

Indexed Universal Life Insurance Policy

What is an indexed universal life insurance policy? It is a type of permanent policy which offers you more control over your cash value. this is also called a “**Cash Value Life Insurance Policy**”. It is a complex life insurance policy. You need to keep track of the cash value activity.

Combining Life Insurance and Investment

In an [IUL policy](#); the concept of **life insurance** and **investment** combine. Let's, separately review both and then consider how IUL policy combines them in a risky and profitable way:

Life insurance is a safety net which aims to protect your loved ones from any cash crisis in the future. Life insurance is for the safety of your family members after you pass away and they're on their own.

Investment offers many options such as stocks, mutual funds, equities, market leader shares, investing in gold, oil etc. Investment is a rather risky activity which leads to making millions instantly or losing millions instantly.

IUL policy combines the insurance and investment factors into one unit. It is a type of universal life insurance policy so it offers all the advantages of a [permanent life](#) policy:

1. Permanent, if it does mature, it is at the age of 121 years.
2. Fixed premiums if you want
3. 100% guaranteed death benefit payout to your loved ones
4. Building over time cash value

We will cover the following contents in this blog:

1. [How does IUL policy work?](#)
2. [How does an Indexed Universal Life insurance policy give you more control over your Cash Value?](#)
3. [How risky can an Indexed Universal Life insurance policy turn out to be?](#)
4. [Which is cheaper. IUL or Whole Life policy?](#)
5. [What are the benefits and disadvantages of an Indexed Universal Life policy?](#)
6. [FAQ's](#)

How does IUL policy work?

Let's try to understand how IUL works. The [cash value](#) of IUL offers the policyholder to quickly grow the money through investment in the S & P 500 stock index. This is why the policyholder has to check and adjust the investment amount often.

Cash value can be fully fixed for an IUL policy too if the policyholder does not want to take a risk through investment. It will build up cash steadily with an interest rate of 10% for life.

Policyholders can invest all the money for the S & P 500 stock index if he wants to. This depends on his risk-taking ability. IUL policy is not as risky as VUL Variable Universal Life insurance policy, which directly invests the cash value in stock markets and mutual funds. VUL policy is not protected with any floors or caps either.

IUL policy offers a medium risk which is lessened with floors and caps. If the stock index often shows upward trends, and the policyholder keeps up monthly premiums; it is profitable. It achieves faster growth of the money in cash value, than any other life insurance policy.

But, the fees of an IUL policy are higher than any other life insurance policy too. The sudden frequent premiums to save it from lapsing, the administrative costs, sales fees, sales commissions, insurer costs etc.

However, the two most popular life insurance policies in the US are Whole Life policy and IUL policy.

People who prefer a bold approach to control, regulate, moderate and grow their cash value prefer IUL policy. The downward shifts in the S&P stock index results in loss. However; **floors** contain any loss. Any upward S&P 500 stock index trend results in profits. These profits are limited with **Caps**. Floor always remains permanent but caps and participation rates are flexible, according to the policyholder's choice!

How does an Indexed Universal Life insurance policy give you more control over your Cash Value?

For any other life insurance policy; you pay premiums. A fixed part of that premium goes to the Cash Value and it has 3%-10% interest on it. Over the years, it grows into a sizable amount.

Only for VUL and IUL policies, this cash value allows you to invest a portion; into financial investment tools. Through the proper strategies and predicting market trends, you can control how this cash account builds up. Where others offer build up for the cash account; the IUL policy allows it to grow over time if handled with the experts.

How risky can an Indexed Universal Life insurance policy turn out to be?

[VUL policy](#) is very risky since you invest a large portion of your cash value directly into stock markets and mutual funds. IUL policy offers medium risk with investing some adjustable amount of the cash value in S&P 500 stock index sub-accounts.

This risk is controlled through the floor, cap and participation rate. It is somewhat safe. If, however, you withdraw some huge life insurance loan from the cash value, then you might ensure your IUL policy to lapse.

Policy lapse is always a threat for IUL indexed universal life. So to save it from lapsing, you often have to pay heavy instant premiums. If considered in terms of costs, IUL is pricey compared to all other life insurance policies.

Which is cheaper, IUL or Whole Life policy?

Whole life is cheap in comparison with IUL policy. This is so because it saves you from many costs such as policy fees, administrative costs, sales fees and commissions, insurer overhead policy costs. If you consider flexible premiums and adjustable death benefits of IUL policy, maybe they are comparable!

Having said that; an IUL policy is always second to a [whole life policy](#). Whole life offers pure life insurance to serve and protect your dependents after you pass away.

IUL policy can lapse at any time and readjusting the death benefit again and again; might leave a small amount for your loved ones. Never rely on an IUL policy to defend your loved ones. It is a good investment strategy while you're alive; always keep a reliable back-up life insurance policy.

What are the benefits and disadvantages of an Indexed Universal Life insurance policy?

Benefits include

- **Higher growth potential** for your cash value
- **More control** over your cash value
- **Earlier growth** of cash value is possible
- **Flexible premiums** to match your income ups and downs throughout life
- **Adjustable death benefit** if you face a cash crisis in life

Drawbacks are:

- **Not reliable** for dependents
- **No guaranteed death benefit payout** for beneficiaries if policy lapses
- Policy illustrations are always exaggerated
- When **IUL costs** are compared to its small capped profits; it is not a good option!
- **For investment; pursue it directly in its real form, not through any life insurance platform**
- Investment makes millions instantly only when it is done directly, **it is impossible to make drastic profits through IUL or VUL policies.**

FAQ's

Is it a good idea to buy an indexed universal life insurance policy?

It is a great idea if you handle it with safe play. If the policyholder specifies 80% of his cash account as a subject to fixed interest rate of 10% and accumulates it. It guarantees the death benefit payout and he plays safe.

If life insurance is a primary concern and investment is dealt with, as a secondary objective, it is a good strategy. Then you can assign 20% of the cash value for you to play with moderately risky investments

protected by floors and caps, into the S & P 500 stock index. If you further want to know if [IUL policy is better than a 401 k, read more!](#)

Kindly Change Meta-Description

indexed universal life insurance policy is a life insurance policy with separate sub-accounts invested in S & P 500 stock index

Kindly Change Slug (variable life insurance X)

Indexed-universal-life-insurance-policy