LIFT WEALTH

BREAKING MYTHS. BUILDING WEALTH. TEACHING TRUTH.

A LIFT WEALTH STRATEGIES℠ eGUIDE

DEATH BENEFIT GUIDE | No. 01

MORE THAN A DEATH BENEFIT

How to calculate the coverage a household actually needs, how term, group, and permanent policies differ, and what each one costs over time.

2026 | UPDATED FOR OBBBA

WRITTEN BY / CARL BULLARD

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Most Americans Are Dangerously Underinsured, and Don't Know It

If you have a term life policy, a group plan at work, or nothing at all, you are in the majority. And the majority is not protected the way they think they are.

A $500,000 term policy sounds substantial, until you calculate what your family actually needs to replace your income, pay off the mortgage, fund college, and cover final expenses over 20 years. A group life policy at 1 to 2 times salary sounds like a benefit, until you change jobs and the coverage disappears. Term insurance feels affordable, until it expires at 65 and you discover that getting new coverage at that age and health status costs far more than you planned for.

Life insurance is the foundation of every financial plan. Not because death is likely, but because the financial consequences of death without adequate coverage are catastrophic and irreversible. You cannot go back and fix underinsurance after the fact.

An Indexed Universal Life policy approaches coverage differently. The death benefit is guaranteed as long as the policy remains in force, and under IRC §101(a) it is generally paid income-tax-free. It does not expire at 65 the way term coverage does, provided the policy stays adequately funded. It can grow over time as your needs grow. It comes with accelerated living benefit riders that pay out while you are still alive if you face a critical, chronic, or terminal illness. And the cash value runs parallel to the coverage, available to you, growing tax-deferred, accessible in days. Book a free call at liftwealth.net/book-consultation when you are ready to build real coverage.

> **THE 2026 TAX LANDSCAPE: WHAT CHANGED, AND WHAT DID NOT**
>
> The One Big Beautiful Bill Act, signed July 2025, made the current federal tax brackets permanent and raised the estate and gift tax exemption to **$15 million per person / $30 million per couple** starting in 2026. What it did not change: the tax treatment of life insurance. Death benefits remain income-tax-free under IRC §101(a). Cash value still grows tax-deferred. Policy loans are still tax-free. The IUL did not get touched by OBBBA. The wealth transfer math just got better.

Carl Bullard, LiftWealth

Four Ways People Leave Their Families Exposed

1. The Term Cliff: Coverage That Expires When You Need It Most

A 20-year term policy purchased at 35 expires at 55. A 30-year policy purchased at 35 expires at 65. Both are the ages when the likelihood of a health event increases significantly, precisely when obtaining new coverage at an affordable rate becomes most difficult or impossible. Term insurance is not a bad product. It is the wrong permanent solution.

2. The Group Coverage Illusion: Benefits That Follow Your Employer, Not You

Group life insurance through an employer is a benefit, not a plan. Coverage is typically 1 to 2 times annual salary. The coverage is not portable. If you change jobs, get laid off, or retire early, the group policy terminates.

3. The Coverage Gap: The Policy Amount Doesn't Match the Actual Need

A 40-year-old earning $95,000 per year needs approximately $1.8 to $2.1 million in income replacement, plus mortgage payoff, plus college funding, plus final expenses, totaling $2.2 to $2.5 million. Most families have $250,000 to $500,000, roughly 10 to 25 cents on the dollar of what they actually need.

4. No Living Benefits: Protection Only Pays After You Are Gone

Many of the financial emergencies that devastate families happen while the insured is still alive: cancer, stroke, heart attack, chronic conditions. Modern IUL policies include accelerated living benefit riders for critical illness, chronic illness, and terminal illness, that allow the policyholder to access a portion of the death benefit while alive.

> **The Protection Gap in Numbers**
>
> LIMRA research consistently shows the average American family is underinsured by $200,000 or more. 40% of Americans have no life insurance at all.

How the IUL Death Benefit Actually Works

1. The Death Benefit Is Guaranteed As Long As the Policy Stays In Force

Under IRC §101(a), life insurance death benefits are paid income-tax-free to named beneficiaries in virtually all circumstances. A $750,000 IUL death benefit delivers $750,000 to your family. It bypasses probate entirely as a non-probate asset. The coverage does not expire on a set date the way term does, but it is not self-sustaining: the policy must remain adequately funded and in force for the benefit to be paid. The 2026 OBBBA tax law did not alter the §101(a) treatment. The income-tax-free death benefit stands.

2. Living Benefits Riders Pay While You Are Still Alive

Most IUL policies include accelerated death benefit riders at little or no additional cost. Chronic illness, critical illness, and terminal illness riders convert the death benefit into a living benefit, capital available when a health event strikes.

3. The Death Benefit Can Grow Over Time

Option A (level) keeps the total death benefit constant. Option B (increasing) adds the cash value to the base face amount, so as your cash value compounds, your total death benefit grows with it.

4. The Cash Value Runs Parallel, Usable While You Live

The cash value is yours to access via policy loans for any purpose. You access the cash value while alive; your beneficiaries receive the death benefit when you pass.

5. It Solves Business Protection Problems Term Cannot

Business owners use IUL death benefits for key man insurance, buy-sell agreement funding, and executive bonus plans.

How Much Coverage Does Your Family Actually Need? The DIME Formula

- **D — Debt:** All outstanding non-mortgage liabilities ($35,000 to $80,000 typical).
- **I — Income:** 10 to 15 years of your annual earnings.
- **M — Mortgage:** Full remaining balance ($200,000 to $500,000 typical).
- **E — Education:** Full college cost for each child ($45,000 to $100,000+ per child).

> **Sample DIME Calculation**
>
> 38-year-old earning $95,000 | Debt: $55,000 | Income (12x): $1,140,000 | Mortgage: $310,000 | Education (2 kids): $170,000 | **Total need: $1,675,000.**

Case Study: Marcus and Tanya Build Real Coverage at 34

> *Hypothetical illustration. Not an actual client. Not a guarantee of results.*

Marcus is 34 and Tanya is 32. They have two children ages 4 and 2. Marcus earns $105,000 as a project engineer. Tanya works part-time earning $28,000. $340,000 mortgage, $42,000 in debt, and $250,000 in a term policy.

Their DIME calculation: Debt $42,000 + Income at 13x ($1,365,000) + Mortgage $340,000 + Education for two kids ($180,000) = $1,927,000 in coverage need. They have $250,000. The gap is $1.677 million.

> **What Marcus and Tanya Did**
>
> They kept the term policy in force. Marcus opened a max-funded IUL at $1,500 per month with a $1,200,000 base death benefit (Option B increasing). Total protection day one: $1,450,000 IUL + $250,000 term = $1,700,000.

Year 1 — Protection From Day One

IUL death benefit: $1,200,000 **| Cash value (ECVR):** ~$11,000 **| Term:** $250,000

If Marcus dies, Tanya receives $1,450,000 income-tax-free under IRC §101(a). She can pay off the mortgage, eliminate all debt, fund college accounts, and retain $888,000 to invest for income replacement.

Year 5 — Heart Attack Triggers Living Benefit

IUL cash value: ~$93,000 **| Critical illness rider advance:** $120,000

At 39, Marcus has a serious heart attack. The critical illness rider advances $120,000 from the death benefit. This is not a loan, it is an acceleration of the coverage he already owns.

Year 20 — Coverage Has Grown, Kids Are Through College

IUL cash value: ~$420,000 **| Death benefit (Option B):** ~$1,620,000

At 54, the IUL has $420,000 in cash value available for retirement income and $1,620,000 in death benefit.

Case Study: Patricia Protects Her Business and Her Family

> *Hypothetical illustration. Not an actual client. Not a guarantee of results.*

Patricia is 48 and owns a consulting firm with one business partner, Robert. The firm generates $1.8 million in annual revenue. Neither has a formal buy-sell agreement. She has a $300,000 term policy expiring at 58. She earns $195,000.

Solution A: Cross-Purchase Buy-Sell Funded by IUL

Each partner funds an IUL on the other partner's life, sized to ~$900,000 each based on a 1x revenue multiple. With the OBBBA estate exemption now permanently set at $15M per person / $30M per couple in 2026, Patricia's family receives the proceeds without federal estate tax exposure.

Solution B: Personal IUL Replaces Expiring Term

Patricia opens a personal IUL with $1,500,000 death benefit, $3,200/month premium.

Age 58 — Term Expires, IUL Carries Forward

IUL cash value: ~$440,000 **| Death benefit (Option B):** ~$1,940,000

She begins drawing $35,000/year in tax-free policy loan income to supplement business distributions, managing her taxable income below the 2026 IRMAA thresholds of $109,000 (single) / $218,000 (joint), where Medicare premiums spike on a $1 cliff. Because policy loan proceeds are not counted in MAGI, the income flows tax-free and stays off the IRMAA radar.

Common Myths About Life Insurance and the Death Benefit

× **"Buy term and invest the difference."** Most people who plan to invest the difference do not. A max-funded IUL enforces the savings because the premium is the savings vehicle.

× **"My employer's group plan covers me."** Group coverage follows your employment. At 1 to 2 times salary, it covers months of income replacement, not years.

× **"I'm young and healthy. I don't need to think about this yet."** Young and healthy is the exact right time to lock in a life insurance policy. Your premium is lowest, your health rating is best, and the cash value has the most time to compound.

× **"Permanent life insurance is too expensive."** Compared to buying term plus separately funding an investment account plus separately buying a long-term care policy, the IUL is often the more efficient total solution.

× **"The new tax law changed how IUL is taxed."** The One Big Beautiful Bill Act of 2025 made the current federal tax brackets permanent and raised the federal estate and gift tax exemption to $15 million per person / $30 million per couple in 2026. It did not touch IRC §7702, §101(a), or §72(e). Death benefits are still income-tax-free. Cash value still grows tax-deferred. Policy loans are still tax-free.

Your Next Three Steps

01 — Run your DIME calculation today. Add up Debt + Income (10 to 15x) + Mortgage + Education.

02 — Review the coverage you already have. When does your term expire? Is your group coverage portable? Do existing policies include living benefit riders?

03 — Book a free coverage strategy session. liftwealth.net/book-consultation.

Frequently Asked Questions

Q: How does the living benefit rider affect the death benefit when used? Accelerated benefit riders reduce the death benefit by the amount advanced.

Q: Can I get an IUL if I have existing health conditions? Many common conditions result in a rated policy rather than a decline.

Q: Should I cancel my term policy when I open an IUL? Generally no, at least not immediately. Keep both in force during peak need years.

Q: How is the IUL death benefit different from whole life? Both provide permanent, income-tax-free death benefits. IUL has indexed growth with a 0% floor and flexible premiums. Whole life has fixed dividends (4 to 6%) and fixed premiums.

Q: Did the 2026 tax law (OBBBA) change anything about IUL? No. OBBBA left IRC §7702, §101(a), and §72(e) untouched. What OBBBA did do is make the current federal tax brackets permanent and raise the estate and gift tax exemption to $15 million per person / $30 million per couple.

Ready to build protection that works while you live?

Carl Bullard — LiftWealth Licensed Life Insurance Agent · Global Financial Impact (GFI)
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WHAT CAN GO WRONG WITH AN IUL

An IUL only delivers if the policy stays in force. The failure modes:

- **Cost of insurance rises with age**, deducted from cash value every month.
- **Caps and participation rates are not guaranteed.** Carriers can lower them on policies already in force.
- **The 0% floor stops index losses, not policy charges.** Net cash value can still fall in a flat year.
- **Surrender charges apply for years.** Cancel early and you get back less than you paid in.
- **Overfunding past the MEC limit** makes loans taxable, permanently.
- **Unrepaid loans compound.** A lapse with a loan outstanding creates a tax bill and no cash to pay it.

Ask for the **guaranteed-column** illustration, not just the projected one.

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