



Why
Conservative
Assumptions
Matter.

DefinedBenefit
An Innovative Life
Insurance Strategy.
Patent Pending.

Life[®]

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Why Conservative Assumptions Matter: Credibility Begins with Realism

For more than three decades, one of the greatest sources of disappointment in life-insurance-based retirement strategies has been overly optimistic crediting-rate assumptions. Illustrations often reflected the “best” rates of the moment rather than sustainable, long-term averages. When interest rates declined, many of those policies underperformed, requiring higher premiums or reduced benefits.

Clients remember those stories. They’ve seen how projections can fail to match results. By starting every Defined Benefit Life[®] presentation with conservative, defensible assumptions, you immediately separate yourself from the past and position yourself as a professional who values truth over hype.

Once and for all, leave the “spreadsheet wars” behind in favor of a more prudent and realistic approach to policy performance. And remember that a conservative baseline crediting rate assumption does not preclude the possibility of exceptional interest crediting in the future. We simply can’t know how any index strategy will ultimately perform. However, designing the plan with a conservative planned premium pattern makes it less likely that significant upward adjustments to future premiums will be needed to keep the strategy on track for the client’s desired retirement income.

Protecting the Promise

DB Life is about managing to a defined outcome, not about chasing the highest projection.

A conservative baseline ensures:

- The plan's target income has a greater probability of being achieved.
- Annual recalibrations can only improve the outcome.
- Clients view future upward adjustments as good news, reinforcing confidence in you and the system.

Long-Term Discipline

Interest-rate cycles and index-crediting methods evolve. A conservative baseline—typically 100–150 basis points below the insurer's current illustrated rate—provides a safety buffer that accommodates:

- Market volatility
- Cap or participation-rate adjustments
- Policy-charge changes over time

The result is a plan that's durable, believable, and easier to defend under compliance review.

The Professional and Client Advantages

1. Builds Enduring Trust: When clients see that your illustrations are based on cautious assumptions, they perceive integrity.

Trust converts into persistency, referrals, and long-term relationships.

2. Reduces Future Re-work: Plans illustrated at high rates require difficult conversations later if returns fall short.

Conservative baselines minimize future surprises and the need for significant premium corrections.

3. Aligns with DB Life's Core Philosophy: Defined Benefit Life[®] isn't about guessing future performance; it's about creating a managed system that adapts each year.

Starting conservatively supports that philosophy: under-promise, actively manage, and over-deliver.

4. Compliance and Professional Standards: Regulators and carriers continue to emphasize reasonable interest-rate assumptions in IUL illustrations. Adhering to a disciplined baseline keeps your practice aligned with best-interest and suitability guidelines, protecting both you and your clients.

Recommended Practice

- Illustrate 1.5%–2% below the carrier’s projected default rate.
- Discuss the rationale openly. Explain that DB Life is designed to perform through market cycles, not just in favorable periods.
- Re-project annually. Use DB Life’s recalibration tools to measure progress and adjust as needed.
- Document assumptions. Keep a copy of the baseline illustration in every file.

The Bottom Line

Conservative assumptions don’t weaken your sale—they strengthen your credibility.

They prove that you and your system are built for the long game: delivering promises kept, not projections broken.

Defined Benefit Life[®] — Turning Projections into Performance[™].