



ADVANCED INSURANCE BROKERAGE · CLIENT EDUCATION SERIES · POLICY DESIGN

The Back-End Squeeze

Whole life versus indexed universal life, on the same \$2,995 annual premium from age 41 to 100. What happens to the cost of insurance as you approach life expectancy, and why the front-end credit can't outrun it for long.

01

Two designs, two eras

02

The charges after 80

03

Who carries the risk

04

When the credit falls short

05

Questions to ask

14% a year

average increase in the IUL's cost of insurance, ages 81–90

\$35,795

IUL charges in the year at age 100, against a \$2,995 premium

\$0

whole life net amount at risk by age 100: the insurance cost shrinks instead

01 TWO DESIGNS Tried and true vs. relatively new

Both policies in this comparison start with about \$175,000 of death benefit for a 40-year-old man in a preferred health class, paying \$2,995 a year for life. They are built very differently.

	Participating whole life	Indexed universal life (IUL)
History	Sold for more than 150 years; mutual insurers have paid dividends through every market cycle since the 1800s	Universal life dates from 1979; indexed UL from the late 1990s
How it's built	Bundled: one level premium covers insurance, expenses and guaranteed cash value	Unbundled: premium goes into an account; separate charges are deducted every month
Growth	Guaranteed rate plus a declared dividend (6.10% total dividend interest rate in this illustration; 3.75% guaranteed)	Index-linked credit with a cap, floor or spread (illustrated at 6.29%, 6.10% and 5.00%; 0% floor)
Insurance charges	Built into the level premium; the amount at risk falls as cash value grows	Cost of insurance on the amount at risk, recalculated at each attained age
Guarantees	Guaranteed death benefit (\$176,137), guaranteed cash values and level premium	Floor on index credits only; charges can rise to guaranteed maximums, and caps and spreads can change
Death benefit here	Grows with paid-up additions, to \$692,604 at 100	Increasing option: \$175,000 plus the account value

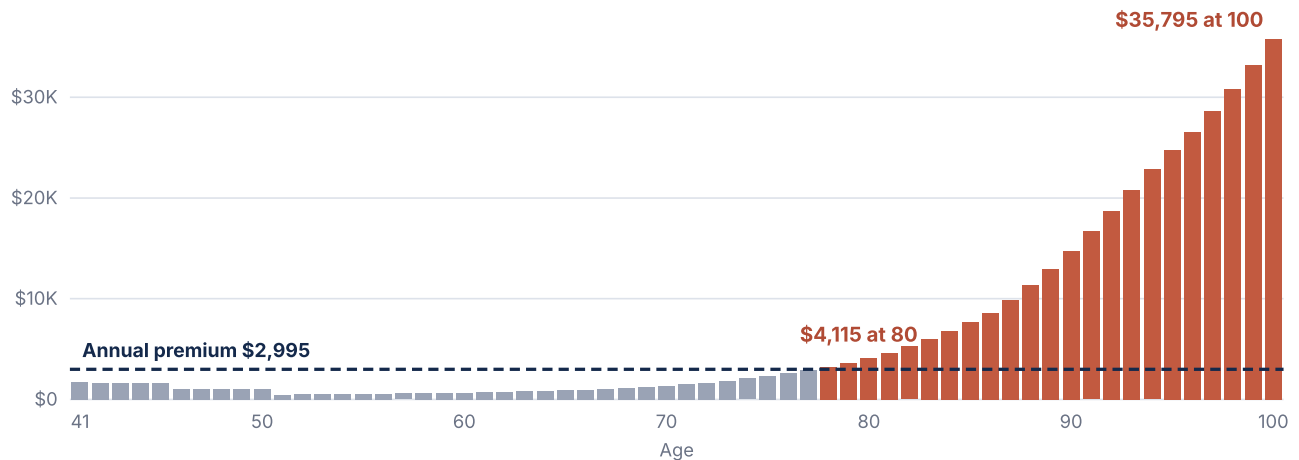
Inside a whole life dividend

Whole life has charges too; they're just small and stable. One year from this policy's history:

\$23,543 Cash value at year-end 2023	\$1,581 Gross credit at the 6.10% dividend interest rate	-\$613 Mortality, expense and other charges for the year	4.11% Net growth on the prior year's cash value
--	--	--	---

02 THE BACK END Insurance charges after 80

The IUL's charges are modest for decades, then accelerate. From age 81 to 90 the cost of insurance rises about 14% every year. From age 78, the total charges are larger than the premium being paid.



Total annual IUL policy charges (cost of insurance, premium charges and policy fees) in the 6.29% illustration. Red bars: years when charges exceed the \$2,995 premium.

Age	Cost of insurance	Change vs. prior year	Total charges	Premium minus charges
60	\$461	+7.7%	\$671	\$2,324
70	\$1,143	+11.1%	\$1,353	\$1,642
78	\$3,047	+13.3%	\$3,257	-\$262
80	\$3,905	+13.3%	\$4,115	-\$1,120
81	\$4,439	+13.7%	\$4,649	-\$1,654
85	\$7,473	+14.2%	\$7,683	-\$4,688
90	\$14,541	+14.1%	\$14,750	-\$11,755
95	\$24,564	+8.6%	\$24,773	-\$21,778
100	\$35,586	+7.7%	\$35,795	-\$32,800

\$346,588

IUL charges from age 81 to 100, nearly twice the \$179,700 of premiums paid over 60 years

9.1×

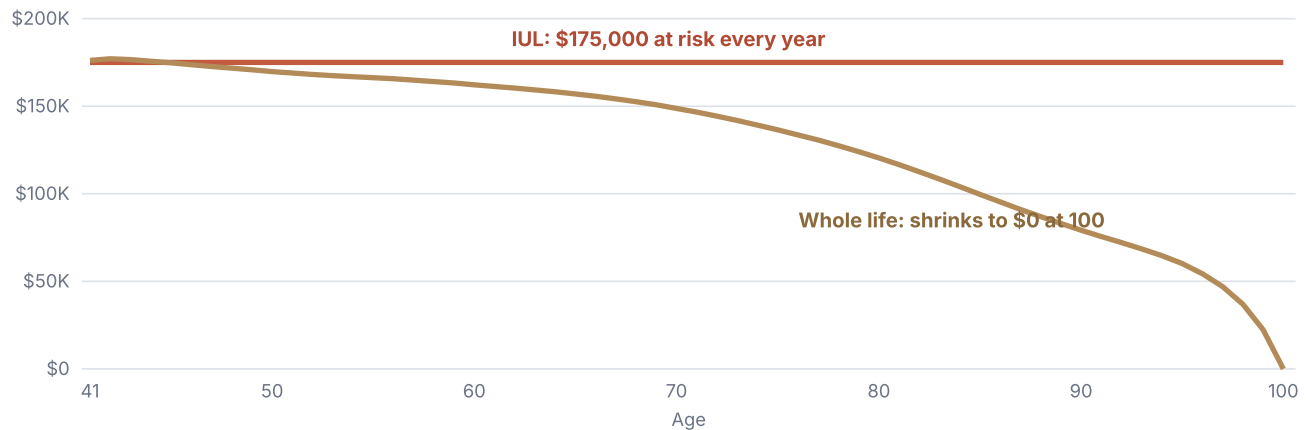
Growth in the annual cost of insurance from age 80 (\$3,905) to age 100 (\$35,586)

Same charges

Charges were virtually identical at 6.29%, 6.10% and 5.00% credits: about \$402,000 over 60 years in each case. The credit rate doesn't change what you're charged.

03 NET AMOUNT AT RISK Who carries the risk as you age

The cost of insurance is charged on the **net amount at risk**: the part of the death benefit the insurer pays from its own funds, above your cash value. That number tells you which policy gets more expensive to keep.



Net amount at risk = death benefit minus policy value, end of each year, from each illustration.

INDEXED UNIVERSAL LIFE · INCREASING OPTION

\$175,000 at risk, at every age

The death benefit is \$175,000 plus the account, so the insurer's risk never shrinks. It is priced at age 85, 90 and 95 mortality rates, which is why the charges climb so steeply.

PARTICIPATING WHOLE LIFE

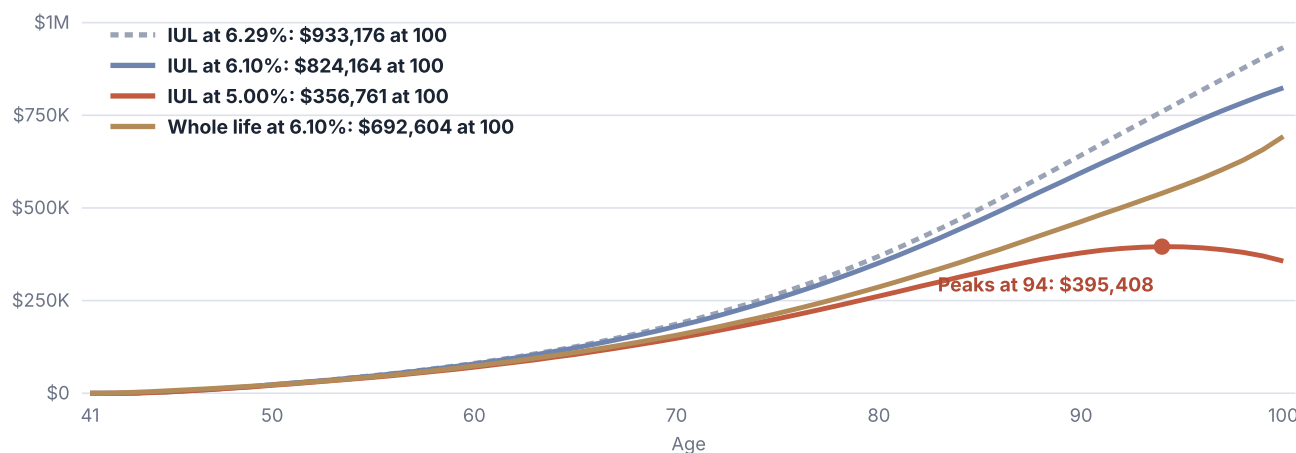
\$176,137 at risk shrinks to \$0

As guaranteed cash value and paid-up additions grow, they replace the insurer's risk: \$120,444 at 80, \$79,221 at 90 and \$0 at 100, when cash value equals the death benefit.

With whole life, **the older you get, the less pure insurance you are paying for**. With an increasing-death-benefit IUL, the older you get, the more each dollar of protection costs.

04 SENSITIVITY When the credit falls short

An IUL illustration assumes the same credit every year for life. The charges don't depend on that credit, so the outcome does. At 6.29% or 6.10% the account outruns the charges; at 5.00%, the charges catch up.



Cash surrender value by age. IUL at three illustrated crediting rates; whole life at the current 6.10% dividend interest rate. None of these rates are guaranteed.

Cash value at age	65	80	90	100	Death benefit at 100
IUL at 6.29%	\$126,037	\$369,975	\$642,240	\$933,176	\$1,108,176
IUL at 6.10%	\$122,682	\$351,544	\$595,064	\$824,164	\$999,164
IUL at 5.00%	\$105,141	\$262,124	\$378,793	\$356,761	\$531,761
Whole life at 6.10%	\$110,042	\$287,025	\$463,400	\$692,604	\$692,604

At 5.00%, the IUL's cash value **peaks at \$395,408 at age 94, then falls**. By 100 the year's credit is \$19,503 against \$35,886 of charges.

The IUL can look ahead in a full-credit illustration. It only stays ahead if the index credit holds for 60 years **while caps, spreads and charges can change**.

05 BEFORE YOU BUY Questions to ask about any IUL or UL

Universal life and indexed universal life can work as designed. They need monitoring and funding discipline that whole life doesn't. Before you buy one, or to review one you own, ask:

Ask	Why it matters
What are the charges at ages 80, 90 and 100?	In this example they rise from \$4,115 at 80 to \$35,795 at 100, while the premium stays at \$2,995.
What happens at a lower credited rate?	At 5.00%, cash value peaks at 94 and declines. Ask for the illustration at the guaranteed cap or spread too.
Which death benefit option is used, and when does it switch?	An increasing option keeps the net amount at risk high for life. Switching to a level benefit later can reduce charges.
What can the insurer change?	Caps, participation rates, spreads and current charges are not guaranteed and can move against you.
What is guaranteed if things go wrong?	Compare guaranteed values, including the age at which the policy would lapse on guaranteed assumptions.
Who will monitor it, and how often?	An underfunded UL or IUL can require much larger premiums late in life to stay in force.

The front-end credit can be capped. **The back-end charges can't be avoided.** Whole life prices the insurance once, up front, and guarantees it.

Ask us for an **in-force review** of an existing UL or IUL, or a side-by-side illustration of whole life and IUL on your own numbers.

At a glance

Feature	Participating whole life	Indexed universal life (increasing option)
Premium	Level, guaranteed	Flexible; may need to rise to keep the policy in force
Insurance cost after 80	Falls as net amount at risk shrinks to \$0 at 100	Rises about 14% a year from 81 to 90; \$35,795 at 100
Cash value growth	Guaranteed minimum (3.75%) plus dividends	Index-linked, 0% floor; caps and spreads can change
Death benefit	Guaranteed \$176,137, growing with paid-up additions	Not guaranteed beyond the policy's guaranteed assumptions
Cash value at 100 in this example	\$692,604 (6.10%)	\$933,176 (6.29%), \$824,164 (6.10%), \$356,761 (5.00%)
Track record	150+ years, through every market cycle	Late 1990s
Who carries the risk	The insurer	Largely the policyowner

The real question isn't which illustration ends higher. It's **which result you can count on at 85, 90 and 100.**

IMPORTANT DISCLOSURES

Please read

Hypothetical illustrations. Figures come from life insurance illustrations for a hypothetical male, age 40, in a preferred non-tobacco class, paying \$2,995 a year to age 100. They are for educational purposes only and are not a recommendation to buy, replace or surrender any policy. Your results will differ.

Non-guaranteed values. Whole life values beyond guaranteed values depend on dividends declared annually by the insurer, which are not guaranteed. Indexed universal life values depend on index credits, caps, spreads and current charges, which are not guaranteed; illustrated rates are assumed constant every year.

Policy charges. IUL charges shown are current charges from the illustration. Insurers may raise charges up to the guaranteed maximums stated in the policy. Universal life policies work on the same charge structure.

Comparisons. The policies compared have different features, costs, risks and guarantees, including different death benefit designs. Review complete illustrations, including guaranteed values, for each product before making a decision. Replacing an existing policy may involve surrender charges and new underwriting.

Product history. Dates reflect when products became widely available in the U.S. retail market; sources vary on exact years.

Insurance. Insurance products are offered through Advanced Insurance Brokerage. Guarantees are based on the claims-paying ability of the issuing insurer. Life insurance requires underwriting.

Not tax or legal advice. Advanced Insurance Brokerage does not provide tax or legal advice. Consult your tax advisor or attorney about your situation.



Advanced Group

CONTACT

Advanced Group

Michael Zingale, Consultant

55 East Monroe Street, Chicago, IL 60603

312-882-8717 · mzingale@advanced-corp.com

advanced-corp.com · advanced-ib.com