



What is the real cost of an overfunded life insurance policy?



Many of us already know the benefits of overfunding an IUL policy:

- Upside market potential without downside market risk
- Zero is your hero (*assuming no asset-based charges*)
- Reduced volatility
- Tax-deferred growth¹
- Income-tax-free distributions¹

Those are some of the benefits, but what is the real cost of an overfunded IUL policy? Or stated another way, what is the cost to a consumer to have all of the benefits listed above? Let's look at an example illustration to quantify this cost:

For this comparison please note the illustrated rate, Account Value Enhancement and the Cash Surrender Value Internal Rate of Return (IRR).

Supplemental Illustration: Non-Guaranteed Policy Values Internal Rate of Return Report *									
For guaranteed elements and other important information, please see the Basic Illustration.									
Initial Non-Guaranteed Crediting Rate									
Initial Annual Premium: \$12,000.00		Blend Participation Rate Account (Utilizing MLSB Index): 6.00%				Current Account Value Enhancement ¹ 0.65%			
Premium Mode: Monthly									
For Current Non-Guaranteed Hypothetical Rates, see Illustration Assumptions for Non-Guaranteed Interest Rates section.									
Year	Age	Premium Outlay ²	Net Outlay	Accumulation Value	Cash Surrender Value	Death Benefit	Cash Surrender Value IRR	Death Benefit IRR	
20	65	12,000	12,000	396,820	396,820	704,157	4.58%	9.42%	
			240,000						
			12,000	432,901	432,901	740,238	4.68%	8.98%	
			12,000	471,381	471,381	778,718	4.77%	8.60%	
			12,000	512,421	512,421	819,758	4.86%	8.27%	
			12,000	556,035	556,035	863,372	4.94%	7.98%	
			12,000	602,351	602,351	909,688	5.01%	7.73%	
			300,000						
			-60,505	645,515	584,356	681,183	5.17%	6.05%	
			-60,505	685,454	561,911	651,020	5.26%	5.99%	
			-60,505	726,566	539,392	619,314	5.36%	5.95%	
			-60,505	767,091	515,014	584,052	5.43%	5.89%	
			-60,505	806,847	488,569	545,048	5.49%	5.84%	
L	30	75	0	-60,505	806,847	488,569	5.49%	5.84%	
Subtotal			300,000	-2,527					
L	31	76	0	-60,505	845,879	460,076	5.54%	5.78%	
L	32	77	0	-60,505	883,977	429,300	5.58%	5.81%	
L	33	78	0	-60,505	920,972	396,043	5.62%	5.83%	
L	34	79	0	-60,505	956,682	360,097	5.64%	5.85%	
L	35	80	0	-60,505	991,024	321,350	5.66%	5.87%	
Subtotal			300,000	-305,053					
L	36	81	0	-60,505	1,024,005	279,781	5.68%	5.88%	
L	37	82	0	-60,505	1,054,964	234,700	5.69%	5.88%	

- Male 45 PNT
- Premiums: \$1,000 per month to age 70
- Initial DB \$307K
- Standard monthly loans for 25 years (age 71-95): \$60,505 annualized
- Illustrated interest rate: 6.00%
- AIG's Max Accumulator + IUL

* Not an actual case, hypothetical for illustrative purposes only. Rates effective June, 2020.

The previous sample illustration shows a level 6.00% interest rate on Max Accumulator+ has an Account Value Enhancement of 0.65% starting after year 5. That's a total credited interest rate of 6.65% in years 6+. To keep the math simple let's look at age 80 where the IRR is 5.66%. The difference between the credited rate of 6.65% and the net IRR of 5.66% implies an effective charge of 0.99% for all of the costs of the policy. That's less than 1%!

Where can your clients get tax-deferred growth¹, income-tax-free distributions¹, plus upside market potential with no market corrections and no waiting for market recoveries...All for less than 1% by age 80?

Non-medical underwriting

- Ages 0–50²
- Face Amounts \$50,000-\$499,999
- No lab tests, physical exam or APS required for proposed insured
- Rate classes available³:
 - All rate classes are available up to Preferred Plus⁴
- If amount applied for on this application plus any coverage issued within the last 12 months is equal to, or greater than \$500,000, this new application for coverage can not be eligible for non-medical underwriting review. This resulting non-medical ineligible application for coverage will be reviewed through full underwriting at the applied-for amount.⁵

MAX ACCUMULATOR+		
FACE AMOUNTS	AGES ²	UNDERWRITING
\$50,000 - \$499,999	0–50	Non-Med
	51+	Traditional Medical
\$500,000 and above	0-51+	Traditional Medical

Available Rate Classes:

Preferred Plus Non-Tobacco	
Preferred Non-Tobacco	Preferred Tobacco
Standard Non-Tobacco	Standard Tobacco
Sub-Standard Non-Tobacco (Tables C, D, E)	Sub-Standard Tobacco (Tables C, D, E)

¹ Based on current tax federal tax law

² Ages 18–50 in the state of New York.

³ No flat extra ratings available for this non-medical underwriting program. Our underwriting team renders a decision based on the submitted applications, declarations of Part A and B, supplementary forms, and result of various database searches.

⁴ Our underwriting team renders a decision based on the submitted applications, declarations of Part A and B, supplementary forms, and results of various database searches. Substandard classes are only available through Table E. Note that Table A and B are included in the standard rate class. Table C, D, E are included in the Table D rate class. Post-issue reviews will be completed by our Underwriting team and any lack of material disclosure may result in policy rescission.

⁵ Decision based on the total amount of coverage issued and placed in-force by AGL or US Life within the past 12 months.



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