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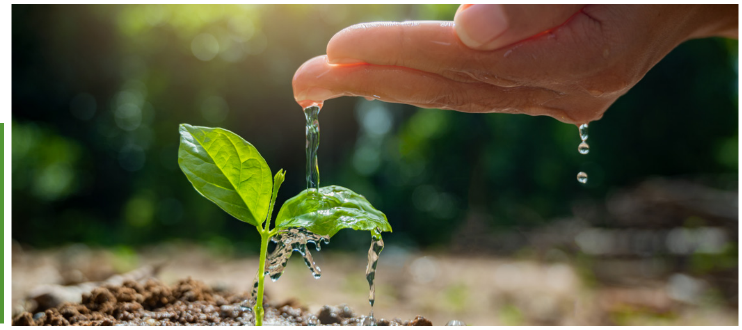
Life Insurance Cost Vs Outcome



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Life Insurance, Taxes, and the Long Game

Why "lowest cost" doesn't necessary mean "highest value."

While many investors are disciplined about managing expenses, it may be a different story when it comes to managing taxes.

This explores a simple but often overlooked question:

Where does value actually have the opportunity to accumulate faster: the lowest-fee investment or the most tax-efficient structure? And could life insurance be a highly valuable structure in that comparison for certain investors?

Life insurance is typically dismissed early in that discussion because its costs are explicit and visible. Traditional investing feels cheaper, but many of its costs – particularly taxes – may not be.

The Assumption Worth Challenging

The standard comparison usually looks like this:

- Life insurance → higher fees, lower efficiency
- Low-cost investing → minimal fees, maximum efficiency

That framework lacks a critical component of long-term compounding: tax drag.

Even a buy-and-hold, low-turnover portfolio is not tax-free. There are generally dividends and, eventually, capital gains. Over decades, taxes can quietly reduce the amount of capital left to compound.

The Persistent Tax Drag of Traditional Investing

Traditional portfolios – even buy and hold – can typically generate:

- Taxable dividends
- Embedded capital gains, creating future tax liabilities
- Reduced reinvestment power from annual tax payments

Individually, these taxes may feel manageable. Compounded over long horizons, they can materially affect ending value.

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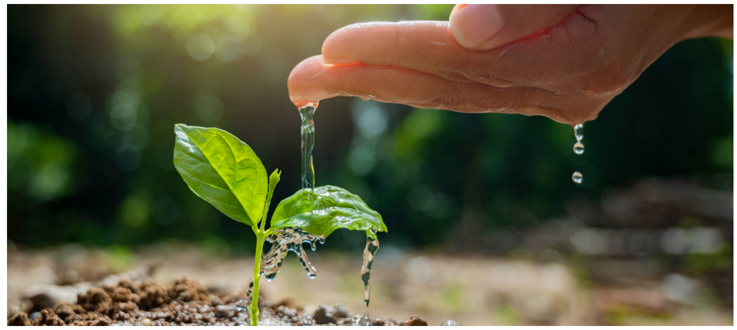

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What Life Insurance Changes

When structured for long-term accumulation, permanent life insurance can alter the compounding equation by design:

- Potential growth occurs on a tax-deferred basis
- There is generally no annual taxation on internal policy growth
- Access to cash value can be tax-advantaged through withdrawals and policy loans when structured appropriately

While permanent life insurance offers tax-deferred growth potential and potential tax advantages, these benefits depend on proper policy design and ongoing management. These advantages are generally preserved as long as the policy does not become a Modified Endowment Contract (MEC) and remains within IRS limits.

Withdrawals above what you've paid into the policy may be taxable, and surrendering the policy can also create a taxable gain.

Policy loans are not without risk. Loans accrue interest and reduce both cash value and death benefit. If not managed carefully, loans could cause the policy to lapse, which may create a taxable event.

And importantly – this accumulation happens alongside a death benefit, which can create an additional economic outcome that traditional investments do not provide.

This does not eliminate costs- it changes when and how value compounds.

The Value Crossover

When tax efficiency overtakes visible fees

A Necessary Acknowledgment: Insurance Has Costs

Life insurance includes real and unavoidable expenses:

- Premium loads and administrative charges
- Cost of insurance
- Investment management expenses
- Surrender charges (especially early on)
- Loan interest if borrowing is used

These costs are often front-loaded and more visible in the early years.

Traditional portfolios can feel cheaper early because one of their biggest costs – taxes – are distributed over time, rather than concentrated up front.

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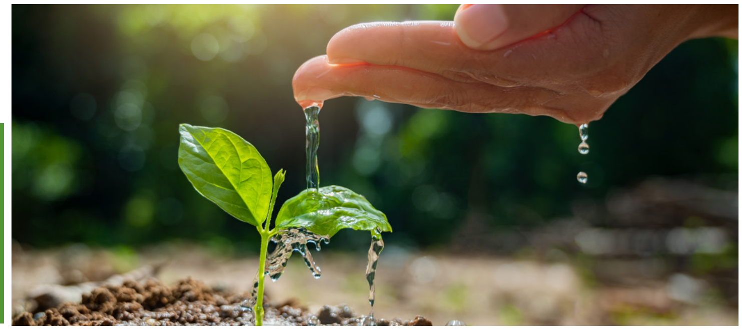

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Looking at Value, Not Just Cost

When the comparison shifts from annual expenses to long-term accumulation, a different pattern emerges:

- Traditional investing may start ahead due to lower early friction.
- Tax-efficient insurance structures may lag initially.

Over time, tax deferral can allow more capital to remain invested. Eventually, the value curves can cross. We call that the value crossover.

The timing and impact of this crossover depend on factors like policy design, funding, time horizon, tax rates, and market performance, and are often more noticeable over longer periods.

The Embedded Feature Investors Often Overlook

At the same time cash value has the opportunity to grow inside a life insurance structure, a death benefit is also in force.

This matters because:

- It can create liquidity at death independent of market conditions.
- It generally passes income tax-free to beneficiaries.
- It can provide an outcome even if the accumulation phase is disrupted.

In other words, life insurance is not just an alternative way to invest - it is an approach that combines long-term accumulation with a built-in risk transfer component. Traditional portfolios may stand entirely on their ending account value. Life insurance can produce value in two states of the world: survival and death.

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