



---

## BUY-SELL PLANNING

# Why Permanent Insurance?

## Term Insurance

Generally covers a temporary need for limited duration; no cash values.

- **Annual Renewable Term;** Increasing premium each year
- **Level Duration Term;** Provides guaranteed level premium for limited time period

## Permanent Insurance

Provides permanent protection and cash values.

- **Whole Life** – guaranteed premium with non-guaranteed potential dividends
- **Universal Life** – schedule premium based on assumed interest rate



---

## BUY-SELL PLANNING

# Why Permanent Insurance?

### *Preferred Products:*

- **Current Assumption Universal Life (CAUL)** as it provides flexible low cost permanent protection with cash values based on general account crediting rates.
- **Indexed Universal Life (IUL)** which provides upside potential of an equity market index for cash growth but also provides a guaranteed floor of zero percent.

### *Additional Products:*

- **Term Insurance** since it provides only a temporary solution although it may be appropriate if the business is to be sold in the short term. It gets expensive if continued beyond original duration and provides no cash values.
- **Whole Life** is general very expensive compared to CAUL and IUL although it could be an option if strong cash flows and high level funding is preferred
- **Variable Universal Life** may create substantial investment risk of loss and burdensome management issues which we generally would suggest you avoid.



## BUY-SELL PLANNING

# Term Versus Permanent Male Age 69 Best Class

	Current Term	Stock Redemption Permanent Insurance	Current Term	Cross Purchase Permanent Insurance
Option Type	15 Year Level Term (Current term has 14 Yrs. Remaining)	Universal Life at 4.75% Current Interest Rate	15 Year Level Term (Current term has 14 Yrs. Remaining)	Universal Life at 4.75% Current Interest Rate
Company	John Hancock	TIAA-CREF (M Proprietary)	John Hancock	TIAA-CREF (M Proprietary)
Initial Death Benefit	\$5,000,000		\$5,000,000	
Annual Premium	\$52,400	\$96,263	\$52,400	\$96,263
Gross up @ 40% Tax Rate	<u>\$0</u>	<u>\$0</u>	<u>\$20,960</u>	<u>\$38,505</u>
TOTAL ANNUAL PREMIUM INCLUDING TAX	\$52,400	\$96,263	\$73,360	\$134,768
Premiums for 14 Yrs.	\$733,600	\$1,347,682	\$1,027,040	\$1,886,752
Less the cost of keeping current coverage in force for 14 years	-\$733,600	-\$733,600	-\$1,027,040	-\$1,027,040
Additional cost of permanent insurance	\$0	\$614,082	\$0	\$859,712
Cash Value Year 14	\$0	\$662,045		\$662,045
Less the additional cost of permanent insurance	\$0	-\$614,082		-\$859,712
NET GAIN IN YEAR 14		\$47,963		-\$197,667

The cost of waiting 3 years for coverage increases the annual premium to \$111,477. This is an annual increase of \$15,267 (16%).

The cost of obtaining individual life coverage when the John Hancock term period ends (14 years) is \$269,800 annually. Term insurance is not an option in 14 years. This is a hypothetical number based upon actual insurance rates today. This is not a guarantee of future insurance rates.



## BUY-SELL PLANNING

# Product Comparisons

Male Age 62 Preferred Non-Smoker

		A			B			C			D			E		
		10 YEAR TERM (CONVERT)			20 YEAR TERM			UNIVERSAL LIFE (FULL PAY)			UNIVERSAL LIFE (20 PAY)			INDEXED UNIVERSAL LIFE (10 PAY)		
		John Hancock			Lincoln National			TIAA			TIAA			Nationwide		
EOY	Age	Net Outlay	Cash Value	Death Benefit	Net Outlay	Cash Value	Death Benefit	Net Outlay	Cash Value	Death Benefit	Net Outlay	Cash Value	Death Benefit	Net Outlay	Cash Value	Death Benefit
1	63	11,047	-	3,000,000	21,381	-	3,000,000	50,217	22,663	3,000,000	64,941	36,513	3,000,000	100,150	69,790	3,000,000
2	64	11,047	-	3,000,000	21,381	-	3,000,000	50,217	44,303	3,000,000	64,941	72,649	3,000,000	100,150	130,221	3,000,000
3	65	11,047	-	3,000,000	21,381	-	3,000,000	50,217	65,143	3,000,000	64,941	108,675	3,000,000	100,150	186,683	3,000,000
4	66	11,047	-	3,000,000	21,381	-	3,000,000	50,217	85,244	3,000,000	64,941	144,704	3,000,000	100,150	242,044	3,000,000
5	67	11,047	-	3,000,000	21,381	-	3,000,000	50,217	104,700	3,000,000	64,941	180,879	3,000,000	100,150	284,519	3,000,000
6	68	11,047	-	3,000,000	21,381	-	3,000,000	50,217	123,421	3,000,000	64,941	217,170	3,000,000	100,150	391,984	3,000,000
7	69	11,047	-	3,000,000	21,381	-	3,000,000	50,217	141,288	3,000,000	64,941	253,523	3,000,000	100,150	504,444	3,000,000
8	70	11,047	-	3,000,000	21,381	-	3,000,000	50,217	157,972	3,000,000	64,941	289,690	3,000,000	100,150	622,267	3,000,000
9	71	88,661	35,582	3,000,000	21,381	-	3,000,000	50,217	173,665	3,000,000	64,941	325,930	3,000,000	100,150	745,740	3,000,000
10	72	88,661	69,646	3,000,000	21,381	-	3,000,000	50,217	187,507	3,000,000	64,941	361,515	3,000,000	100,150	875,065	3,000,000
11	73	88,661	113,740	3,000,000	21,381	-	3,000,000	50,217	214,179	3,000,000	64,941	413,402	3,000,000	-	936,763	3,000,000
12	74	88,661	156,845	3,000,000	21,381	-	3,000,000	50,217	239,300	3,000,000	64,941	465,428	3,000,000	-	982,483	3,000,000
13	75	88,661	199,278	3,000,000	21,381	-	3,000,000	50,217	262,543	3,000,000	64,941	517,452	3,000,000	-	1,029,419	3,000,000
14	76	88,661	239,734	3,000,000	21,381	-	3,000,000	50,217	283,430	3,000,000	64,941	569,222	3,000,000	-	1,077,469	3,000,000
15	77	88,661	276,004	3,000,000	21,381	-	3,000,000	50,217	301,346	3,000,000	64,941	620,396	3,000,000	-	1,126,261	3,000,000
16	78	88,661	305,797	3,000,000	21,381	-	3,000,000	50,217	319,059	3,000,000	64,941	673,626	3,000,000	-	1,175,429	3,000,000
17	79	88,661	329,823	3,000,000	21,381	-	3,000,000	50,217	336,349	3,000,000	64,941	728,900	3,000,000	-	1,225,033	3,000,000
18	80	88,661	349,372	3,000,000	21,381	-	3,000,000	50,217	353,176	3,000,000	64,941	786,385	3,000,000	-	1,274,816	3,000,000
19	81	88,661	370,322	3,000,000	21,381	-	3,000,000	50,217	369,464	3,000,000	64,941	846,240	3,000,000	-	1,324,447	3,000,000
20	82	88,661	387,164	3,000,000	21,381	-	3,000,000	50,217	385,056	3,000,000	64,941	908,577	3,000,000	-	1,373,361	3,000,000
21	83	88,661	399,590	3,000,000	LAPSE	LAPSE	LAPSE	50,217	399,182	3,000,000	-	905,167	3,000,000	-	1,420,481	3,000,000
22	84	88,661	407,426	3,000,000				50,217	411,627	3,000,000	-	899,387	3,000,000	-	1,465,480	3,000,000
23	85	88,661	409,832	3,000,000				50,217	422,107	3,000,000	-	890,905	3,000,000	-	1,507,533	3,000,000
24	86	88,661	414,617	3,000,000				50,217	430,270	3,000,000	-	879,315	3,000,000	-	1,545,567	3,000,000
25	87	88,661	415,708	3,000,000				50,217	435,946	3,000,000	-	864,350	3,000,000	-	1,577,318	3,000,000
26	88	88,661	412,102	3,000,000				50,217	453,771	3,000,000	-	858,240	3,000,000	-	1,599,152	3,000,000
27	89	88,661	406,667	3,000,000				50,217	467,585	3,000,000	-	847,283	3,000,000	-	1,612,061	3,000,000
28	90	88,661	398,168	3,000,000				50,217	476,937	3,000,000	-	830,901	3,000,000	-	1,613,573	3,000,000
29	91	88,661	391,870	3,000,000				50,217	480,787	3,000,000	-	807,969	3,000,000	-	1,600,164	3,000,000
30	92	88,661	377,723	3,000,000				50,217	476,592	3,000,000	-	775,983	3,000,000	-	1,565,737	3,000,000
31	93	88,661	355,479	3,000,000				50,217	463,073	3,000,000	-	733,468	3,000,000	-	1,503,350	3,000,000
32	94	88,661	328,750	3,000,000				50,217	441,048	3,000,000	-	680,779	3,000,000	-	1,403,180	3,000,000
33	95	88,661	298,242	3,000,000				50,217	409,042	3,000,000	-	616,173	3,000,000	-	1,250,154	3,000,000
34	96	88,661	260,070	3,000,000				50,217	365,348	3,000,000	-	537,603	3,000,000	-	1,054,482	3,000,000
35	97	88,661	214,758	3,000,000				50,217	307,967	3,000,000	-	442,655	3,000,000	-	834,748	3,000,000
36	98	88,661	162,114	3,000,000				50,217	234,520	3,000,000	-	328,438	3,000,000	-	590,497	3,000,000
37	99	88,661	102,064	3,000,000				50,217	142,978	3,000,000	-	192,282	3,000,000	-	321,958	3,000,000
38	100	88,661	30,125	3,000,000				50,217	30,042	3,000,000	-	30,143	3,000,000	-	30,184	3,000,000



## BUY-SELL PLANNING

# Product Comparisons

Male Age 58 Preferred Non-Smoker

		A 10 YEAR TERM (CONVERT) John Hancock			B 20 YEAR TERM Lincoln National			C UNIVERSAL LIFE (FULL PAY) TIAA			D UNIVERSAL LIFE (20 PAY) TIAA			E INDEXED UNIVERSAL LIFE (10 PAY) Nationwide		
EOY	Age	Net Outlay	Cash Value	Death Benefit	Net Outlay	Cash Value	Death Benefit	Net Outlay	Cash Value	Death Benefit	Net Outlay	Cash Value	Death Benefit	Net Outlay	Cash Value	Death Benefit
1	59	6,934	-	3,000,000	13,131	-	3,000,000	40,453	19,284	3,000,000	54,598	32,571	3,000,000	83,592	58,190	3,000,000
2	60	6,934	-	3,000,000	13,131	-	3,000,000	40,453	37,899	3,000,000	54,598	65,066	3,000,000	83,592	107,814	3,000,000
3	61	6,934	-	3,000,000	13,131	-	3,000,000	40,453	55,986	3,000,000	54,598	97,665	3,000,000	83,592	153,969	3,000,000
4	62	6,934	-	3,000,000	13,131	-	3,000,000	40,453	73,680	3,000,000	54,598	130,542	3,000,000	83,592	198,948	3,000,000
5	63	6,934	-	3,000,000	13,131	-	3,000,000	40,453	91,101	3,000,000	54,598	163,857	3,000,000	83,592	231,642	3,000,000
6	64	6,934	-	3,000,000	13,131	-	3,000,000	40,453	108,146	3,000,000	54,598	197,554	3,000,000	83,592	323,948	3,000,000
7	65	6,934	-	3,000,000	13,131	-	3,000,000	40,453	124,548	3,000,000	54,598	231,423	3,000,000	83,592	420,534	3,000,000
8	66	6,934	-	3,000,000	13,131	-	3,000,000	40,453	139,922	3,000,000	54,598	265,152	3,000,000	83,592	521,775	3,000,000
9	67	6,934	-	3,000,000	13,131	-	3,000,000	40,453	154,460	3,000,000	54,598	298,986	3,000,000	83,592	627,855	3,000,000
10	68	74,867	31,917	3,000,000	13,131	-	3,000,000	40,453	167,664	3,000,000	54,598	332,520	3,000,000	83,592	738,738	3,000,000
11	69	74,867	59,971	3,000,000	13,131	-	3,000,000	40,453	192,112	3,000,000	54,598	380,468	3,000,000	-	793,564	3,000,000
12	70	74,867	95,204	3,000,000	13,131	-	3,000,000	40,453	215,889	3,000,000	54,598	429,161	3,000,000	-	833,937	3,000,000
13	71	74,867	130,316	3,000,000	13,131	-	3,000,000	40,453	239,060	3,000,000	54,598	478,773	3,000,000	-	875,768	3,000,000
14	72	74,867	164,864	3,000,000	13,131	-	3,000,000	40,453	261,609	3,000,000	54,598	529,408	3,000,000	-	919,008	3,000,000
15	73	74,867	199,394	3,000,000	13,131	-	3,000,000	40,453	283,393	3,000,000	54,598	581,071	3,000,000	-	963,591	3,000,000
16	74	74,867	232,119	3,000,000	13,131	-	3,000,000	40,453	304,836	3,000,000	54,598	634,281	3,000,000	-	1,009,282	3,000,000
17	75	74,867	263,679	3,000,000	13,131	-	3,000,000	40,453	325,555	3,000,000	54,598	688,852	3,000,000	-	1,055,979	3,000,000
18	76	74,867	291,932	3,000,000	13,131	-	3,000,000	40,453	345,450	3,000,000	54,598	744,868	3,000,000	-	1,103,571	3,000,000
19	77	74,867	318,089	3,000,000	13,131	-	3,000,000	40,453	364,357	3,000,000	54,598	802,378	3,000,000	-	1,151,920	3,000,000
20	78	74,867	355,650	3,000,000	13,131	-	3,000,000	40,453	381,956	3,000,000	54,598	861,328	3,000,000	-	1,200,831	3,000,000
21	79	74,867	388,596	3,000,000	LAPSE	LAPSE	LAPSE	40,453	396,782	3,000,000	54,598	863,931	3,000,000	-	1,249,507	3,000,000
22	80	74,867	417,766	3,000,000				40,453	408,283	3,000,000	54,598	863,175	3,000,000	-	1,298,041	3,000,000
23	81	74,867	423,871	3,000,000				40,453	415,731	3,000,000	54,598	858,381	3,000,000	-	1,346,094	3,000,000
24	82	74,867	424,407	3,000,000				40,453	418,187	3,000,000	54,598	848,679	3,000,000	-	1,393,232	3,000,000
25	83	74,867	418,852	3,000,000				40,453	415,037	3,000,000	54,598	833,453	3,000,000	-	1,438,705	3,000,000
26	84	74,867	409,001	3,000,000				40,453	440,864	3,000,000	54,598	841,891	3,000,000	-	1,479,038	3,000,000
27	85	74,867	393,291	3,000,000				40,453	464,580	3,000,000	54,598	847,730	3,000,000	-	1,516,272	3,000,000
28	86	74,867	381,130	3,000,000				40,453	486,014	3,000,000	54,598	850,736	3,000,000	-	1,549,498	3,000,000
29	87	74,867	367,722	3,000,000				40,453	504,235	3,000,000	54,598	850,003	3,000,000	-	1,577,601	3,000,000
30	88	74,867	350,950	3,000,000				40,453	518,168	3,000,000	54,598	844,473	3,000,000	-	1,597,913	3,000,000
31	89	74,867	333,694	3,000,000				40,453	527,007	3,000,000	54,598	833,291	3,000,000	-	1,608,809	3,000,000
32	90	74,867	316,772	3,000,000				40,453	530,468	3,000,000	54,598	816,036	3,000,000	-	1,608,217	3,000,000
33	91	74,867	309,761	3,000,000				40,453	527,610	3,000,000	54,598	791,673	3,000,000	-	1,593,048	3,000,000
34	92	74,867	296,341	3,000,000				40,453	517,410	3,000,000	54,598	759,059	3,000,000	-	1,558,600	3,000,000
35	93	74,867	277,731	3,000,000				40,453	498,746	3,000,000	54,598	716,913	3,000,000	-	1,497,403	3,000,000
36	94	74,867	253,938	3,000,000				40,453	470,343	3,000,000	54,598	663,763	3,000,000	-	1,399,950	3,000,000
37	95	74,867	226,810	3,000,000				40,453	432,005	3,000,000	54,598	599,094	3,000,000	-	1,250,233	3,000,000
38	96	74,867	194,548	3,000,000				40,453	382,227	3,000,000	54,598	521,125	3,000,000	-	1,054,586	3,000,000
39	97	74,867	158,580	3,000,000				40,453	319,141	3,000,000	54,598	427,664	3,000,000	-	834,876	3,000,000
40	98	74,867	119,175	3,000,000				40,453	240,460	3,000,000	54,598	316,031	3,000,000	-	590,653	3,000,000
41	99	74,867	76,772	3,000,000				40,453	144,758	3,000,000	54,598	184,302	3,000,000	-	322,146	3,000,000
42	100	74,867	30,095	3,000,000				40,453	30,202	3,000,000	54,598	30,092	3,000,000	-	30,408	3,000,000



## BUY-SELL PLANNING

# Insurance Carrier Financials

Company	John Hancock Life Ins Co USA	Lincoln National Life Ins Co	TIAA-CREF Life Ins Co	Nationwide Life Ins Co
<b>Ratings</b>				
A.M. Best Company (Best's Rating, 15 ratings)	A+ (2)	A+ (2)	A++ (1)	A+ (2)
Standard & Poor's (Financial Strength, 20 ratings)	AA- (4)	AA- (4)	AA+ (2)	A+ (5)
Moody's (Financial Strength, 21 ratings)	A1 (5)	A1 (5)	Aa1 (2)	A1 (5)
Fitch Ratings(Financial Strength, 21 ratings)	AA- (4)	A+ (5)	AAA (1)	
Weiss (Safety Rating, 16 ratings)	B (5)	B (5)	B (5)	B- (6)
Comdex Ranking (Percentile in Rated Companies)	92	90	99	89
<b>Assets &amp; Liabilities</b>				
Total Admitted Assets	227,843,142	213,891,333	10,774,241	126,860,520
Total Liabilities	222,399,349	206,774,211	10,411,723	122,293,999
Separate Accounts	129,725,438	122,287,908	5,222,661	87,029,823
Total Surplus & AVR	7,287,628	8,107,260	396,162	4,876,672
As % of general Account Assets	7.4%	8.9%	7.1%	12.2%
<b>Invested Asset Distribution &amp; Yield</b>				
Total Invested Assets	90,505,977	88,001,100	5,437,551	38,519,731
Bonds(%)	49.1%	79.5%	96.4%	74.4%
Stocks(%)	4.3%	2.9%	0.0%	2.1%
Mortgages(%)	11.6%	8.8%	0.0%	17.9%
Real Estate(%)	7.5%	0.1%	0.0%	0.0%
Policy Loans(%)	4.1%	2.2%	0.3%	2.4%
Cash & Short-Term(%)	5.0%	2.4%	3.1%	0.5%
Other Invested Assets(%)	18.4%	4.2%	0.2%	2.6%
Net Yield on Mean Invested Assets				
2015 (Industry Average 3.94%)	4.72%	4.71%	3.54%	4.39%
5 Year Average (Industry Average 4.18%)	4.95%	4.92%	3.91%	4.54%
<b>Non-Performing Assets as % of Surplus &amp; AVR</b>				
Bonds In or Near Default	0.8%	0.1%	0.0%	0.6%
Problem Mortgages	0.0%	0.0%	0.0%	0.0%
Real Estate Acquired by Foreclosure	0.1%	0.0%	0.0%	0.0%
Total Non-Performing Assets	0.8%	0.1%	0.0%	0.6%
As a percent of Invested Assets	0.1%	0.0%	0.0%	0.1%
<b>Bond Quality</b>				
Total Value of Bonds	49,532,859	72,124,618	5,394,974	28,679,614
Class 1-2: Highest Quality	95.5%	95.8%	98.9%	94.2%
Class 3-5: Lower Quality	4.4%	4.2%	1.1%	5.7%
Class 6: In or Near Default	0.1%	0.0%	0.0%	0.1%
Weighted Bond Class	1.3	1.5	1.4	1.5
<b>Income &amp; Earnings</b>				
Total Income	6,690,464	26,972,535	1,001,269	15,149,116
Net Premiums Written	16,323,499	19,605,348	713,351	11,305,075
Earning Before Dividends and Taxes	-336,105	889,675	-31,711	776,702
Net Operating Earning	478,328	848,933	-35,254	618,895



# Disclosures

This is a hypothetical example for illustrative purposes only. The example provided is not representative of all clients' experiences and are not indicative of any future performance or results.

Illustrated pricing assumes indicated gender, smoking status, underwriting classes, issues ages, state of issue, interest rate assumptions, and in-force durations as specified in the presentation. To continue coverage beyond stated durations may require substantially higher premiums. Illustrated products and options shown based on product availability and pricing as of this date. Any product guarantees, including the death benefit, are subject to the claims paying ability of the issuing insurance company. This presentation is not complete without the accompanying illustrations. This information has been taken from sources, which we believe to be reliable, but there is no guarantee as to its accuracy. This material is intended for informational purposes only and should not be construed as legal or tax advice and is not intended to replace the advice of a qualified attorney, tax advisor or plan provider.

The policy values reflect current policy charges, current cost of insurance rates, current mortality and expense risk charges, average fund expenses and the stated hypothetical gross rate of return. The policy values are hypothetical for illustration purposes only. Loans and partial withdrawals will decrease the death benefit and cash value and may be subject to policy limitations and income tax.

File #: 5894110.1