

Buy Term, Invest the Difference?

Competitive Returns



ELEMENTS OF
excellence

The Northwestern Mutual
Life Insurance Company • Milwaukee, WI
www.northwesternmutual.com

29-4444-02 (0593) (REV 0409)



Buy Term, Invest the Difference?

Competitive Returns

Once your life insurance need is determined, a common misconception is that buying term insurance and investing the difference achieves more favorable returns than cash value in a traditional life insurance policy.

Comparable Interest Rates (CIRs)		
	20 Years 1989 - 2008	30 Years 1979 - 2008
Northwestern Mutual Whole Life*	8.10%	8.97%
Purchasing term insurance and investing the difference in:		
Common Stock# (High Risk)	4.46%	7.04%
Long-Term Corporate Bonds# (Medium Risk)	5.66%	6.75%
Long-Term Government Bonds# (Medium Risk)	6.96%	7.47%
U.S. Treasury Bills# (Low Risk)	2.68%	3.52%
Based on a Northwestern Mutual Whole Life policy of \$100,000, age 35, male, best class, all amendments/updates taken, no loans, dividends buy additions, issued January 1, 1989 and January 1, 1979.		

The Comparable Interest Rates (CIRs) provided illustrate the competitiveness of the total cash value of an actual inforce policy from The Northwestern Mutual Life Insurance Company (Northwestern Mutual) versus the after-tax returns on a side fund using various investments over the past 20 and 30 years.

* The Comparable Interest Rate (CIR) for Northwestern Mutual's Whole Life policy is the after-tax rate of return necessary on a savings account under a "buy term and invest the difference" scenario so that the value of the account is equal to the policy's total cash value at the end of the comparison year. Note that if surrendered, a tax (which is not reflected in the CIR) would be payable on any gain in the policy. The Society of Actuaries Low Band Term Rates are used for the cost of the term life insurance policy.

The interest rates for the investments were calculated in a similar manner, except actual yearly rates of return were used to determine the accumulated values of the amounts invested.

Investment data based on yearly returns, which were adjusted for taxes. Assumes 35% tax bracket before 1987, 28% thereafter. Taxable investment income and applicable tax rates can vary annually and differ by type of investment. The investments do not represent a particular fund or consider any type of investment expense.

Fees, loads, or asset charges may be incurred for savings plan transactions. These were not considered in the investment returns shown.

Common Stock: The S&P 500® Index is a broad-based measurement of changes in stock market conditions based on the aggregate performance of 500 widely-held common stocks. Investing in small company stocks involves a greater degree of risk than investing in medium or large company stocks.

Long-Term Corporate Bonds: Citigroup Long-Term High Grade Corporate Bond Index.

Long-Term Government Bonds: A One-Bond Portfolio, with maturities greater than 20 Years.

U.S. T-Bills: A One-Bill Portfolio, an index of 30-day Treasury Bills.

Past performance is historical and does not guarantee future performance.

Source: Calculated by Northwestern Mutual using information and data presented in Morningstar Investment Analysis Software, © 2009 Morningstar Associates, Inc. All rights reserved. Used with permission.

Permanent Life Insurance vs. Term Insurance & Investing the Difference

(Additional Considerations)

As shown, The Northwestern Mutual Life Insurance Company policy has provided a lasting benefit to the policyowner. In addition, the following considerations may help clarify the buy term, invest the difference discussion.

- No investment analysis or monitoring is needed for life insurance cash values.
- Maximum return within your side fund may require optimum market timing to take advantage of opportunities.
- In some states, life insurance proceeds and cash values are protected from creditors. The side fund accounts may not be.
- Properly-directed life insurance proceeds may avoid probate and pass directly to the intended beneficiary.
- Accumulated life insurance cash values become vested. A side fund's value may be subject to significant fluctuations.
- The cash value life insurance policy guarantees a minimum cash value. The return on a side fund may be 0%, or even negative.
- The disability waiver of premium provision may be available with the cash value life insurance policy.