

How an IUL Creates Tax-Free Income

Indexed universal life, explained simply

- 1 Money goes in after-tax.** Premiums are paid with dollars you have already paid tax on.
- 2 Cash value grows tax-deferred.** Interest is credited based on a market index, with a cap on gains and a 0% floor in down years.
- 3 You borrow it — you don't withdraw it.** In retirement, you take policy loans against the cash value. A loan is not taxable income while the policy stays in force.
- 4 Your cash value keeps working.** The money stays in the policy and keeps being credited while you borrow against it.
- 5 The death benefit settles up.** It pays off the outstanding loan, and the rest goes to your family — income-tax-free.

The Example (illustration only)

\$500/month, age 35 to 65 — total paid in	\$180,000
Cash value at 65 (assumes a 6% average credit)	~\$475,000
Policy loans, \$30,000/year for 20 years	\$600,000
Income tax on those loans, policy in force	\$0

Hypothetical illustration, not a quote or a guarantee. Assumed crediting is not a promise of performance; real numbers come from a carrier illustration.

The honest fine print

- Policy loans accrue interest and reduce the death benefit and cash value.
- The policy must stay in force for life — if it lapses with a loan outstanding, the amount above your premiums can become taxable all at once.
- Funding too fast can create a Modified Endowment Contract (MEC), which makes loans taxable.
- Index credits use caps and participation rates, and insurance charges rise with age.

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