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BIG UL and the big impact on the the time value of money

When evaluating an insurance product for your clients, consider that premiums and coverage may vary over time. It always pays to look at the long-term “time value” of your clients’ life insurance.

How does BIG UL stack up against an insurance combination that provides the same coverage over the same period of time? Let’s look at an example that meets the \$500,000 coverage needs of a male client, age 40, in the Preferred Non-Smoking class. In this example, there are no extra-cost riders in either option.

Option 1 – BIG UL with Death Benefit Enhancement Rider:

\$250,000 BIG UL No-Lapse Guarantee annual premium	\$1,730
\$250,000 additional death benefit for 15 years (Death Benefit Enhancement Rider)	\$0
	\$1,730

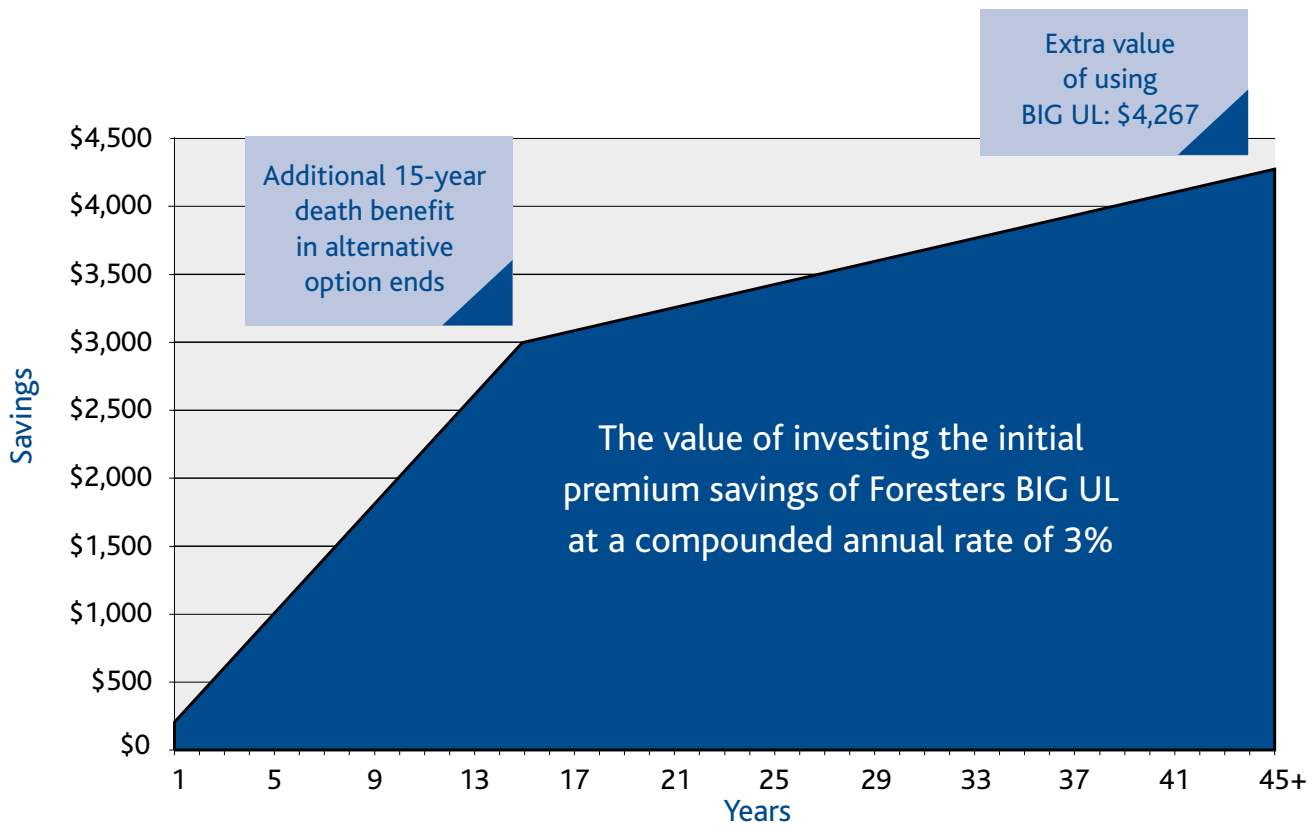
Option 2 – Alternative UL product plus 15-year term insurance:

\$250,000 Alternative UL No-Lapse Guarantee annual premium	\$1,670
\$250,000 Alternative 15-Year Term Life annual premium	\$215
	\$1,885

Annual premium displayed is for the base coverage and 15-Year Term rider of a leading insurance company. Source: Cited with permission of Compulife® (as of September 1st, 2009). Compulife® is a registered trademark of Compulife Software, Inc.

The total premium for BIG UL is \$155 less for the first 15 years. After 15 years, the premium for the alternative is \$60 less because the term coverage expires, reducing the overall premium of the alternative. So, what is the financial impact to your client?

Suppose each of the initial 15 years' \$155 premium savings of Foresters BIG UL is invested by the client? Over time, the client would still be ahead, even though the difference in premium after the alternative term plan ends is subtracted beginning in year 16. This growth is illustrated in the chart below and assumes that the \$60 difference after year 15 is simply subtracted and is not invested somewhere else.



BIG UL is all about value for the dollar. Investing the initial premium savings of \$155 for each of the 15 years at the start of their insurance program can mean significant savings for your client.

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