QUALIFIED LIFE · TERM PREMIUM TAX CALCULATOR · THE FLOW, STEP BY STEP

TC What a term premium really costs, and where the savings come from

Example: a $1,000 a year term premium at a 30% combined tax rate. On your own, after tax, versus through a traditional 401(k), pre-tax or tax-deductible; then three optional pieces reach the Part I example.

STEP 1 · ENTER YOUR NUMBERS

$1,000 · 30% · 1 year

Premium, combined federal and state tax rate, years of coverage.

STEP 2A · OUTSIDE THE PLAN · AFTER TAX

$1,429 of pay

Pay needed = premium ÷ (1 − tax rate) = $1,000 ÷ 0.70.

Pay you earn	$1,429
Income tax on that pay	−$429
Left to pay the premium	**$1,000**
Take-home pay goes down by	$1,000

STEP 2B · INSIDE A TRADITIONAL 401(K) · PRE-TAX

$1,000 of pay

Paid before tax, so no income tax comes out first.

Premium paid from the plan	$1,000
Income tax taken out first	$0
Pay you need to earn	**$1,000**
Take-home pay goes down by	$700

STEP 3 · THE SAVINGS

Paying through a traditional 401(k) saves **$429** of pay a year, about **30%** of the cost.

PAY SAVED
$429
a year, in pre-tax pay

TAKE-HOME SAVED
$300
a year, in take-home pay

STEP 4 · ADD TO THE COMPARISON (OPTIONAL, ALL OFF TO START)

UNISEX RATE SAVINGS · 10%

$1,000 → $900

Qualified plans use unisex rates. Savings vary; men can pay more.

EMPLOYER MATCH · $450

$900 → $450

Paid by the company match, e.g. 100% of the first 3% of pay.

TAX ON THE REB · $340

+ $146

$340 × 30% = $102 of tax; in pre-tax pay, $102 ÷ 0.70 = $146.

STEP 5 · ALL THREE ON (PART I)

$596 of pay through the 401(k) ($450 + $146) against **$1,429** on your own.

PAY SAVED
$833
a year, 58% of the cost

TAKE-HOME SAVED
$583
a year, in take-home pay

What you do

1. Enter the retail term premium you were quoted
2. Set your combined tax rate, or use the slider
3. Enter 1 year, or the term length (e.g. 20)
4. Open "Add to the comparison" and turn on what applies

Over the years (all three on)

Years	On your own	Through the 401(k)	Pay saved	Take-home saved
1	$1,429	$596	**$833**	$583
10	$14,286	$5,957	**$8,329**	$5,830
20	$28,571	$11,914	**$16,657**	$11,660

Run it at **advanced-ib.com/qualified-life.html#calculator**

Hypothetical illustration for educational purposes only; not tax, legal or investment advice, or an offer of any insurance product. Years multiply the year-one figures; actual premiums, REB amounts and tax rates change with age. Results depend on your premium, tax rates, plan provisions, employer match and the insurer's REB rates. Life insurance in a qualified plan requires plan approval and must follow IRS rules, including incidental benefit limits. The REB is reported as taxable income each year. Roth contributions go in after tax, so these savings apply to traditional contributions. See Part I: Life Insurance Inside Your 401(k).