Advanced
Insurance Brokerage

ADVANCED INSURANCE BROKERAGE · QUALIFIED LIFE · PART IV

The Four Moving Parts

Parts I to III showed what Qualified Life does and checked the math. Part IV explains why it works. Every life insurance policy has four roles: owner, payer, insured and beneficiary. Qualified Life moves two of them. Most accounts have only two roles to begin with, and that difference is where life insurance gets its design flexibility.

01 Why Qualified Life starts with term

02 Two ways to use it

03 Why cash value life insurance

04 The four moving parts

05 Designing beyond two parties

4
roles in every life insurance policy, whether whole life, universal life or term

2
roles Qualified Life moves: the owner and the payer

$0
additional cash outlay in either use of Qualified Life

KEEP THE DESIGN BASIC

01 Why Qualified Life starts with term

Qualified Life uses term insurance, not permanent or whole life. Term has no cash value, so there is nothing to value, move or tax when you leave the plan. The design stays basic, and the math takes three lines.

TERM INSIDE THE PLAN

Nothing to unwind

The plan pays a premium and you get a death benefit. With no cash value building inside the 401(k), leaving the job, retiring or changing plans raises no question about what the policy is worth. Depending on the plan and carrier, you can convert it, take it with you or let it end.

PERMANENT INSIDE THE PLAN

Cash value to account for

A whole life or universal life policy builds cash value inside the plan. At exit, that value has to be dealt with, which adds steps, valuation and possible tax. It can be done and can make sense, but it is a different and more involved design.

The whole calculation, in three lines

Line	What it is	Example
1	Pay needed to buy a $1,000 retail term premium after 30% income tax	$1,429
2	Your net cost through the plan: $900 unisex premium − $450 match + $146 tax on the REB	$596
3	Lost opportunity cost (LOC) recaptured in year one: line 1 − line 2	**$833**

Example from Part I: $1,000,000 of term coverage, age 40, 30% tax rate, 10% unisex savings, employer match of 100% of the first 3%. Part III shows the same math with no match ($383 of savings) and at other tax rates.

No cash value means no exit math. The only moving number over the years is the REB, which rises with age and slowly reduces the savings. That is the whole design. What you do with the $833 is where the planning starts.

THE SAME $1,429, PUT TO WORK

02 Two ways to use Qualified Life

Both uses start the same way: keep spending the $1,429 of pay that retail term would have cost. Qualified Life covers the term for $596. The difference is what you do with the $833 left over.

USE ONE · THE REDIRECT

Add more protection with no new cash outlay

Redirect the savings into a second layer of protection. The savings land in your paycheck, $583 after tax. Part II uses $400 of it for a Guaranteed Plan Contribution, disability coverage that keeps paying into your 401(k) if you can't work, and saves the rest to cover the premium in later years. The savings could instead buy more death benefit.

$596	$571	$262
Qualified term, $1M, through the 401(k)	DI premium: $400 after tax	Redirect savings: $183 after tax

Year one, in pay. Result in Part II: $1,000,000 of life insurance, $7,500 a year into your 401(k) until 65 if disabled, and $1,694 left in the Redirect account at 65 if never disabled, after every DI premium is paid.

USE TWO · REDIRECT THE LOC

Keep the coverage and grow the savings where you choose

Keep the $1,000,000 of term and send the savings to the growth vehicle of your choice: your 401(k), a Roth IRA, a brokerage account or a personally owned whole life policy. Whole life can also add a permanent death benefit that stays in force after the term ends, shown in a carrier illustration.

$596	$833
Qualified term, $1M	LOC redirected to the growth vehicle of your choice

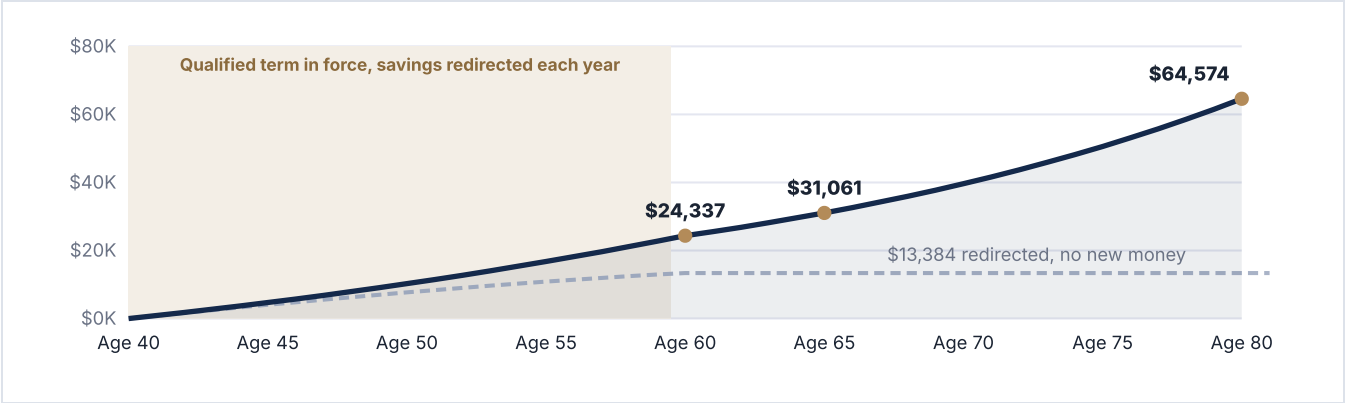
Year one. The savings fall to $443 by age 59 as the REB rises. Over 20 years they total $13,384.

Either way, the outlay doesn't change. You spend what you would have spent on retail term. Qualified Life turns part of it from tax and premium into protection or savings.

USE TWO, WORKED EXAMPLE

02 Redirecting the LOC at a hypothetical 5%

Each year's savings, from $833 at 40 down to $443 at 59, go into the growth vehicle of your choice. The chart applies a hypothetical 5% net rate to the amounts redirected. After 59 no new money goes in.



Value at a hypothetical 5% — Total savings redirected

$13,384
Redirected over 20 years, all from Part I savings

$24,337
When the term ends, after age 59

$31,061
At 65

$64,574
At 80

Choosing the growth vehicle

Vehicle	Growth	Getting money out	At death	Guarantees	Market risk
Your 401(k)	Tax-deferred	Taxed as income	Balance only	None	Yes
Roth IRA	Tax-free	Tax-free, rules apply	Balance only	None	Yes
Brokerage account	Taxed yearly	Gains taxed	Balance only	None	Yes
Whole life (personally owned)	Tax-deferred	Loans and basis tax-free*	Death benefit, income-tax free	Cash value and death benefit	No

Hypothetical 5% net annual growth for illustration, applied to the savings at the start of each year, with no fees or taxes. Not a projection of any investment or policy; actual results vary and some vehicles can lose value. Why 5%: from 2001 to 2026, the AIB Whole Life Index averaged 6.44%, and MassMutual policies issued in 1995 earned 4.61% to 5.23% on cash value over 30 years after all costs. *Generally tax-free when the policy is not a Modified Endowment Contract and stays in force. Whole life values require a carrier illustration.

COMPANION PIECE · AIB

The AIB Whole Life Index

Why we use 5%: 155 years of dividend history, the four-carrier index 2001–2026, and MassMutual's actual 30-year policy results.

advanced-ib.com →

TAX EFFICIENCY AND GUARANTEES

03 Why cash value life insurance is so widely used

Qualified Life keeps term inside the plan for simplicity. Outside the plan, cash value life insurance, especially whole life, is one of the most widely used tools for tax efficiency and guarantees. Banks, corporations and families have used it for generations.

TAX EFFICIENCY

Four tax advantages in one contract

- Cash value grows tax-deferred
- Policy loans and withdrawals up to basis are generally tax-free*
- The death benefit is generally income-tax free under IRC §101(a)
- No required minimum distributions and no contribution limits like a 401(k) or IRA

GUARANTEES

Two guarantees markets don't offer

- Guaranteed cash values that don't fall with the market
- A guaranteed death benefit, larger than the cash value, as long as premiums are paid
- A guaranteed minimum interest rate, with dividends on top when declared
- Backed by the claims-paying ability of the insurer

What the history shows

6.44%
AIB WL Index average dividend rate, 2001–2026, across four mutual carriers

4.61–5.23%
Actual 30-year cash value return on MassMutual policies issued in 1995, after all costs

6.16–8.25%
Actual 30-year return on the income-tax-free death benefit for the same policies

Sources: The AIB Whole Life Index (advanced-ib.com); MassMutual, Historical Dividend Studies (1995–2025). Past results do not guarantee future results.

The real advantage is design. The tax rules and guarantees above apply to the contract. Who owns it, who pays for it, whose life it covers and who receives it can all be arranged separately. That is the subject of the next three pages.

*When the policy is not a Modified Endowment Contract (MEC) and remains in force. Loans accrue interest and reduce cash value and death benefit.

OWNER · PAYER · INSURED · BENEFICIARY

04 The four moving parts

Every life insurance policy, whether whole life, universal life or term, has four roles. One person can fill all four, or each can be someone or something different: a spouse, a business, a trust or a retirement plan.

OWNER 1

Controls the policy

Holds the rights: names the beneficiary, changes coverage, borrows against or surrenders cash value, and decides who pays.

PAYER 2

Funds the premium

Who writes the check, and with what kind of dollars: after-tax pay, pre-tax plan dollars, business dollars or gifted dollars.

INSURED 3

The measuring life

The person whose life the coverage is written on. Age and health class set the cost of insurance.

BENEFICIARY 4

Receives the death benefit

The person, trust or business that receives the proceeds, generally income-tax free.

Most accounts have only two

401(K), IRA, BROKERAGE, ANNUITY, BANK ACCOUNT

Owner and beneficiary

The owner is also the one who funds the account, and the account simply passes to the beneficiary. With only two roles, there is little to design.

Owner · Payer = owner · No insured · Beneficiary

ANY LIFE INSURANCE POLICY

Four roles, each one movable

Each role can be filled separately. Changing who fills one can change the tax treatment, the dollars used, who controls the policy or where the proceeds go.

Owner · Payer · Insured · Beneficiary

Why it matters. With two roles, an account is a container: put money in, take money out, pass on what's left. With four, a policy can be designed. The same coverage can cost different amounts, be paid with different dollars and serve different goals depending on who fills each role.

WORKED EXAMPLE

04 Qualified Life moves two of the four

Compare Qualified Life with the way most people buy term: on their own, with after-tax pay. The insured and the beneficiary stay the same. The owner and the payer move into the 401(k) plan, and that alone changes the cost.

Role	Traditional term, bought after tax	Qualified Life
Owner	You	**Your 401(k) plan, through its trustee, on your behalf** MOVED
Payer	You, from take-home pay after income tax	**The plan, from pre-tax contributions and the employer match** MOVED
Insured	You	You
Beneficiary	Your family	Your family, named through the plan

$1,429
Pay needed for $1,000,000 of term bought the traditional way

$596
Net cost for the same coverage with the owner and payer moved into the plan

$833
Year-one LOC recaptured, with the insured and beneficiary unchanged

What each move does

MOVING THE PAYER

Pre-tax dollars and the match

The premium comes out of the plan before income tax, so you don't need $1,429 of pay to send $1,000 to the insurer. The employer match can cover part of it. Qualified plans also use unisex rates.

MOVING THE OWNER

The plan holds the policy

Because the plan owns the policy, the premium can be paid from the plan. The value of the protection, the REB, is reported on your W-2 each year, which keeps the death benefit income-tax free.

Nothing about the coverage changed. Same insured, same beneficiary, same $1,000,000. Moving two roles changed the dollars used and the net cost. That is the four moving parts at work.

DESIGN POSSIBILITIES

05 Designing beyond two parties

Qualified Life is one arrangement of the four roles. There are many others, each built for a different goal. A few widely used examples:

Design	Owner	Payer	Insured	Beneficiary	What it does
Personal term	You	You, after tax	You	Family	The common starting point
Qualified Life	401(k) plan	Plan, pre-tax + match	You	Family, via the plan	Same coverage, lower net cost
Spousal Qualified Life	401(k) plan	Plan, pre-tax	Spouse	You or family	Covers a spouse from your plan
Employer-paid	You	Employer	You	Family	A benefit that costs you little or nothing
Key person	Business	Business	Owner or key employee	Business	Protects the business from a loss
Buy-sell funding	Business or co-owners	Business or co-owners	Each owner	Business or co-owners	Funds a buyout at death
Trust-owned	Trust	You, by gift to the trust	You	Trust, for heirs	Can keep proceeds out of a taxable estate
Parent for child	Parent	Parent or grandparent	Child	Parent	Locks in insurability young

SAME POLICY, DIFFERENT RESULTS

The design does the work

The same whole life, universal life or term policy can be a personal benefit, a business asset, an estate tool or a retirement plan feature. What changes is who fills each role and which dollars pay the premium.

HANDLE WITH CARE

Some combinations backfire

Every arrangement has tax consequences. For example, when the owner, insured and beneficiary are three different people, the death benefit can be treated as a taxable gift. Designs should be reviewed before a policy is issued, not after.

Where AIB comes in. Our Planning Solutions Group designs life insurance around the plan, not the product: which roles to move, which dollars to use and how the design fits your retirement, business and estate goals. Ask us to review what you own and what's possible.

IMPORTANT DISCLOSURES

Please read

For education. This guide explains concepts. All figures are hypothetical, are not a projection of any product and do not guarantee future results. Your plan, premiums, tax rate and results will differ.

Qualified Life example. Uses the Part I example: $1,000,000 of term coverage at age 40, a 30% income tax rate, 10% unisex savings, an employer match of 100% of the first 3% and the insurance company's REB rates. Savings decline each year as the REB rises. Part III shows results with no match.

Plan requirements. The employer's 401(k) plan must permit life insurance, and the policy must be set up and approved by the plan trustee, TPA or sponsor. IRS incidental benefit limits apply. The REB is reported as taxable income each year.

5% example. Hypothetical 5% net annual growth for illustration, applied to the savings at the start of each year, with no fees or taxes. Not a projection of any investment or policy; actual results vary and some vehicles can lose value. Why 5%: from 2001 to 2026, the AIB Whole Life Index averaged 6.44%, and MassMutual policies issued in 1995 earned 4.61% to 5.23% on cash value over 30 years after all costs.

Whole life. Hypothetical 5% net rate for illustration. Whole life dividends are not guaranteed. From 2001 to 2026, dividend interest rates at four major mutual insurers averaged about 6.2% to 7.0% (The AIB Whole Life Index). Cash value growth after policy costs is lower than the dividend rate, and early-year cash values are lower than premiums paid. Each insured's actual health class, age and policy design determine the insurance cost. In exchange for that cost, the insured gains an income-tax-free, guaranteed death benefit, rather than the LOC drag of fees and taxes. An actual policy's values depend on the carrier, premium, design and the insured's underwriting; review a full illustration, including guaranteed values, before buying.

Dividends are not guaranteed. Whole life dividends are declared annually by each insurer's board. Guarantees are based on the claims-paying ability of the issuing insurer.

Tax treatment. Policy loans and withdrawals are generally income-tax free when the policy is not a Modified Endowment Contract and remains in force. Loans accrue interest and reduce cash value and death benefit. The death benefit is generally income-tax free under IRC §101(a). Ownership arrangements can create gift, estate or income tax consequences.

Design examples. The arrangements on page 8 are general illustrations, not recommendations. Each requires review of your situation, and some require legal documents.

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

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