

# Why life insurance can be good investment

**Part II**  
Last week we argued that a universal life policy may be a better investment than "buy term and invest the difference." It should be said at the outset that if you have a definite short-term need or if you need a maximum amount of inexpensive life insurance coverage, term insurance is still the best way to go.

However, if you are looking for a combination of insurance and investment and can afford it, universal life may provide a better alternative.

**an illustration**  
John Jones, male, non-smoker, age 45, is in a 38.5 percent tax bracket and needs \$250,000 insurance coverage. He has a choice of (1) buying a term and investing the difference in a CD earning 7 percent interest, or (2) investing in a universal life policy currently paying 9 percent interest.

In Chart A the buy-term-and-invest-the-difference strategy is presented, while in Chart B the results of buying universal life are presented.

In this illustration, as early as in year three the universal's accumulated value (total fund) beats the "term and invest" fund balance. In the sixth year, the

cash value (surrender value) exceeds the investment balance of the competing method.

the bottom line

Universal life is not a panacea of coverage, and it does not suit everyone. However, under the new tax law, it certainly de-

serves serious consideration.

**Educational seminar:** Main Topic "1987 — A year of unprecedented opportunities." The seminar, sponsored by Observer & Eccentric Newspapers and Coordinated Financial Planning Inc., will be 7-9:30 p.m. Tuesday, Feb. 3, at the Bloomfield Public

Library, 1099 Lone Pine, Bloomfield Hills.

For more information or reservations, call 643-8888.

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finances and you

**Sid Mittra**

**chart A**  
**term and invest**

year	beginning year investment balance	deduct cost of term	investment balance	7-percent interest earned	deduct tax (38.5%)	year end investment balance
1	\$18,600	-\$400	-\$18,200	+\$1,274	-490	=\$18,984
2	22,501	-510	-\$21,991	1,539	-592	=\$22,938
3	26,438	-650	-\$25,788	1,805	-695	=\$26,898
4	30,381	-787	-\$29,594	2,071	-797	=\$30,668
5	34,334	-897	-\$33,437	2,340	-901	=\$34,876
6	38,324	-1,157	-\$37,167	2,601	-1,001	=\$38,767
7	42,198	-1,405	-\$40,793	2,855	-1,099	=\$42,549
8	45,864	-1,685	-\$44,279	3,099	-1,193	=\$46,185
9	49,584	-2,037	-\$47,547	3,328	-1,281	=\$49,594
10	52,978	-2,412	-\$50,566	3,539	-1,362	=\$52,743

No investment service fees or withdrawal penalties shown on investments.

**chart B**  
**\$250,000 lifestyle**

year	yearend accumulated value	yearend cash value
1	\$18,150	\$13,802
2	22,704	18,172
3	27,647	22,915
4	33,017	28,315
5	38,823	34,156
6	45,108	40,483
7	51,921	47,347
8	59,318	54,805
9	67,328	62,888
10	76,045	72,028

No investment service fees or withdrawal penalties shown on investments.

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