

MY THOUGHTS ON UNIVERSAL LIFE – AND VARIABLE LIFE

By R. Nelson Nash

Universal Life was invented in the early 1980s by E. F. Hutton, a stock brokerage firm that, in my opinion, knew nothing about life insurance. Remember the television commercial, “When E. F. Hutton speaks, everyone listens.” Have you heard him say anything lately? They don’t exist anymore! UL was nothing more than “one-year term insurance with a side fund of an interest-bearing account.” It was an attempt to “un-bundle” the savings element and the life insurance element of a whole life policy -- something that can’t be done, if one understands the concept of whole life insurance.

This happened during a time of high interest rates and it “looked good” in the early years of the policy. When I first saw the policy I ran some illustrations and they kept “falling apart” when the insured attained age 65 to 70. The cost of one-year term became prohibitive at the advanced ages and “ate up the cash fund” from that point forward. Therefore, I never sold one of them when I was in the business -- and I surely wouldn’t buy one!

Next came Executive Life out in California. They made a “big splash” in the business and ultimately went broke. I understand that policy owners actually lost money with their policies.

Does the name, Michael Milken, mean anything to you? He did prison time as a result of his financial shenanigans. Would you guess where he was selling all of those “junk bonds?” If you replied, “Executive Life,” then go to the head of the class! Would you like your financial future in the hands of people like that?

Lastly, there came Variable Life, invented by Equitable Life Assurance Society. It was nothing more than one-year term insurance with a side fund of a mutual fund. There are more mutual funds than there are stocks. No mutual fund is any better than its manager. The great preponderance of mutual fund managers had never seen a down-turn in the market until the recent one.

I suggest that you read **THE TRUTH ABOUT MUTUAL FUNDS**. Then read **THE BATTLE FOR THE SOUL OF CAPITALISM** by John Bogle, the originator of The Vanguard Fund. These two books are vital to the understanding of what goes on in that industry. Also read **PIRATES OF MANHATTAN** by Barry Dyke. Upon completion of these three books you should be adequately informed to make an intelligent decision as to whether you should consider Variable Life.

I was with Equitable Life when Variable Life came on the scene. I never sold one of those policies -- and I would never buy one. I do not recommend its use for the Infinite Banking Concept.

The tragedy of our times is that the life companies never spent any time on understanding Dividend-paying Whole Life Insurance and teaching the buying public its characteristics.