

# Episode #335: 17-Year-Old IUL Policy Performance Review

Hello everybody. Welcome to another episode of Money Script Monday. My name is Michael Clementi. First of all, I want to thank you for attending, and I hope the title of today's video caught your eye because today we're reviewing a 17-year-old Fixed Index Universal Life Insurance policy.

The reason I want to talk about it is because with the popularity of index universal life, we see it a little more on social media and sometimes it's talked about not in the best light. I hear things like, "It's too high", "a high rate of return was sold to me and it didn't come true," and "The cost and fees associated with it are too confusing and too complex," and the third one and the one I hear the most is that, "advisors pitch this using a flat rate of return. If you had a zero in any of those years, this whole thing would implode."

We sell Index Universal Life a lot and we do believe in this product, but hearing these topics and conversations from the market really does hurt to hear because it seems like it's being pitched incorrectly to clients. With this video, I hope at the end of it, you'll know more about the benefits and how it's more of a solution to your portfolio than something that's more of a scam or something pitched to you, that's not going to come true.

When I saw this review come across my desk of the 17-year-old Index Universal Life Insurance policy, it made me think of three things: the client, the agent, and the insurance carrier. All came through with their promises, and everybody at the end of this policy, on the current day, is happy and ahead of schedule.

With that being said, let's take a look back at 2008 when this policy was issued and really pitched to the client. So what was going on in 2008? We had the housing market crisis, one of the biggest pullbacks in our

nation, in the last two decades. The clients we were talking to when approaching this product were at a cross-section of two major key points.

They wanted to accumulate assets, but they still needed to protect their money. They couldn't risk their money to market volatility. Stocks, bonds, and mutual funds all were down. If you held your money in cash, you really weren't earning anything, so you probably in the long run are going to be down as well. We're looking for a strategy that could still grow our money with life insurance benefits, protect our family, but also be protected from any volatility and that's exactly what we want to do with this product.

At the time of application, the plan was to do \$44,000 a year for a duration of five years. The total premium going in about \$220,000. Now this is still life insurance. There is a spouse and there's children involved, so we want to make sure if anything were to happen to the insured, everyone's taking care of. There's a death benefit that's tax-free waiting for them, so that \$715,000 was important. When you sit down and go over this strategy with the client, you're looking at projections 10, 15, 20, and 30 years out.

If you looked at it today, what 2024 looked like, the death benefit would have dropped to \$446,000. The cash value would have been \$391,000 and on average we've looked at a rate of return of about 5.95%. These are the numbers that were sold to the client that down the road, I'll have this in my life insurance policy and I'm OK with that. That's strategy I want to buy into.

From 2008 until 2024, we have results and they're different results, which I want to share with you today. The current face amount is still \$715,000. The client wanted to make sure that the spouse and the kids were taken care of, so because of their wishes, we kept that number. The cash value is ahead of schedule at \$418,000. Earning a total average rate of return of 6.06%.

We're ahead of schedule from the 5.95%, from the actual cash value that we promised to today, and also the face amount which is also the death benefit. You can see below where you can download the actual annual review and look at each year and each rate of return they earned on those indices. You can see there's six total zeros within that whole insurance policy, two of which are in the last three years.

When someone approaches you and says, "if you hit any zeroes on this? It's going to implode." It's the farthest thing from the truth and the reason being, this type of strategy should not be sold on inflated rates of return. I would say if someone's selling you on that, you should run the other way. The reason being, there's costs and benefits associated with this product. If you look at your whole portfolio of stocks, bonds, mutual funds, qualified accounts, retirement assets, they typically are mostly tied to volatility, unlimited upside, unlimited downside.

The reason that you want to buy an index universal life insurance policy, it's very simple and it's finite amount of benefits, but here they are. You won't lose any money to the stock market, you have a 0% index floor built in. It's life insurance, you have a tax-free death benefit for you and your family waiting for you if you pass. That death benefit typically has some sort of living benefits in there for chronic, terminal, and critical illness. In terms of the rate of return, it's typically going to earn between 6 to 8%. That's the average you're going to look at on a Fixed Index Universal Life Insurance policy and the cash value can be accessed as a tax-free loan. That's how the money is going to be tax-free. Instead of doing a withdrawal from your other assets, using a loan from an A-rated insurance carrier.

When you see this inside of your portfolio, it's not meant to be the biggest money maker, the biggest swing that's going to get you the highest rate of return. What it's meant for is those times, like 2008, the housing market crisis, or we saw recently COVID-19. When you look at all your other assets, and everything is down and you're holding cash close to

your chest, you want to look at where can I access cash value and how can it possibly be tax free? Index Universal Life can be the key for you.

I'll say it again. There's a 0% volatility floor. There's life insurance benefits with living benefits. It earns about 6 to 8% rate of return and you access the money as a tax-free loan. That's the benefit you're getting out of it. It's a safe plan that earns safe money for you.

Now, if you are concerned about volatility, taxes, and having some sort of life insurance, I would recommend reaching out to a financial professional. Ask them about Fixed Index Universal Life and how it could be a portion of your retirement. Now I know I went through a lot right now, but I really hope at the end of this video you get a better understanding of how Index Universal Life should be talked about in the market and how it should be understood with any retirement plan. I want to thank you again. My name is Michael Clementi, and we'll see you next week.