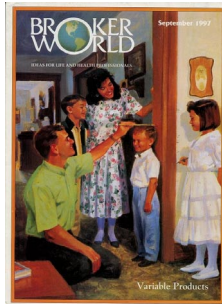


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The Future's Most Powerful Investment Vehicle?

One wouldn't think the words "life insurance" and "exciting" could be used in the same sentence, but now it's possible, thanks to a product by the name of variable universal life, or VUL, as it is called.

Since no two VUL policies are the same, all I can do in this article is generalize about the basic concept of such a plan.

I'm sure you will agree that no one plan of insurance is right for everyone. But when you have a client who has the ability to put away additional monies and who may have a future tax situation where the possibility of tax free zero interest loans would be important, a VUL may be the right choice for him.

VUL takes the good of traditional universal life insurance, which is giving the consumer the flexibility of *when* to make payments, and couples it with the flexibility of allowing the consumer the benefit of determining *where* to invest the excess premium dollars. This is where we are not only insurance agents, but financial advisors as well.

Most of these VUL plans have numerous investment choices that the client can switch around in (usually without a charge), such as different stock, bond, or money market subaccounts. It is because of these market choices that the client usually has a greater need to look to us as professionals to make the right investment sug-

gestions. These choices can mean the difference of thousands, if not hundreds of thousands, of dollars to the client, over the life of the plan.

Of course, many things play a part in these selections. The age and risk tolerance of the client are two of the biggest considerations for determining subaccount selection. We need to also be aware of the track records of each subaccount and the manager tenure. The tenure is important because we want to be sure that the manager who earned those returns is still running the account. We also need a complete understanding of the risk level (beta) of each subaccount.

These subaccounts give VUL products the opportunity to earn returns that have seldom been seen in other permanent life insurance plans. However, since the cash value supporting VUL insurance is not guaranteed by the insurance company, the possibility of losing money exists as well.

For those clients who are risk averse, most VULs offer less risky choices for the investment dollar, such as money market accounts and short term bond funds. However, if you believe, as most do, that investing in the market is a good long term strategy, and your client has a need for permanent life insurance, a variable universal life plan

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could be a great alternative!

Of course, like other permanent insurance plans, the cash value grows tax-deferred, meaning that you pay no tax as your money compounds. An added benefit of VUL is that many

charge virtually no interest on policy loans taken after a certain period of time! (Early withdrawals prior to 59 1/2 may be subject to a 10 percent IRS penalty, though.)

For any of you who are fans of buy term insurance and invest the difference, a VUL may still be a great alternative for you. It offers insurance at or near the cost of term, with the potential for market-like returns, along with incredible tax benefits.

There are numerous VUL plans on the market today. **How can you determine which plans are possibly best for your client?** I look at the expenses involved in the product, such as management and cost of insurance. The lower these costs are, the more dollars are usually generated for your client. However, I believe you must find a balance between these expenses and the other important consideration, which is why subaccounts are offered for investment. We obviously don't help our clients much if the VUL we choose for them is inexpensively run, but offers below average investment choices.

To summarize (and generalize), it is possible with the right VUL plan that your clients may have the opportunity to get great returns, tax-deferred growth, and tax-free zero interest loans! If you have been looking for a reason to get your securities license to get into the variable market, the potential of this product for your client's future could be the motivation you've been looking for. □

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