

Determining Cost & Gain

COST	
Premiums \$1,000 for ten years	\$10,000
Dividends (return of premium)	-\$2,000
Cost	\$8,000

GAIN	
Cashed in	\$15,000
Minus Cost	-\$8,000
Gain	\$7,000

Dividends are subtracted because they are a return of premium