



LIFE INSURANCE

AN ASSET CLASS THAT PROTECTS ALL OTHER ASSETS

## WHY LIFE INSURANCE?

Life Insurance provides instant liquidity upon the death of the insured. Wealthy families and individuals use it to pay estate tax liabilities, to bolster charitable giving and to plan for estate continuation and transfer. Wise families also use it to provide a unique level of protection against market volatility.

Families and individuals with large holdings in assets such as common stock, fixed-income securities, and money market instruments may ask, “What need is there for life insurance? I have relatively liquid assets.”

**They may not realize that modern life insurance products provide attractive rates of return and risk protection they need.**

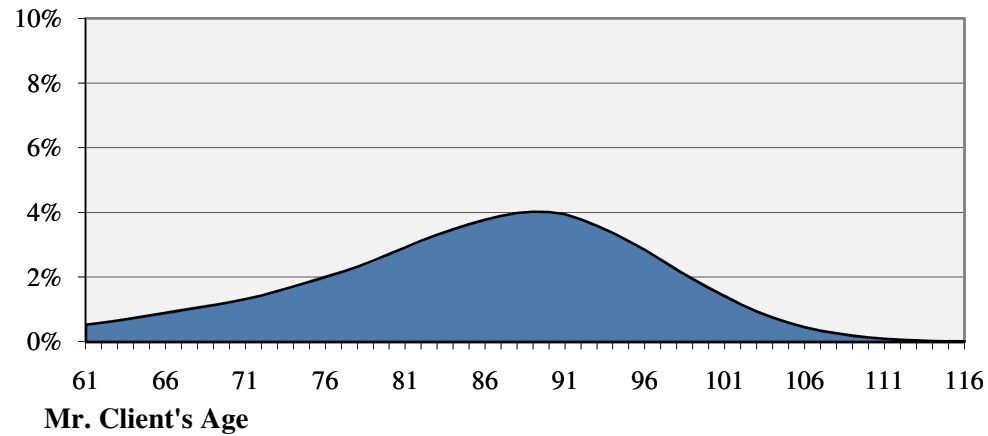
Short-term market fluctuations can significantly reduce the value of a portfolio if the insured dies in a year when the market is down. Only life insurance provides protection from this risk. Moreover, modern life insurance products offer attractive rates of return and strong guarantees.

# LIFE INSURANCE: THE ASSET CLASS THAT PROTECTS

## THE PROBLEM

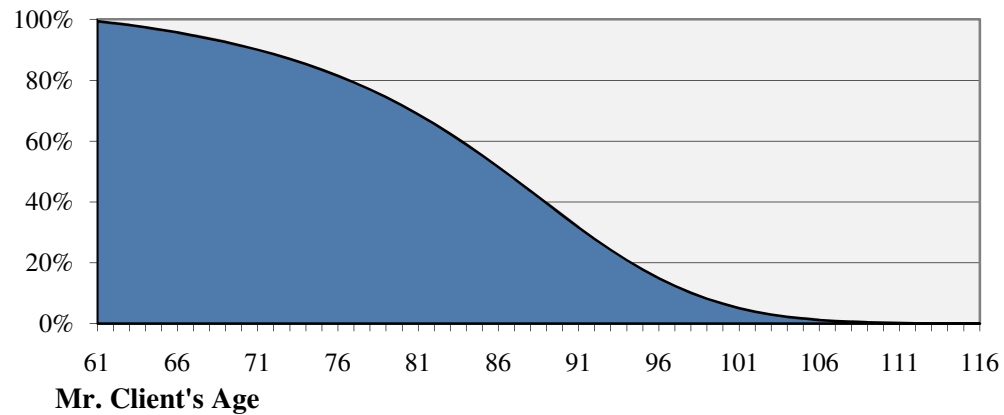
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### PROBABILITY OF DEATH IN A GIVEN YEAR



According to the 2001 CSO Mortality Table, your life expectancy is 25 years. At least two thirds (2/3) of Male Preferred Nonsmokers with your profile will die between 74 and 96.

### PROBABILITY OF SURVIVAL



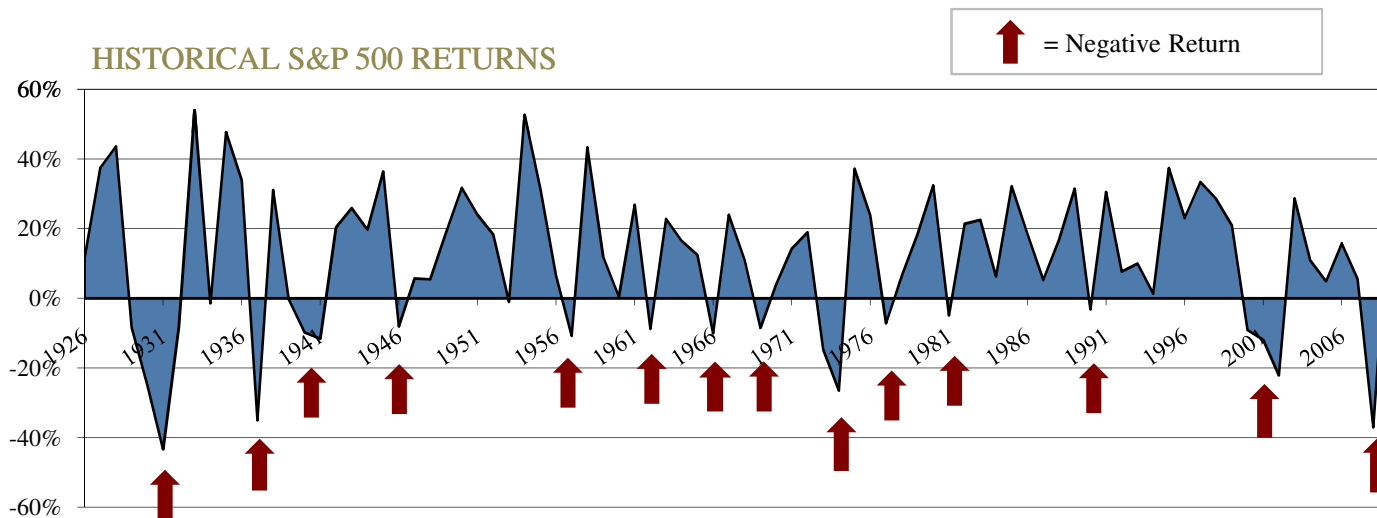
This chart shows that at least 9 out of 10 people who are Male Preferred Nonsmokers will die before age 99. This chart is based on the 2001 CSO Mortality Table.

*Uncertainty of Death -*  
You don't know when you're going to die. The graph to the right shows that in any given year the probability of death is no greater than 4.03%

WHERE WILL THE MARKET BE IN THE YEAR OF YOUR DEATH?

The studies on the previous pages show that you can't predict the year of your death. The graph below shows the volatility of market returns from year to year. Nobody knows what the financial markets will do in a given year.

This creates substantial risk. **If you die in the "wrong" year and your heirs are forced to liquidate your best assets at relatively low values, the damage to your estate will be substantial and permanent.**



WHAT WILL THE MARKET RETURN BE IN THE YEAR AFTER YOUR DEATH?

If your family needs liquidity for estate taxes, settlement costs or estate equalization, they may be forced to sell in a down market -- at the worst possible time.

If this happens you will pass on less to your heirs, and your heirs will have less to reinvest ahead of any market recovery. **The wealth will be lost to your family forever.**

Stock Market Returns  
The Abnormal Average

Range of Returns	# of Years Achieved
< 0%	24 Years
0% - 8%	12 Years
8% - 12%	5 Years
> 12%	43 Years
<b>80 Year Average: 9.81%</b>	

Most estimates of long-term market returns fall between 8% - 12%. The average return on the S&P 500 since 1926 has been 9.81%. The above chart shows that, in any given year, the market almost never yields the "average" market return. In fact, in only 5 out of 80 years has the S&P 500 produced annual returns in the 8%-12% range. What does this mean for your estate?

\*Source: Ibbotson & Associates, 2008

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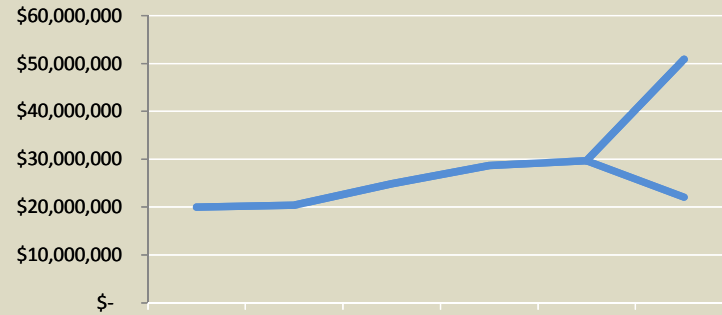
THE SOLUTION

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What will happen to your portfolio the year you die? The graph below shows what happens in good years and bad years. You can lose a lifetime of growth in a single year.

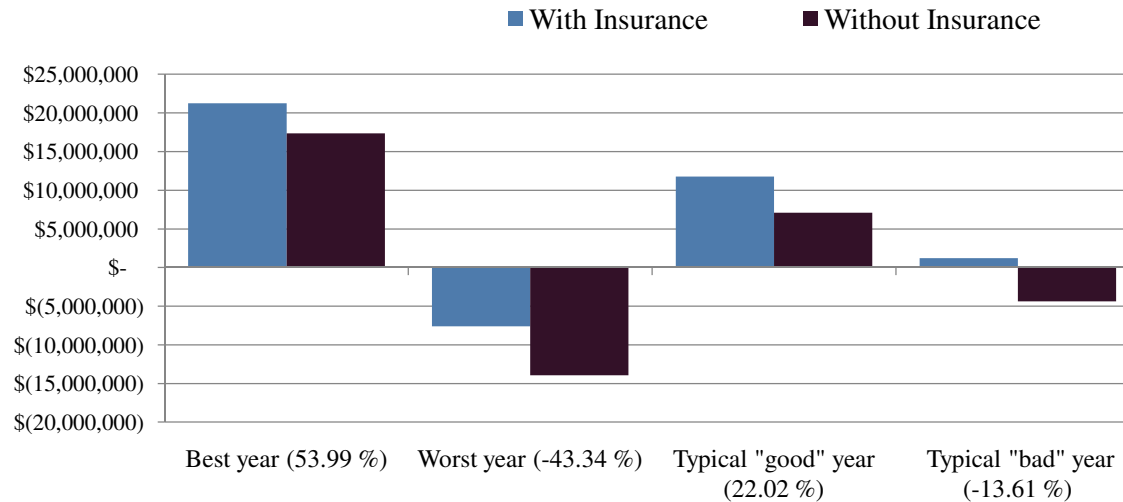
Life Insurance can be used to reduce the risk that market fluctuations pose on your estate, and can increase the amount passed to heirs if death occurs in an "up" year for the market.

LIFE INSURANCE REDUCES RISK



The graph below shows how much a portfolio invested in an S&P 500 Index could fluctuate in a one year period. The values of an unprotected estate are shown in violet, while the values of an estate with life insurance protection are shown in blue.

POTENTIAL CHANGE IN NET WORTH IN YEAR PRECEDING DEATH  
(AMOUNT PASSED TO HEIRS)



Current Estate Value  
\$20,000,000

Estate Value - Yr. Before Death  
\$32,168,745

After-tax Growth Rate  
2.00%

Proposed Life Insurance  
\$5,250,000

Annual Premium  
\$79,124

\*Max and Average gain and loss values taken from historical S&P return data  
\*\*Source: S&P 500 - Ibbotson Associates, 2008

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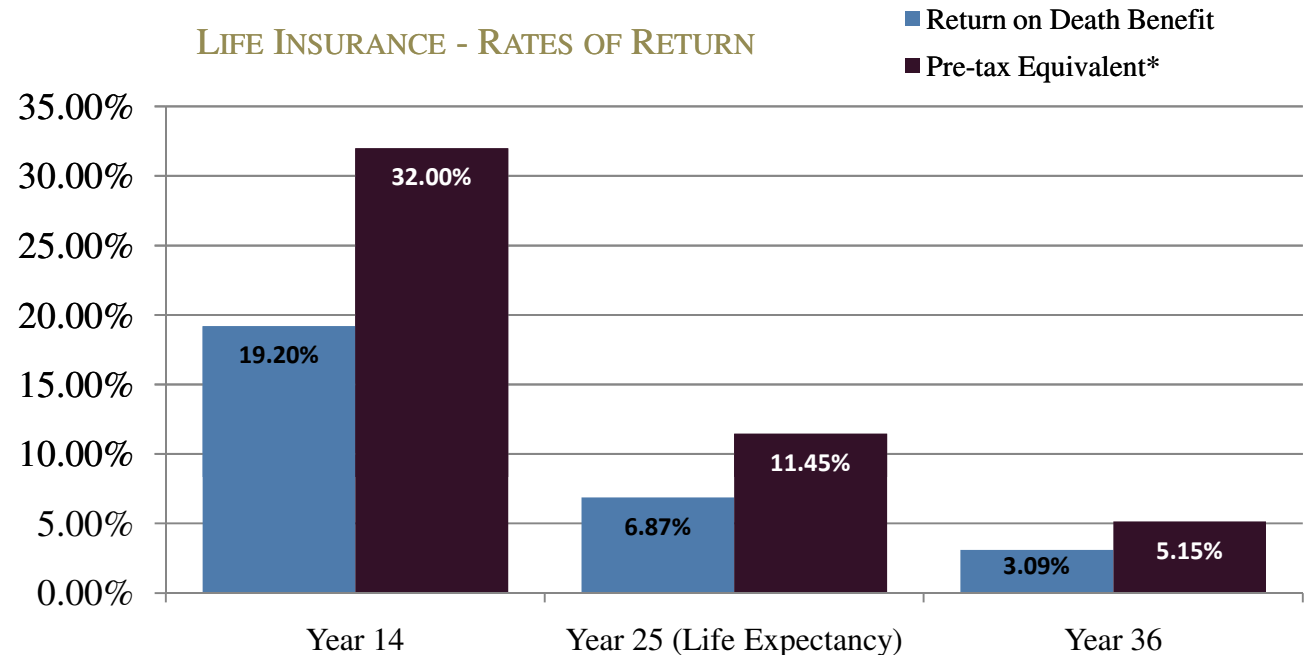
The graph to the right shows the internal rate of return on death benefit for your life insurance policy in various years. The center columns show the return in year of Life Expectancy. Also shown are the lower and upper-limit years where two-thirds of individuals with your profile will pass away.

Again, one of the advantages of life insurance is that of a tax-free death benefit. As a comparison, the darker bars in the chart to the right represent a pre-income tax return needed to match the tax-free return on death benefit.

In addition to its role as a risk management tool, life insurance clearly offers rates of return comparable to other fixed income investments.

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## THE VALUE OF LIFE INSURANCE



\* This pre-tax equivalent rate assumes a 40% Income Tax rate.

## MODERN LIFE INSURANCE PRODUCTS PROVIDE EXCELLENT VALUE

As a maturing marketplace, the Life Insurance Industry continues to present significant strength and value for its policy holders. Today's life insurance contracts are more attractive and economical than ever in the history of the industry.

### TODAY'S LIFE INSURANCE INDUSTRY AT A GLANCE...

- > Longer Life Expectancy
- > Dynamic Product Enhancements
- > More Efficient Company Operations
- > Greater Product Competition
- > Significantly Better Transparency