

Comparison - Life Insurance Inside & Outside a 401k

Assume:

Male Age 42 - Preferred Health
 Budget - \$30,000 of Cash Flow
 Needs \$1 Million of Life Insurance
 7.5% rate of return on 401k earnings to age 65
 30% Working Years / 25% During Retirement

	Life Insurance Outside of the 401k Plan	Life Insurance Inside of the 401k Plan
Re-Retirement Cash Flow:		
Life Insurance Cost	\$7,340	\$7,340
Tax on Earnings to Pay Life Premiums	\$3,146	\$0
Earnings to Pay Tax on Imputed Taxation of Life Premiums	\$0	\$450
401k Contribution	\$19,514	\$22,210
	\$30,000	\$30,000
Total Cash Flow		
 At Retirement:		
Cash in 401k Investments Accts (7.5% net earnings)	\$1,196,306	\$1,361,584
Cash Value of Life Insurance Policy	\$184,881	\$184,881
Total Cash Available for Retirement	\$1,381,187	\$1,546,465
Less Tax Basis	-\$168,820	-\$80,414
Taxable Retirement Income	\$1,212,367	\$1,466,051
Less Retirement Taxes Due at 25%	-\$303,092	-\$366,513
Spendable Retirement Income	\$1,078,095	\$1,179,952
Advantage		101,857