# 7 Keys to BUYING AN IUL to Generate Maximum Wealth

## 1. Optimize The Death Benefit

Buying a policy with a Death Benefit Optimizer can dramatically reduce the cost of insurance in your policy. This is because your death benefit grows with you instead of you starting with a very high death benefit with high costs; you can minimize the death benefit and have it increase each year as your cash value in the policy grows.

This has another significant benefit, the death benefit continues to grow with your cash value so when you die, you have a death benefit that pays out in addition to the cash value you have in the policy. This can significantly benefit the long-term cash flow of your policy. This allows you the policyholder to have more "Living Benefits" within a properly funded and structured cash-value life insurance policy. Yes, the death benefit is important, and so are the valuable tax benefits and potential income benefits down the road.

## 2. 1% Bonus After Year 10

Select top performing policies come with a 1% bonus after 10 years of ownership. This extra 1% is tacked onto the yearly crediting rate and can account for significant cash value increase over the life of the policy. The way the bonus works is that a bonus is added to the account value every year after year 10.

The bonus is calculated by adding 1% to the entire policy cash value starting in year 10. Once the bonus is credited it is then counted in the addition for all future years so it is a compounded interest credit. Calculations show this could increase accumulated cash and potential distributions by 13% to 18%.

## 3. A+ Rated Company (Often A Mutual Company Is Best)

Mutual companies are owned by policyholders not shareholders. This means they are more inclined to act in their customer's best interest. Mutual companies are not beholden to stock holders, and their profit targets are typically 8-10%. Stock owned companies typically look for 12+% profit targets.

The problem with that is the extra profit often comes out of the clients (your) pocket. The idea of owning a piece of the company is more attractive to some people than the idea of being a source of profits for investors. In the typical stock company, profits go to shareholders.

In contrast, a mutual manages the company in the best interests of the customers. Furthermore a mutual company is able to focus on a longer horizon than a typical company. Profits made will usually be re-invested in the mutual for the benefit of the members.

## 4. Capped Participating Loans + Fixed Loan Options

Participating loans allow the money you've borrowed from your policy to still participate in the gains of the market index up to your cap.

However, these participating loans are almost always variable. This means when interest rates rise, so can your borrowing costs.

Having a cap on the loan rate guarantees that your rate will not go above an agreed percentage for the life of the loan. This helps to ensure you get the most possible crediting to offset the interest on loans.

This can be a powerful strategy when you use cash flow in retirement or to make another investments, because you can capitalize on interest gains twice using the same money.

Fixed loans are often also called net wash loans. This means when you have a net-wash loan, you don't earn any interest when the index goes up, but you don't pay any interest on that loan either. This is a great protection because, for example if you have a fixed loan at 5% and variable rates go up to 10%, you will pay no interest, because you have a net wash loan. Look for companies that allow you to switch back and forth between loans as many times as you want.

## 5. Illustrate with a 1.5% Loan Spread Ratio

Use no more than a 1.5% spread between your variable loan and credited interest rate. For example if your illustration shows 7% crediting, your illustrated interest rate on your loans should be no lower than 5.5%. This will prevent the illustration from being unrealistic and lets you be confident it can achieve at least the results shown. Another way to combat high loan rates is to buy a policy with an index loan rate that has a guaranteed cap. This means there is a contractual agreement that your loan rate can't go above a certain percentage.

## 6. 100% Participation Rate

The gains from the index are credited to the policy based on a percentage rate, referred to as the "participation rate". The insurance company sets the participation rate. It can be anywhere from 25% to over 100%. For example, if the gain is 6%, and the participation rate is 50% then your growth would only be 3% that year.

For example, if your current cash value total is $10,000, $300 is added to the cash value [(6% x 50%) x $10,000 = $300]. Some IUL carriers will only give you a percentage of the gains in the market. You need to make sure your policy has 100% participation so you are credited all of the gains.

## 7. Cash Max Structure

This is of critical importance when structuring these plans. Often people complain about the high costs in life insurance contracts.

Cash Max Structure maximizes the amount of money going into your cash value account, and minimizes the insurance costs and death benefit to the legal minimum allowed by the IRS to still maintain your tax advantages.

If you don't use the Cash Max structure, you will end up paying more in fees, commissions, and insurance costs, while simultaneously getting less cash value and cash flow in retirement. It's a double whammy that you don't want going against you.

## 8. BONUS: Use a Professional Trained To Maximize Cash Flow and Minimize Cost

As you can see, putting a plan together with the right company with financial strength and the right product options, PLUS, getting an IUL that maximizes cash flow and cash value, and minimizes fees, commissions, and insurance costs is a complicated endeavor.

This is not something most insurance agents and financial planners even have access to, let alone have the ability to design. There are several reasons for this, first being there are very few insurance companies that offer a policy that has the features you need to get the most cash flow. Several offer an IUL policy because it's such a hot product, but it may not be optimized for the best cash out.

Second, many insurance agents and financial planners do not have the formal training on how to design these policies properly. Using a professional who doesn't get this right can cost you significantly in retirement cash flow, and can even completely ruin your tax benefits. This is an area you need to make sure and do your homework. Find a professional who specializes in this area.