



Advanced Group

ADVANCED GROUP · CLIENT EDUCATION SERIES · NO. 1

What Your Returns Are **Really** Worth

Fee drag, tax drag and market volatility in today's most common investment products, compared with the steady, tax-advantaged growth of dividend-paying Whole Life insurance.

01

The fee drag effect

02

The tax expense effect

03

Volatility vs. a steady climb

04

Whole Life net CAGR

05

AIB WL Index vs. S&P 500

62%

of 97 years of S&P 500 growth consumed by a 1% annual fee (1928–2024)

28%

of the pure index value the investor actually kept after fees and taxes

0

negative years for the AIB WL Index dividend, 2001–2026, and none in 155 years of Northwestern Mutual history

01 THE FEE DRAG EFFECT

A 1% fee sounds small. Over time it isn't.

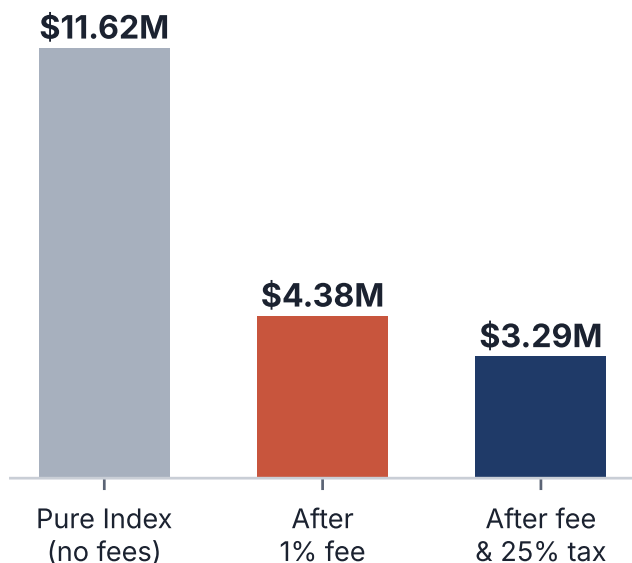
Fees are charged on your *entire balance* every year, not just on your gains. The longer the money is invested, the more of the growth the fee takes, because every dollar paid out also stops compounding.

Typical annual costs of products sold today

Product	Where the cost comes from	Typical annual cost
Index ETFs	Fund expense ratio (asset-weighted average)	0.14%
Equity mutual funds	Expense ratio, plus loads, 12b-1 and trading costs that aren't in the ratio	0.40% +
Advisory / managed accounts	Advisory fee on assets under management, on top of the fund costs	~1.00%
Variable annuities	Mortality & expense charge (~1.25%), admin fees, sub-account funds, optional riders	2% – 3%+
Structured notes	Embedded fees and hedging costs built into the note's pricing, plus capped upside	1% – 3% embedded

Sources: Investment Company Institute, *Trends in the Expenses and Fees of Funds, 2025*; SEC Investor Bulletin on variable annuities; FINRA investor alerts on structured notes. Actual costs vary by product and share class.

\$1,000 in the S&P 500 (TR), 1928–2024



Over 97 years, a 1% fee lowered the annual return from **10.13%** to **9.03%**, about 1 percentage point.

That “small” difference removed **\$7.24 million** of a \$11.6 million result, or **62%** of the value the pure index produced.

–1.1%

Annual fee drag on return (1% fee charged on the balance)

18–30%

Of ending value lost to the fee over 20–35 year periods

62%

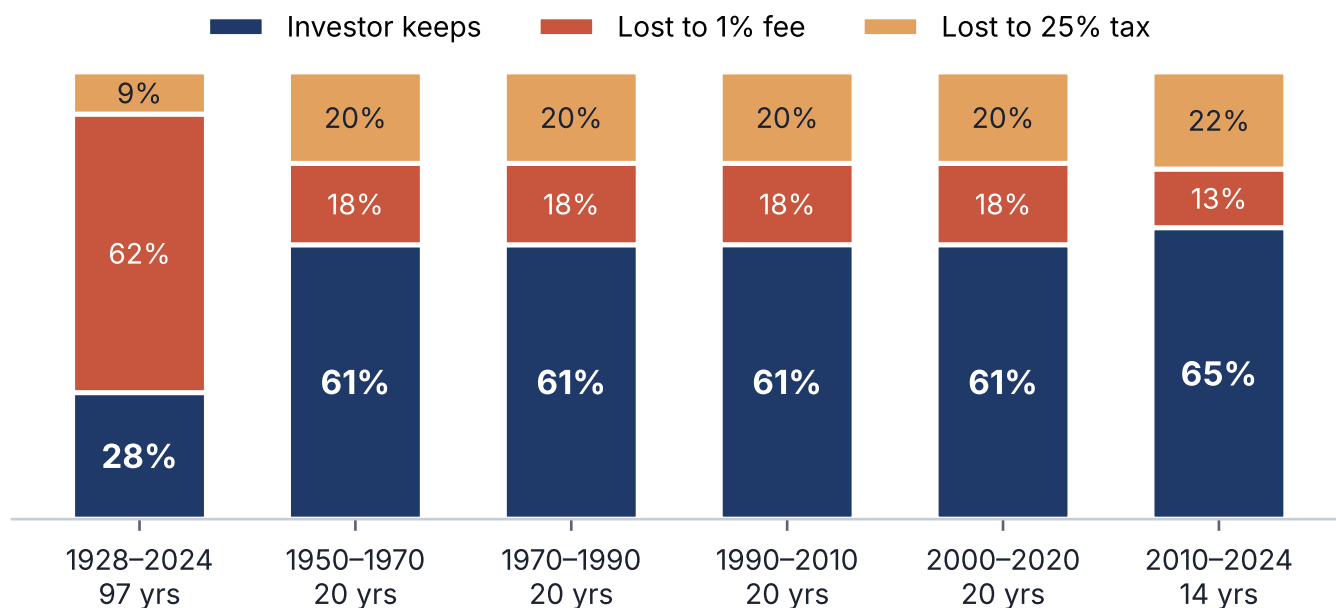
Of ending value lost to the fee over the full 97 years

02 THE TAX EXPENSE EFFECT

Your 401(k) or IRA balance isn't all yours.

Tax-qualified accounts such as a 401(k), 403(b) or traditional IRA defer taxes; they don't eliminate them. Every dollar withdrawn is taxed as ordinary income. These illustrations apply a 25% tax rate to the ending balance after the 1% fee.

Where the growth went: share of the pure index ending value



Period-by-period drag on \$1,000 invested in the S&P 500 (TR)

Period	Years	Gross CAGR	Fee drag	Tax drag	Net CAGR	Pure index value	Investor net value	Investor share
1928–2024	97	10.13%	-1.10%	-0.32%	8.71%	\$11,621,850	\$3,288,141	28%
1950–1970	20	13.39%	-1.14%	-1.60%	10.65%	\$12,338	\$7,568	61%
1970–1990	20	11.53%	-1.12%	-1.58%	8.83%	\$8,863	\$5,437	61%
1990–2010	20	8.21%	-1.09%	-1.52%	5.60%	\$4,842	\$2,971	61%
2000–2020	20	6.06%	-1.06%	-1.50%	3.50%	\$3,241	\$1,988	61%
2010–2024	14	13.12%	-1.13%	-2.28%	9.71%	\$5,618*	\$3,661	65%
1990–2024	35	10.60%	-1.10%	-0.90%	8.60%	\$34,029	\$17,953	53%
2000–2024	25	7.70%	-1.08%	-1.22%	5.40%	\$6,386	\$3,726	58%

Fee at 1% of balance annually; tax at 25% of ending value after fees. Drag figures are the reduction in annual compound return. *2010–2024 gross value recalculated from the period's 13.12% CAGR.

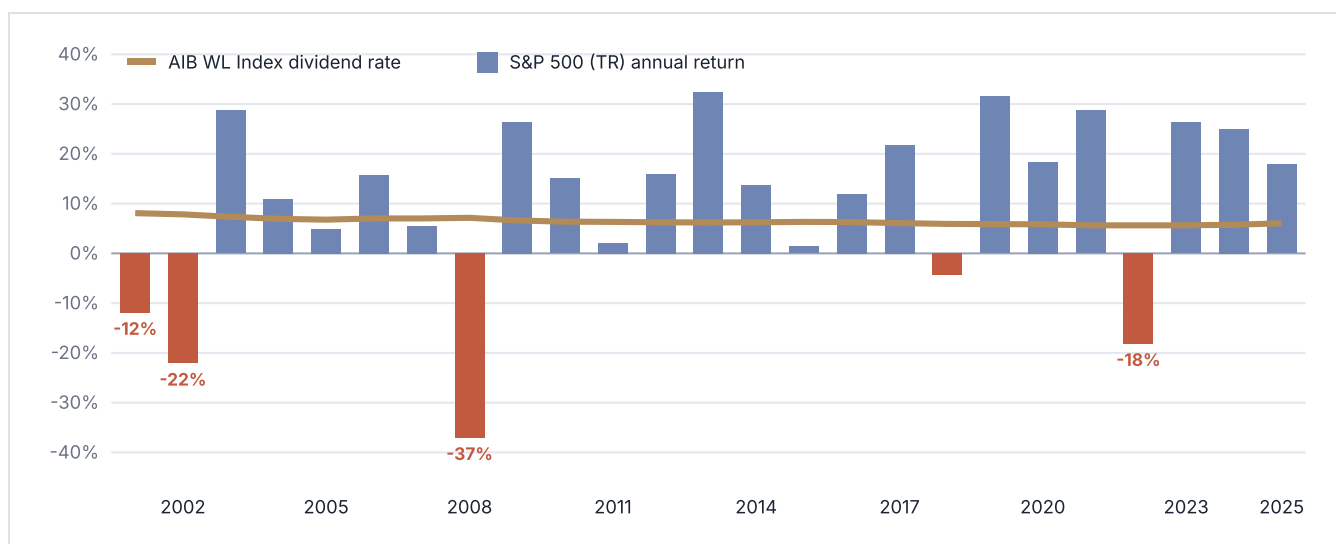
In a typical 20-year period, fees and taxes together left the investor with only **about 61%** of what the pure index earned. Roughly **2.6% – 2.7% a year** of return never reached the investor.

03 VOLATILITY VS. A STEADY CLIMB

Markets swing. Whole Life dividends don't.

Average returns hide the ride. A -37% year needs a +59% gain just to break even, and a loss that arrives just before retirement can permanently change a retirement plan. Over the same years, the AIB WL Index dividend rate moved within a narrow 5.6% – 8.1% band.

Annual returns, 2001–2025: S&P 500 (TR) vs. AIB WL Index dividend rate



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Years the S&P 500 (TR) lost money, including -37% in 2008

17.6%

S&P 500 standard deviation of annual returns, 2001–2025

0.7%

AIB WL Index standard deviation, with no negative years

Worst and best years in each historical period

Period	Bear market years	Worst year	2nd worst	Best year	2nd best	Whole Life cash value
1928–2024	6	1931 -43%	2008 -37%	1933 +54%	1954 +52%	No market losses
1950–1970	—	1957 -11%	1966 -10%	1954 +52%	1958 +43%	No market losses
1970–1990	1	1974 -26%	1973 -14%	1975 +37%	1980 +32%	No market losses
1990–2010	2	2008 -37%	2002 -22%	1995 +37%	1997 +33%	No market losses
2000–2020	2	2008 -37%	2002 -22%	2013 +32%	2019 +31%	No market losses
2010–2024	1	2022 -18%	2018 -4%	2013 +32%	2019 +31%	No market losses

S&P 500 (TR) annual returns per Morningstar. AIB WL Index dividend rates are declared by the member carriers. Whole Life cash values carry a contractual guarantee and are not exposed to market losses. Dividends are not guaranteed.

04 An 11-pay Whole Life design compared with the market, after drag.

This design funds a Penn Mutual Whole Life policy for 11 years from a low-interest (2%) account, then lets the cash value compound for 24 more years (35 years in total) at the current 6% dividend rate. The cash value CAGR shown is *after* the policy's insurance costs.

\$218,638

Cash value at year 11, when funding ends

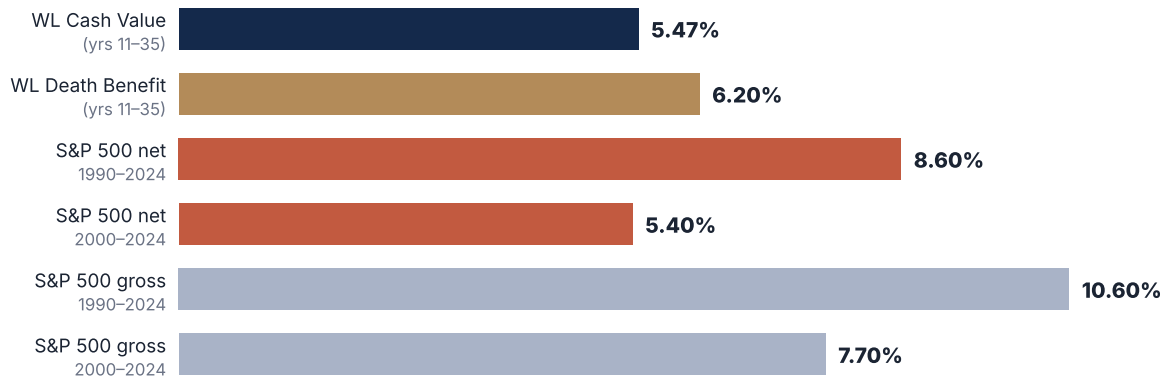
\$785,207

Projected cash value at year 35

\$925,975

Projected death benefit at year 35, income-tax free to heirs

Compound annual growth rate: Whole Life vs. S&P 500 (TR) net of 1% fee and 25% tax



What the Whole Life number includes

- Insurance costs already deducted (−0.53% drag)
- No advisory fee and no tax due on policy loans and withdrawals up to basis*
- Death benefit growing at 6.20%, a 17.9% premium over cash value
- 3% guaranteed interest rate; dividends paid every year since 1847

How to read the comparison

From 2000 to 2024 the S&P 500's net return was 5.40%, slightly below Whole Life's 5.47%, but it came with two bear markets and deep drawdowns along the way.

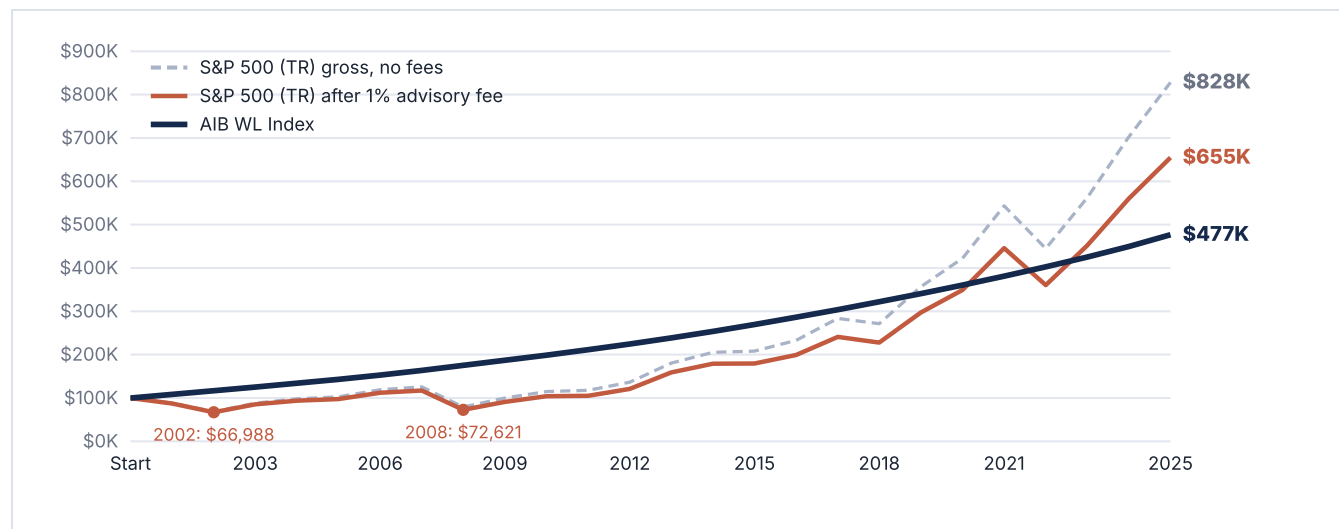
From 1990 to 2024, a strong period for stocks, the market's net return was higher at 8.60%. That return still depended on staying invested through every loss. Whole Life delivers its return without market risk.

The 0.53% is a cost that buys something. Each insured's actual health class, age and policy design determine the insurance cost deducted from these gross figures. In exchange for that cost, the insured gains an income-tax-free, guaranteed death benefit, rather than the lost opportunity cost (LOC) drag of fees and taxes.

Penn Mutual: 2025 declared dividend 6% (whole life accumulation), Comdex score 93. Values are based on the current dividend scale, which is not guaranteed. *When structured to avoid Modified Endowment Contract (MEC) status; outstanding loans reduce the death benefit.

05 \$100,000 growing since 2001, with a 1% advisory fee on the market account.

The AIB WL Index, created by Advanced Insurance Brokerage, averages the dividend rates of four mutually held carriers: MassMutual, Penn Mutual, New York Life and Northwestern Mutual. Each has paid policyholders a dividend for well over a century. Below, \$100,000 compounds at the index rate and in the S&P 500 (TR) after a 1% annual advisory fee.



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Year-ends the AIB WL Index account held the higher balance, every year through 2020 and again in 2022

10 years

Time the fee-paying S&P account needed to stay above its \$100K start for good (2001-2010)

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Years the AIB WL Index rate beat the S&P 500's return after the 1% fee

\$100,000, 2001-2025	Ending value	CAGR	Lowest value	Losing years	After 25% tax on withdrawal
AIB WL Index	\$476,704	6.45%	\$108,100	0	\$476,704*
S&P 500 (TR), 1% fee	\$654,827	7.81%	\$66,988	5	\$491,120
S&P 500 (TR), no fee	\$828,214	8.82%	\$68,638	5	\$621,160

Both indexes are gross of product-level costs; additional fees or expenses would lower the values shown. 2025 S&P 500 (TR) return of 17.88%. *Assumes tax-free access through policy loans or withdrawals up to basis. The AIB WL Index reflects dividend interest rates, which are not the same as a policy's cash value growth after insurance costs.

COMPANION PIECE · AIB

The AIB Whole Life Index

Both histories in full: Northwestern Mutual 1872-2026, the four-carrier index 2001-2026, and MassMutual's actual 30-year policy results.

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Market products vs. dividend-paying Whole Life

Both approaches can build wealth. The difference is how much of the growth you keep, how much risk you carry to get it, and what happens to your family along the way.

Feature	Mutual funds, ETFs, VAs, structured notes in a 401(k)/IRA	Dividend-paying Whole Life
Ongoing fee drag	0.14% to 3%+ a year, charged on the full balance	Insurance costs built into the policy and reflected in its net growth
Tax on withdrawals	Ordinary income tax on qualified withdrawals	Tax-free policy loans and withdrawals up to basis*
Market losses	Fully exposed (–37% in 2008)	Cash value guaranteed; no market losses
Annual return range, 2001–2025	–37% to +32%	5.6% to 8.1% (AIB WL Index dividend)
Guaranteed minimum	None	3% guaranteed interest (Penn Mutual)
Death benefit	Account balance only, taxable to heirs	Income-tax-free death benefit, larger than cash value
Required minimum distributions	Yes, starting at age 73–75	None
Upside potential	Higher in strong markets	Steady, dividend-driven growth

The real question isn't "what did the market average?" It's "what did I keep, and what did I have to endure to get it?"

Start the conversation

Ask us for a personalized drag analysis of your current accounts and a Whole Life illustration designed around your funding goals.

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IMPORTANT DISCLOSURES

Please read

Hypothetical illustration. All figures in this brochure are hypothetical and for educational purposes only. They do not represent the performance of any specific investment or insurance product and are not a guarantee of future results. Past performance does not guarantee future results.

S&P 500 Index (TR). The S&P 500 Total Return Index is an unmanaged index of large-cap U.S. stocks that assumes reinvestment of dividends. Returns were obtained from Morningstar Research. An index cannot be invested in directly. Index returns do not reflect fees, expenses or taxes except where specifically stated.

Drag assumptions. Fee drag assumes a 1% annual fee deducted from the account balance. Tax drag assumes a 25% tax rate applied to the ending value after fees, illustrating a full withdrawal from a tax-qualified account. Your actual fees and tax rate will differ. Each period assumes a \$1,000 starting value. The 2010–2024 gross and after-fee values were recalculated from that period's stated CAGR and fee drag.

Product cost ranges. Typical costs are drawn from the Investment Company Institute (2025 asset-weighted averages), SEC investor education on variable annuities and FINRA investor alerts on structured notes. Costs vary widely by product, share class and rider selection.

AIB WL Index. The AIB Whole Life Index ("AIB WL Index") is a proprietary index created by Advanced Insurance Brokerage (AIB), Chicago, IL, an Advanced Group company. It averages the declared dividend interest rates of MassMutual, Penn Mutual, New York Life and Northwestern Mutual, beginning in calendar year 2001. A dividend interest rate is not the same as a policy's cash value rate of return: actual policy values reflect premiums, cost of insurance, expenses and policy design. The AIB WL Index cannot be purchased. The full history is in *The AIB Whole Life Index* at advanced-ib.com/pdfs/AIB_Whole_Life_Index.pdf.

Health class and insurance cost. Each insured's actual health class, age and policy design determine the insurance cost deducted from these gross figures. In exchange for that cost, the insured gains an income-tax-free, guaranteed death benefit, rather than the lost opportunity cost (LOC) drag of fees and taxes.

Dividends are not guaranteed. Whole Life dividends are declared annually at the discretion of each insurer's board and may be higher or lower than shown. A history of dividend payments does not guarantee future dividends. Guarantees are based on the claims-paying ability of the issuing insurance company.

Penn Mutual illustration. Policy values shown (11-year funding, 35-year projection, 6% dividend) are based on the carrier's current dividend scale and are not guaranteed. Refer to a complete policy illustration, including guaranteed values, before purchasing.

Tax treatment. Policy loans and withdrawals are generally income-tax free when the policy is not a Modified Endowment Contract (MEC) and remains in force. Loans accrue interest and reduce cash value and death benefit. A policy that lapses with an outstanding loan may create a taxable event. The death benefit is generally income-tax free to beneficiaries under IRC §101(a).

Suitability. Life insurance requires health and financial underwriting and has costs and surrender charges, especially in early years. It is not a replacement for diversified investing in every situation. Advanced Group does not provide tax or legal advice; consult your tax advisor or attorney about your situation.

Data. Section 05 begins in 2001, the first year with published rates for all four carriers. The 2025 S&P 500 (TR) return of 17.88% reflects the published calendar-year total return.



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