The STAR Plan® Introduction

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Strategic Talent Appreciation and Recognition

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How ILI can equate to investing at a negative tax rate.

Of course there's no such thing as a negative tax rate. But when comparing ILI values to other taxable, tax deferred or non-taxable financial alternatives we need to consider ILI pricing discounts not available in these structures. When these discounts are included in the comparison, the higher ILI values from a tax perspective can only be achieved by applying a negative tax rate.

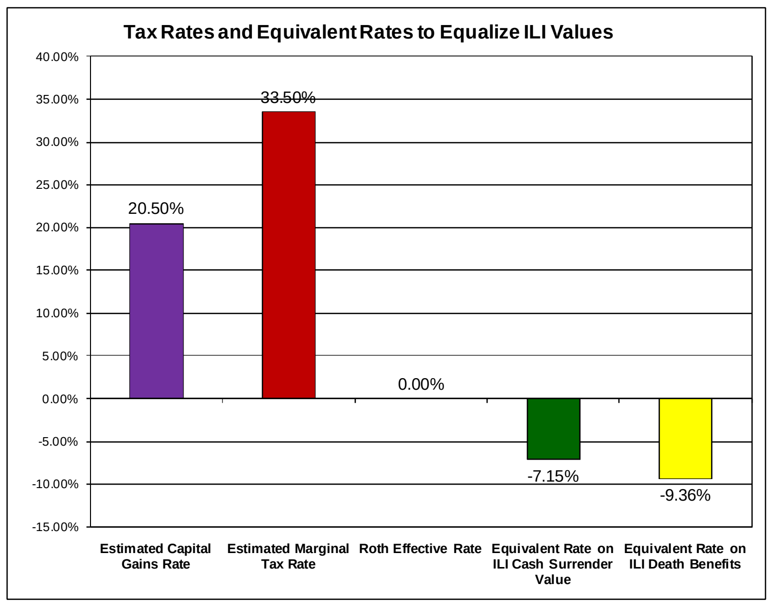
Here's the concept:

- ILI utilizes Separate Accounts … funds selected by the insurer that are managed specifically for insurance products.
- Most separate accounts have lower expenses than their retail or institutional counterparts because the ILI issuers consolidate the daily cash flow of all policies into a single daily transaction. The result … no sales loads and lower costs.
- At most issue ages the separate account discounts more than offset the ILI policy costs through life expectancy.
- The result is the ILI policy illustrates greater cash than investing in the same fund families inside a non-taxable structure like the Roth … plus there are the other financial advantages of ILI.
- The only way to illustrate equal values in other financial structures is to assume a negative tax rate.

Here's an example of a selection of managed funds available in both investment, retirement and ILI structures:

- Leading ILI issuer offers access to fifty separate accounts that have retail mutual fund counterparts.
- Those fifty separate accounts average a .70% expense. The policy charges result in a .85% cash value or .69% death benefit expense to life expectancy … a 1.39% to 1.55% average annual total cost.
- The mutual funds average a 1.23% expense, 3.24% sales load and .64% deferred load resulting in a 2.05% effective annual cost of investing.
- The 1.35% fund expense discount is greater than the .69% to .85% cost of ILI.
- To equal the same cash values and death benefits using the same expenses as the mutual fund counterparts, an account would have to average a negative (-7.15% to -9.36%) tax rate.

Assumes a married male age 45 contributing $10,000 annually to age 65, $150,000 household income, age 86 life expectancy, 9% market rate of return, Ave. U.S. federal and state tax rates, 20% annual fund re-allocation.



The pricing advantages of ILI separate accounts are why ILI illustrates greater cash values than taxable and tax qualified structures … while also providing ILI death benefits to help financially protect your heirs.

- **Index Investor** – Is cost-shifting from the heavily weighted cost of capital gains to the lower cost of ILI.
- **Managed Fund Investor** – The separate account discounts exceed the costs of ILI resulting in a greater value than if you could invest in retail funds at a 0% tax rate.

The result is a more efficient Total Cash Management structure.

The STAR Plan offers more cash for you *and* additional financial protection for your family.

We look forward to visiting with you so you can ascertain if The STAR Plan® is a practical fit for you and your family.

This overview is for educational purposes only. Please contact Mark@ValleyViewConsultants.com for your personal STAR Life Events Analysis.

Valley View Consultants, Inc. is an ILI third party administrator (TPA) and the developer and administrator of The STAR Plan®.

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