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THE SECRET TO BEING THE HIGHEST PAID COACH LIFE INSURANCE?

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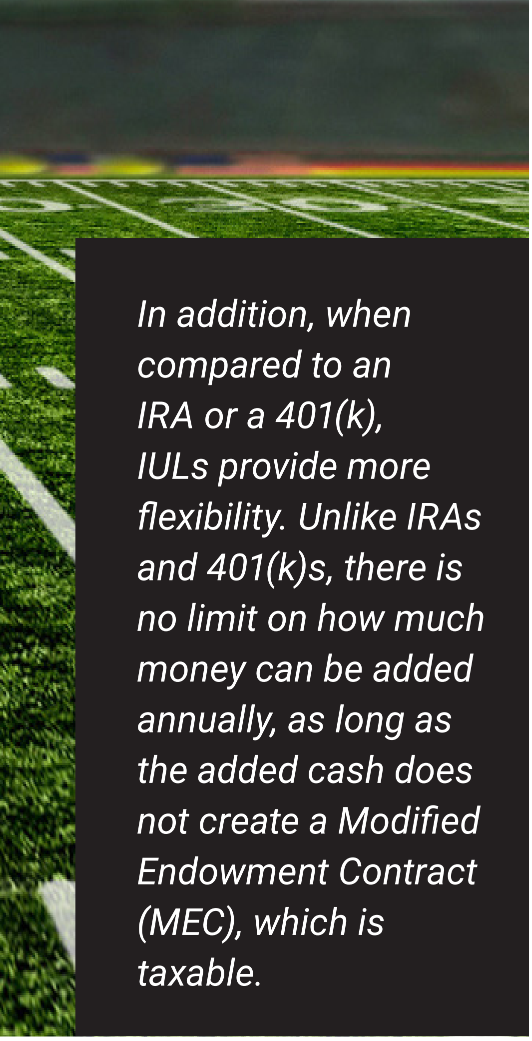
HOW TO USE LIFE INSURANCE IN YOUR RETIREMENT PLANNING

IN AUGUST, UNIVERSITY OF MICHIGAN HELPED HARBAUGH BECOME THE TOP-PAID COLLEGE FOOTBALL COACH IN THE NATION ... UTILIZING CASH VALUE LIFE INSURANCE

S Investing in the market without taking losses—is it too good to be true? Not according to the University of Michigan's head coach Jim Harbaugh. In August, University of Michigan helped Harbaugh become the top-paid college football coach in the nation, according to USA Today figures, by creating a deferred compensation package utilizing cash value life insurance called Indexed Universal Life Insurance (IUL).

Just like in Harbaugh's case, IULs appeal to many executives and business owners because of the advantages they provide. IULs allow cash value within the policy to grow tax-free over time. IULs are funded with post-tax dollars which allow clients to withdraw money tax-free at any age, and provide financial security in the form of a death benefit for the family after the client passes.

One of the main advantages of IULs is that the cash value is protected from drops in the market. An IUL is



In addition, when compared to an IRA or a 401(k), IULs provide more flexibility. Unlike IRAs and 401(k)s, there is no limit on how much money can be added annually, as long as the added cash does not create a Modified Endowment Contract (MEC), which is taxable.

a cash value policy that has both a death benefit and a savings portion. In an IUL the investments are not placed directly in the market where they would be subject to a loss. Rather, they are put into a strategy that mirrors an index such as the S&P 500, which allows the participant to realize all or most of the gains in the market. These gains are then locked in to protect against potential losses.

In addition, when compared to an IRA or a 401(k), IULs provide more flexibility. Unlike IRAs and 401(k)s, there is no limit on how much money can be added annually, as long as the added cash does not create a Modified Endowment Contract (MEC), which is taxable. An MEC is where the funding has exceeded the IRS limitations known as the "7-pay test," which limits the amount of excess cash that can be put into a policy in any seven-year period before it loses its tax advantages. IULs allow for a high cash value at the beginning of the policy. There are no restrictions on when the money can be taken out, unlike an IRA. Also, the money inside an IUL can be taken out at any age by the client tax-free and without extra fees.

An IUL is beneficial to those who are looking to invest their extra money tax deferred after they have fully utilized their other retirement accounts, such as a 401(k). IULs are also beneficial to those who clients who do not qualify for a Roth IRA. IULs provide an opportunity for individuals to allocate premiums to flexible and accessible tax-deferred accounts. For younger clients, savings can be rolled over from a previous retirement plan. IULs can also help people who started retirement planning later, due to the fact that an IUL can be over-funded, unlike a 401(k) or IRA, which have strict contribution limits.

Along with tax-free wealth building, IULs provide a source of financial security to the family in the event of death or disability. In an event of the death of the policyholder, the death benefit is received tax-free by the beneficiary of the policy in a lump sum. Some policies can be constructed to include living benefits in the event of disability or chronic illness. In this way, IULs provide a way in which individuals can grow and protect their income, as well as provide extra funds for retirement.

In the case of coach Harbaugh, an IUL was used to save millions in tax-free retirement. This was possible due to the growth of the cash value inside of the policy that increased his retirement funds, which are accessible tax-free at the age of 70. Upon being hired at Michigan, Harbaugh entered a split-dollar loan agreement, in which the premium, cash value and death benefit is split between two parties. This split-dollar agreement was funded by cash value life insurance policy or IUL.

Under this split-dollar agreement, the University of Michigan agreed to pay seven $2 million loan advances into a life insurance policy. By implementing this policy, Harbaugh does not have to pay back the loan taken on the policy until his death, and his beneficiaries will receive the remainder of the death benefit. While he is alive, Harbaugh is able to borrow money out of the policy tax-free.