

Bank CD vs. Super-Charged Life Insurance

This case compares a bank certificate of deposit versus a super-charged permanent life insurance policy. In each case the owner is 26 years old and deposits \$5,000 per year for 20 years until age 45. At that time the money accumulates in the account until age 65.

In this example we assume the bank CD grows at a compound rate of 2% per year, which at today's rates is high, considering the small \$5,000 per year contribution. We also assume a tax rate of 30%, which is deducted each year.

Notice the numbers in the Permanent Life Insurance column of Chart 1. This is the power of compound interest at work when you specially design a standard insurance policy in order to super-charge it.

The following is a year by year analysis:

Year 1: The cash value of the super-charged life insurance policy is \$4,046, or 80% of the initial \$5,000 deposit. If this were a standard life policy the cash value would much smaller. The death benefit of the policy for the 26 year old is \$282,515.

Year 7: The cash value of the policy is now \$35,339 and you have fully recouped the total premiums of \$35,000 ($\$5,000 \times 7 = \$35,000$) you paid into the policy.

Year 10: The cash value of the policy (\$55,636) is now greater than the value of the bank CD (\$54,015). In addition, the death benefit of the policy has now increased to \$541,029 from \$282,515 in Year 1. This is due to the specials riders that were used in the design of the insurance policy.

Year 20: The owner is now 45 years old and discontinues the \$5,000 payments. The value of the bank CD is now \$116,086 and the cash value of the super-charged life insurance policy is \$150,414 and the death benefit is \$629,875.

Year 40: Each account was left to grow for twenty more years and the owner is now 65 years old. The value of the bank CD is now \$153,297 and the cash value of the super-charged life insurance policy is \$397,578 and the death benefit is \$794,893.

SUPER-CHARGED LIFE INSURANCE

Bank Certificate of Deposit

Permanent Life Insurance

<u>Year</u>	<u>Age</u>	<u>Deposits</u>	<u>Cash Value</u>	<u>Deposits</u>	<u>Cash Value</u>	<u>Death Benefit</u>
1	26	\$5,000	\$5,070	\$5,000	\$4,046	\$282,515
2	27	\$5,000	\$10,211	\$5,000	\$8,293	
3	28	\$5,000	\$15,424	\$5,000	\$12,751	
4	29	\$5,000	\$20,710	\$5,000	\$17,931	
5	30	\$5,000	\$26,070	\$5,000	\$23,469	
6	31	\$5,000	\$31,505	\$5,000	\$29,286	
7	32	\$5,000	\$37,016	\$5,000	\$35,339	
8	33	\$5,000	\$42,604	\$5,000	\$41,819	
9	34	\$5,000	\$48,270	\$5,000	\$48,160	
10	35	\$5,000	\$54,015	\$5,000	\$55,636	\$541,029
11	36	\$5,000	\$59,841	\$5,000	\$63,208	
12	37	\$5,000	\$65,749	\$5,000	\$71,159	
13	38	\$5,000	\$71,739	\$5,000	\$79,504	
14	39	\$5,000	\$77,813	\$5,000	\$88,253	
15	40	\$5,000	\$83,972	\$5,000	\$97,438	
16	41	\$5,000	\$90,217	\$5,000	\$107,066	
17	42	\$5,000	\$96,550	\$5,000	\$117,159	
18	43	\$5,000	\$102,972	\$5,000	\$127,737	
19	44	\$5,000	\$109,483	\$5,000	\$138,816	
20	45	\$5,000	\$116,086	\$5,000	\$150,414	\$629,875
21	46		\$117,711		\$158,384	
22	47		\$119,359		\$166,717	
23	48		\$121,030		\$175,442	
24	49		\$122,724		\$184,586	
25	50		\$124,442		\$194,157	
26	51		\$126,184		\$204,180	
27	52		\$127,951		\$214,647	
28	53		\$129,742		\$225,583	
29	54		\$131,558		\$236,988	
30	55		\$133,400		\$248,858	\$699,614
31	56		\$135,268		\$261,218	
32	57		\$137,162		\$274,079	
33	58		\$139,082		\$287,485	
34	59		\$141,029		\$301,461	
35	60		\$143,003		\$316,023	
36	61		\$145,005		\$331,167	
37	62		\$147,035		\$346,882	
38	63		\$149,093		\$363,181	
39	64		\$151,180		\$380,072	
40	65		\$153,297		\$397,578	\$794,893
50	75				\$612,636	\$930,293
60	85				\$904,937	\$1,128,086