

The Trouble with Direct Recognition Policy Loans

no loans

Non-Guaranteed

Year	Age	Total Premium	Dividend	Premium Outlay	Total Cash Value	Change in Total Cash Value	Change in CV Less Prem. Outlay	Total Death Benefit w/out Div	Total Death Benefit
3	65	0	15,429	0	1,037,769	N/A	N/A	11,584,488	11,599,918
4	66	138,517	16,304	99,822	1,185,567	147,798	47,976	10,017,555	10,033,859
5	67	138,517	18,407	138,517	1,381,021	195,454	56,937	10,067,784	10,086,191
6	68	138,517	22,071	138,517	1,587,274	206,253	67,736	10,122,334	10,144,405
7	69	138,517	25,819	138,517	1,804,746	217,472	78,955	10,185,261	10,211,080
8	70	138,517	30,034	138,517	2,034,093	229,347	90,830	10,256,092	10,286,126
9	71	138,517	33,893	138,517	2,275,233	241,140	102,623	10,335,388	10,369,281
10	72	138,517	38,941	138,517	2,529,533	254,300	115,783	10,421,522	10,460,463
11	73	138,517	50,096	138,517	2,791,647	262,114	123,597	10,516,802	10,566,898
12	74	138,517	55,805	138,517	3,067,715	276,068	137,551	10,634,847	10,690,652
13	75	138,517	61,882	138,517	3,358,176	290,460	151,943	10,761,523	10,823,405
14	76	138,517	68,052	138,517	3,663,266	305,091	166,574	10,896,892	10,964,944
15	77	138,517	76,125	138,517	3,984,867	321,601	183,084	11,040,404	11,116,529

loan, then paid back 4yrs later

Non-Guaranteed

Year	Age	Total Premium	Dividend	Premium Outlay	Income	Total Loan Balance	Total Net Cash Value	Change in Total Net Cash Value	Change in Net CV Less Prem. Outlay	Total Net Death Benefit w/out Div	Total Net Death Benefit
3	65	0	15,429	0	0	0	1,037,769	N/A	N/A	11,584,488	11,599,918
4	66	138,320	10,704	99,372	800,000	845,600	333,919	-703,850	-803,223	9,161,436	9,172,140
5	67	138,320	12,376	138,320	0	893,799	474,718	140,799	2,479	9,146,213	9,158,589
6	68	138,320	15,576	138,320	0	944,746	622,851	148,133	9,814	9,131,943	9,147,518
7	69	138,320	25,441	1,083,066	0	0	1,783,734	1,160,883	77,817	10,121,097	10,146,538
8	70	138,320	29,630	138,320	0	0	2,011,672	227,938	89,618	10,190,891	10,220,522
9	71	138,320	33,464	138,320	0	0	2,251,329	239,657	101,337	10,269,121	10,302,585
10	72	138,320	38,481	138,320	0	0	2,504,065	252,736	114,416	10,354,166	10,392,647
11	73	138,320	49,596	138,320	0	0	2,764,539	260,474	122,154	10,448,322	10,497,918
12	74	138,320	55,271	138,320	0	0	3,038,879	274,341	136,021	10,565,190	10,620,461
13	75	138,320	61,312	138,320	0	0	3,327,521	288,642	150,322	10,690,655	10,751,967
14	76	138,320	67,444	138,320	0	0	3,630,702	303,180	164,860	10,824,776	10,892,220
15	77	138,320	75,469	138,320	0	0	3,950,289	319,587	181,267	10,967,007	11,042,476

- 1) start with the same in-force policy on left and right; same cash value (\$1,037,769)
- 2) take a loan for \$800,000 in year 4
- 3) wait 3 years, then pay off the loan in year 7. Pay \$144,746 in interest
- 4) merely due to DIRECT recognition, policy cash value is diminished by -\$22,421.
- 5) breaking compound growth has a lifetime negative impact on the cash value... -\$34,000 less 11 years later!

Taking a direct recognition loan results in -\$22K less cash value with a loan of only 3 years. You lose -\$34K less after only 11 years!

Results are worse for longer loans, and especially retirement.

*** a true Bank On Yourself® policy is non-direct recognition; and you wouldn't experience such high loan rates, and your cash value continues to grow the same whether you borrow or not!