How to Compare Income Advantage to Its Competitors

When it comes to indexed universal life (IUL) products, it seems like all products use the same general design. It can be tempting to choose a product based on which illustrates best. However, when you look closer at each product illustration, you'll start to uncover some important differences you and your clients should be aware of. The not-so-obvious differences are in the product's charge structure. Take a look at how United of Omaha's Income Advantage compares to other carriers' products.

Hypothetical Scenario: Male, Age 50, Preferred NT, $1M Level Death Benefit, $20,000 Annual Premium for 15 Years. *Values as of August 2018.*

		United of Omaha Income Advantage	AIG Max Accum. +	Symetra Accumulator	Nationwide YourLife Accum.	John Hancock Accumulation	Allianz LifePro +	Penn Mutual Accum. Builder	Securian Orion	Zurich Accum. Index	Lincoln Wealth Accum.	Principal IUL Accum.	Prudential Index Advantage	PacLife Disc. Xelerator
Cumulative Premiums Over 15 Years		$300,000	$300,000	$300,000	$300,000	$300,000	$307,950*	$300,000	$300,000	$300,000	$300,000	$300,000	$300,000	$300,000
After 20 Years	**Cumulative Charges**	$81,578	$116,468	$110,820	$102,194	$136,995	$115,129	$132,337	$137,735	$125,077	$139,266	$141,226	$160,657	$292,808
	Prem Toward Accum Value	$218,422	$183,532	$189,180	$197,806	$163,005	$192,821	$167,663	$162,265	$174,923	$160,734	$158,774	$139,343	$7,192
	% of Prem Toward Accum Value	**73%**	61%	63%	66%	54%	63%	56%	54%	58%	54%	53%	46%	2%
After 30 Years	**Cumulative Charges**	$121,886	$155,695	$140,524	$152,043	$168,115	$156,581	$185,752	$207,385	$209,155	$211,431	$227,382	$253,173	$430,951
	Prem Toward Accum Value	$178,114	$144,305	$159,476	$147,957	$131,885	$151,369	$114,248	$92,615	$90,845	$88,569	$72,618	$46,827	-$130,951
	% of Prem Toward Accum Value	**59%**	48%	53%	49%	44%	49%	38%	31%	30%	30%	24%	16%	-44%
After 40 Years	**Cumulative Charges**	$156,931	$183,517	$187,640	$187,782	$197,626	$208,007	$235,333	$248,793	$282,200	$287,417	$366,478	$369,866	$546,135
	Prem Toward Accum Value	$143,069	$116,483	$112,360	$112,218	$102,374	$99,943	$64,667	$51,207	$17,800	$12,583	-$66,478	-$69,866	-$246,135
	% of Prem Toward Accum Value	**48%**	39%	37%	37%	34%	32%	22%	17%	6%	4%	-22%	-23%	-82%

Our lower cost structure allows more of your client's premium to go toward the accumulation value.

**Reflects Allianz's required minimum premium of $21,590 in years 1-5*

Is a Product With Higher Caps, Bonuses and Multipliers Better?

If you look closer at products with higher caps, bonuses and multipliers, you'll uncover that products with these features often have higher underlying policy charges. Often the higher charges go toward paying for more expensive hedges that allow the company to offer these higher caps, future bonus rates and multipliers, which are not always guaranteed.

Companies that use higher caps, bonuses and multipliers, know these features will help the product illustrate better – and they also know that most agents and clients don't compare the policy costs. While it seems like a solid marketing tactic for the company, some questions you may want to consider are:

- Is this best for your client?
- Will the product perform as well as it illustrates? Keep in mind that in down years, the higher charges will still be deducted from your client's policy value – even in years when the company credits no interest. This is additional risk that your client will shoulder.
- Will the company deliver on their non-guaranteed bonuses and multipliers?

One way to compare performance is to determine how different products with the same premium would each have to perform in order to achieve the same accumulation value. The table below shows the rate necessary for our client (in the example above) who pays $300,000 in cumulative premiums over 15 years to reach a $500,000 accumulation value at the end of policy year 20. *Values as of August 2018.*

	United of Omaha Income Advantage	AIG Max Accum. +	Symetra Accumulator	Nationwide YourLife Accum.	John Hancock Accumulation	Allianz LifePro +	Penn Mutual Accum. Builder	Securian Orion	Zurich Accum. Index	Lincoln Wealth Accum.	Principal IUL Accum.	Prudential Index Advantage	PacLife Disc. Xelerator
Cumulative Prem Over 15 Years	$300,000	$300,000	$300,000	$300,000	$300,000	$307,950*	$300,000	$300,000	$300,000	$300,000	$300,000	$300,000	$300,000
Year 20 Accum Value	$500,000	$500,000	$500,000	$500,000	$500,000	$500,000	$500,000	$500,000	$500,000	$500,000	$500,000	$500,000	$500,000
Rate Needed	6.02%	7.32%	7.37%	6.87%	8.06%	7.35%	7.80%	7.91%	7.59%	9.32%	8.66%	8.54%	14.73%

Because of our low cost structure, Income Advantage still performs well even at a more conservative rate.

**Reflects Allianz's required minimum premium of $21,590 in years 1-5*

The Upside Potential of a Lower Cap Option

You might think that a higher cap option will have more upside potential. This could be true if the index consistently outperforms the cap by enough to cover the higher fees. But, what if it doesn't?

Let's look at a hypothetical example.

- Male, Age 50, Preferred NT, $1M Level Death Benefit, $20,000 Annual Premium for 15 Years
- Considering two different accumulation-focused IUL policies. For both options, he is using an annual point-to-point crediting strategy, the same S&P 500® Index and a 100 percent participation rate.

Here is how his policy is projected to perform based on the 25-year look-back rate, which is the maximum illustrated rate allowed. *Values as of August 2018.*

	Initial Cap Rate	25-Year Look-Back Rate	20-Year Projected Cash Value[1]
Option 1: United of Omaha Income Advantage IUL	11.5%	6.72%	$550,012
Option 2: AIG Max Accumulator	13.0%	7.31% plus a 0.25% illustrated persistency bonus after year 5	$525,297

How can the AIG policy illustrate a lower cash value[1] in year 20 when it uses a higher look-back rate and offers a bonus? It's because of the higher policy charges embedded in their policy design.

Initial Cap Rates

When a company starts with a higher cap rate, the renewal cap rate will oftentimes go down faster than one that starts with a more conservative cap. We believe in transparency. That's why we publish our renewal rate history – so you can see that we intend to be fair in our renewal rate setting.

While products with elaborate marketing features may be appealing, it's important to look further when you are choosing which product to recommend to your customers. At United of Omaha, we don't believe that fancy (and often confusing) crediting strategies are necessary in order to offer your clients upside potential.

Learn more about Income Advantage IUL at discoveriul.com.

[1]The amount that may be available through loans and withdrawals, as defined in the contract.