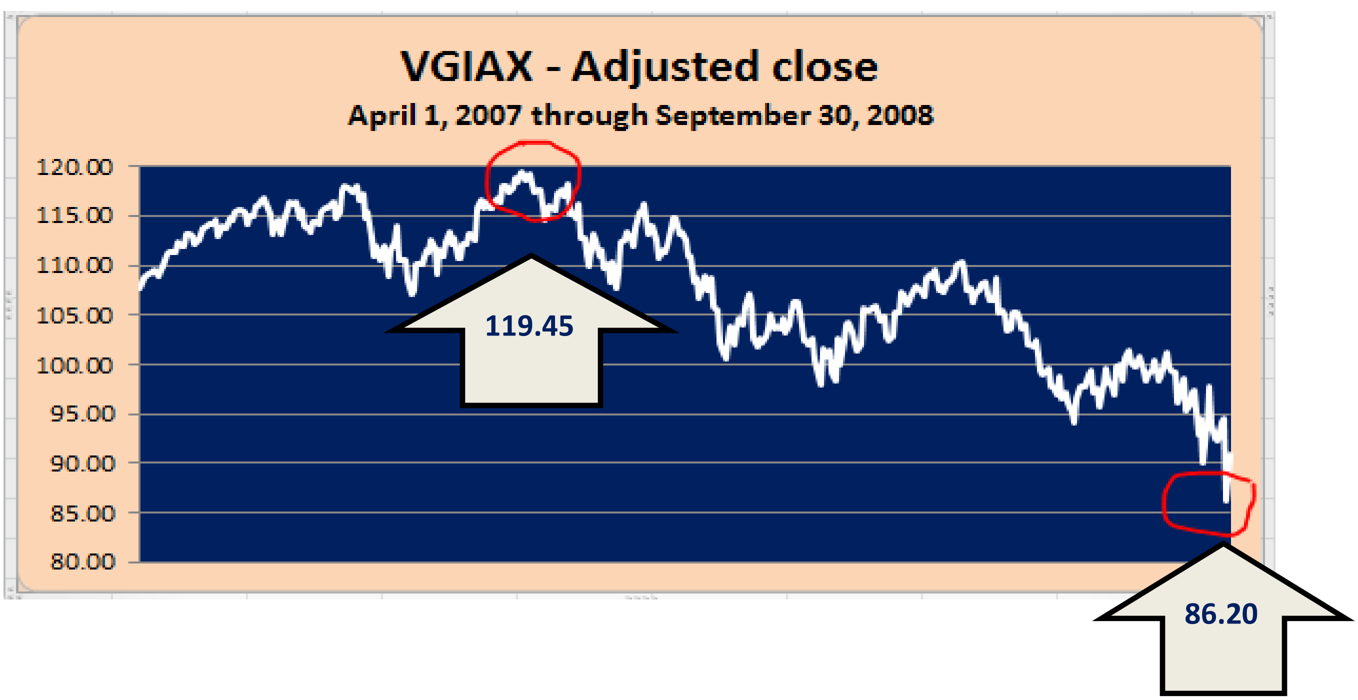
10 Reasons To Consider

This Alternative To Mutual Funds

Mutual funds have been touted as the panacea for removing downside risk from an investment portfolio because of their diversification. While most mutual funds do contain a breadth of securities, this alone does not protect your investment portfolio from loss.

Consider the investment performance of the Vanguard 500 Index Admiral (ticker: VGIAX) mutual fund during the period from April 1, 2007 through September 30, 2008 (chart below.)



From its peak of 119.45 to its trough of 86.20, it lost 27.8% in this 1½ year period. And that wasn't the end of it. Within the next six months, this mutual fund's value declined to 62.66 – a 47.5% drop. No panacea here!

There must be a better way and there is -- a Fixed Indexed Universal Life (FIUL) insurance policy. Below are 10 reasons to consider this alternative to mutual funds for long-term investing.

Principal Protection

A FIUL's account value can never lose money due to a down market and locks in gains that have been earned previously.

During an "up" year, the FIUL's account value can grow at a rate above or below a market index such as the S&P 500 up to a cap (currently 10.75%.) During a down year, an FIUL's account value will remain the same.

Compare this with the chart above. Mutual funds do not provide any protection against market declines so an investor can lose significant amounts of their principal and past earnings during a "down" market.

Realized gains are under your control.

Gains that are earned in an FIUL grow tax-deferred and can be realized when the owner wishes to realize them, if at all. Realized gains in mutual funds are required to be distributed every year and sometimes create taxable income even when the fund goes down in value that year.

Tax-free account balancing and replacement.

FIULs allow for account balancing allocations within a policy and an exchange of one policy for another without triggering a taxable event. A mutual fund owner cannot reallocate or move funds without selling their shares thereby creating a taxable event.

College financial aid friendly.

If you are applying for financial aid using the FAFSA form, the value of your mutual funds that you own outside of your qualified accounts (IRA, 401(k) …) count against you when financial aid is calculated. The cash value of a FIUL does not count against you on the FAFSA, increasing your chances of receiving financial aid.

Tax consequences of withdrawals.

Owners of a FIUL may access their money without tax consequences through FIUL's loan provisions against their cash value. These loans do not have to be paid back until the owner's death. Selling a mutual fund can create a taxable event and may trigger additional taxes because of the alternative minimum tax (AMT.)

Minimize taxes on Social Security benefits

The annually reported earnings from mutual funds count towards the income test used to determine how much of your Social Security benefits are taxable as additions to your income. The growth within the IUL is tax-deferred and does not count as income when calculating the tax on Social Security benefits.

Eligibility for Medicaid

A FIUL can be structured to provide lifetime income in the form of loans that is not counted against you as income when applying for Medicaid. Mutual funds are almost always considered countable Medicaid assets.

Chronic and terminal illness rider

FIULs allow easy access to cash for medical expenses, often waiving any surrender penalties when such individuals suffer a serious illness, need at-home care, or become confined to a nursing home. Mutual funds do not provide a similar waiver.

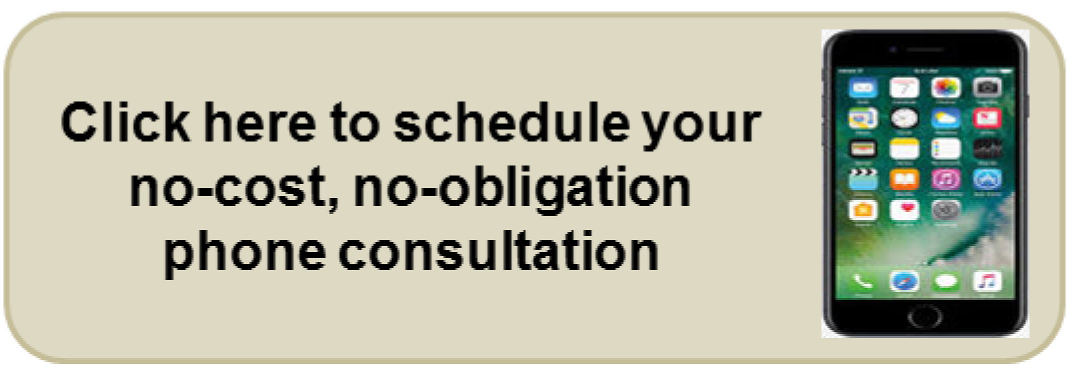
Distributions to beneficiaries

Mutual funds that are part of a decedent's estate and must go through an expensive and time consuming process called probate before beneficiaries can receive their inheritance. The proceeds of an FIUL are a non-probate distribution that passes to beneficiaries shortly after notification.

Life insurance proceeds will provide a larger death benefit to your heirs

In addition to the cash value that builds in a FIUL over time, a death benefit in excess of this cash value is provided to your beneficiaries. With mutual funds, the value of the portfolio is passed with no additional death benefit.

There is more to learn about FIULs and how they may fit it with your overall investment strategy. I offer a no-cost, no-obligation phone consultation which will provide you with information that will help you to make an informed decision. Please click below to schedule your phone consultation.



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“Education is the key to making informed financial decisions.”