is crucial in mitigating risk and maximizing growth potential. However, many individuals lack adequate diversification. They think just having a bunch of stocks means I'm diversified, right? Large-cap, small-cap, international, and domestic. But really, we want to see more diversification versus the broader market using different asset classes, and IUL is insurance-based and therefore, a different asset class.

Lastly, with IUL, you have the flexibility to allocate premiums into the fixed or indexed account. This allows you to diversify your investment strategy within your policy, reducing risk, enhancing your overall returns, and letting your portfolio continue to grow and generate that long-term growth.

Our last gap is the tax diversification gap. Tax diversification is actually very essential in optimizing your tax strategy for retirement

because a lot of people have tax-deferred accounts, and those are going to be taxed on withdrawals like your 401K or IRAs. IUL offers tax-deferred growth, tax-free withdrawals, and a tax-free death benefit. By leveraging the IUL, you are creating tax diversification and therefore setting up a more secure financial future.

That's it for today. In conclusion, IUL offers a comprehensive solution for bridging various financial gaps and securing your future. Whether it's filling that retirement gap, wealth transfer, investment, or tax gap, IUL provides that flexibility and advantages to help you achieve your goals. I thank you for your attention, and please reach out to your trusted advisor if you have any questions. Thank you.