



ADVANCED INSURANCE BROKERAGE · CLIENT EDUCATION SERIES · CASH RESERVES

The Whole Life Cash Alternative

For clients holding more cash than they need in low-interest, taxable reserve accounts. Moving part of that cash into a limited-pay whole life policy adds guarantees, tax-deferred growth and a tax-free death benefit, and the cash keeps pace with the account it came from.

01

The idea and the set-up

02

Cash, year by year

03

The death benefit

04

What the account would
need to earn

05

Things to know

Year 8

the WLCA's total cash passes the same \$100,000 left in a taxable account

\$250,642

WLCA cash at year 21, against \$186,029 in the taxable account

5.96%

pre-tax return the account would need to keep pace by year 21

01 THE IDEA Reserves that do more than sit

Many clients keep a large cash reserve in savings, money market or CD accounts. The interest is taxable and modest, and the money has one job: to be there if needed. The Whole Life Cash Alternative (WLCA) moves part of that reserve, over time, into a whole life policy designed for cash accumulation.

GUARANTEES

A floor under the cash

Guaranteed premiums and guaranteed cash values, plus dividends that are not guaranteed but have a long payment history.

TAX TREATMENT

Deferred growth

Cash value grows tax-deferred. Policy loans and withdrawals up to basis are generally tax-free on a non-MEC policy.

LEGACY

A death benefit on top

A generally income-tax-free death benefit from the first premium, which grows as dividends buy paid-up additions.

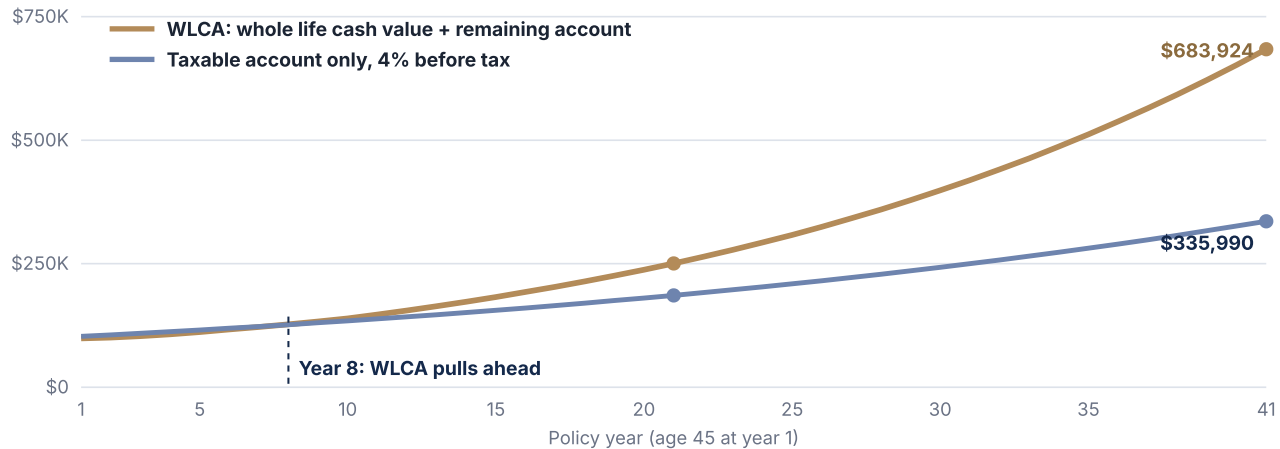
The sample case

Item	Assumption
Client	Male, age 45, preferred plus non-tobacco
Starting reserve	\$100,000 in a taxable account earning 4% (3% after a 25% tax rate)
Transfer	\$10,000 a year from the account to the policy for 10 years (\$100,000 total)
Policy	10-pay whole life from a mutual carrier, funded at the minimum non-MEC level; initial face \$208,452
Dividends	Paid-up additions at the carrier's current 6% dividend scale
Comparison	The same \$100,000 left in the taxable account at 4%, with no policy

The test is simple: **does the WLCA's cash, the policy plus what is left in the account, keep up with the account alone?** The death benefit is a bonus on top.

02 LIVING VALUES Cash, year by year

For the first seven years the account alone holds slightly more cash: a whole life policy pays its insurance and set-up costs up front. In year 8 the WLCA moves ahead and the gap widens every year after.



Year	Age	Account left	WL cash value	WLCA total	Taxable only	Difference
1	45	\$93,000	\$5,919	\$98,919	\$103,000	-\$4,081
5	49	\$62,836	\$48,987	\$111,823	\$115,927	-\$4,104
7	51	\$46,363	\$75,608	\$121,971	\$122,987	-\$1,017
8	52	\$37,754	\$89,545	\$127,299	\$126,677	+\$622
10	54	\$19,753	\$119,691	\$139,444	\$134,392	+\$5,052
21	65	\$27,343	\$223,299	\$250,642	\$186,029	+\$64,612
31	75	\$36,746	\$382,359	\$419,105	\$250,008	+\$169,097
41	85	\$49,384	\$634,540	\$683,924	\$335,990	+\$347,934

Account left: what remains in the taxable account after the \$10,000 annual transfers, still earning 3% after tax. Whole life values use the carrier's current dividend scale and are not guaranteed.

03 LEGACY VALUES The death benefit

The taxable account passes only its balance. The WLCA passes the policy's death benefit plus whatever is left in the account, and that total starts above \$300,000 in the first year.



Year	Age	Death benefit	Account left	WLCA total	Taxable only	Difference
1	45	\$211,645	\$93,000	\$304,645	\$103,000	+\$201,645
8	52	\$234,973	\$37,754	\$272,727	\$126,677	+\$146,050
10	54	\$255,101	\$19,753	\$274,854	\$134,392	+\$140,462
21	65	\$368,038	\$27,343	\$395,381	\$186,029	+\$209,351
31	75	\$516,938	\$36,746	\$553,684	\$250,008	+\$303,676
41	85	\$739,258	\$49,384	\$788,642	\$335,990	+\$452,652

\$272,727

passes to heirs from the WLCA if death occurs in year 8: \$234,973 death benefit plus \$37,754 left in the account

\$126,677

passes from the taxable account alone in the same year

04 THE BENCHMARK What the account would need to earn

Another way to read the comparison: what pre-tax return would the \$100,000 need, in a taxable account at a 25% tax rate, to end up with the same amount as the WLCA?

Point in time	To match WLCA cash	To match WLCA legacy
Year 10 (age 54)	4.51%	14.19%
Year 21 (age 65)	5.96%	9.02%
Year 41 (age 85)	6.40%	6.89%

Legacy: death benefit plus the account left. Returns are before tax and before any advisory or fund fees, which would raise the hurdle further.

A fair test: taxes on surrender

The table compares policy cash value with after-tax account values. If the policy were surrendered, gain above the \$100,000 of premiums would be taxable. Even after a 25% tax on that gain, the WLCA still comes out ahead:

Year	WLCA after surrender tax	Taxable only	Difference
Year 21 (age 65)	\$219,817	\$186,029	+\$33,787
Year 41 (age 85)	\$550,289	\$335,990	+\$214,299

The early years

Whole life costs are paid up front, so cash value trails premiums paid at first. In this case, cash value is below premiums through year 5 (–\$1,013 against premiums at year 5) and passes them in year 6 (+\$2,403). That is why the WLCA keeps the rest of the reserve in the account while the policy is being funded.

05 BEFORE YOU DECIDE Things to know

- **Dividends are not guaranteed.** Values shown use the carrier's current 6% dividend scale. Lower dividends mean lower cash values and death benefits; the guaranteed values in the illustration are the floor.
- **It is a long-term decision.** The WLCA trails the account for the first seven years. Surrendering early can return less than was paid in.
- **Keep it non-MEC.** Funding above the modified endowment contract limit changes how loans and withdrawals are taxed. The policy is designed at the minimum non-MEC level.
- **Loans reduce values.** Policy loans accrue interest and reduce the cash value and death benefit until repaid.
- **Underwriting applies.** Results depend on age, health and rating class. A different client will see different numbers.
- **The comparison is simplified.** It assumes a steady 4% taxable return, a 25% tax rate and no fees. Your own rates, taxes and reserve needs should drive the design.
- **Keep an emergency fund.** The WLCA is for excess reserves, not the cash needed for near-term expenses.

The WLCA is one use of the core product in the Client Education Series: **whole life designed for cash, with guarantees underneath**. Ask for an illustration run on your own age, health and reserve.

Disclosures

This is a hypothetical illustration for educational purposes. It is not an offer or a solicitation, and it is not a complete policy illustration. A full illustration with guaranteed and non-guaranteed values must accompany any proposal.

Whole life values shown are based on a mutual carrier's current dividend scale (6%) for a male, age 45, preferred plus non-tobacco, \$10,000 annual premium for 10 years, dividends applied to purchase paid-up additions. Dividends are not guaranteed and may change.

The taxable account assumes a constant 4% annual return taxed at 25%, with no fees. Actual returns, tax rates and fees will vary. Guarantees are based on the claims-paying ability of the issuing insurer.

Policy loans and withdrawals reduce cash values and death benefits and may have tax consequences. Advanced Insurance Brokerage does not provide tax or legal advice; consult your tax adviser.



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