



## Life Insurance in Retirement Planning

HOW PERMANENT LIFE INSURANCE CAN HELP MEET YOUR DEATH BENEFIT NEEDS AND ENHANCE YOUR RETIREMENT.



# Life Insurance



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## **Did You Know?**

Many high-income and high-net worth individuals will be taxed on most of their retirement income, including their Social Security benefits.

Are you prepared to pay taxes on all of your retirement income?

**Life insurance can offer you death benefit protection PLUS the potential to build cash value that you can use to help supplement your retirement income on a tax-advantaged basis.**

# THE MANY BENEFITS OF LIFE INSURANCE

**Life insurance is a flexible tool that can help protect your family and more.**

Life insurance provides a death benefit that can help your loved ones meet their financial obligations after your death. The death benefit can be used to help your loved ones:

- Maintain their current lifestyle.
- Pay off a mortgage.
- Help pay state and federal estate taxes.

**A benefit for your life, too.**

However, once in retirement, you may find that you have less of a need for death benefit protection, and a greater need for tax-advantaged income. Certain types of life insurance can provide both:

- A death benefit to protect your family.
- A source of supplemental income for your retirement.



# SUPPLEMENT YOUR RETIREMENT WITH LIFE INSURANCE

## If you are like many high-income earners,

you have, or are making an effort to, maximize your plan contributions while also diversifying your total financial portfolio. But, even with your contributions maxed out, you may not be certain of having enough income to maintain your desired standard of living in retirement. If you are in this situation, a life insurance policy may be the answer.

That's because life insurance with cash value growth potential can help you in three distinct ways:



A life insurance policy's death benefit offers a typically income-tax free death benefit.\*

Many life insurance policies offer you the potential to accumulate tax-deferred cash values.

These life insurance policies also offer you the option of taking tax-advantaged loans from your policy's cash value.\*\*

A life insurance policy as part of our *Life Insurance in Retirement Planning* strategy can be an important part of your financial strategy during your retirement years. That's because it offers you the chance to put a part of your assets in a product that features tax-advantaged growth potential.

Life insurance can help you supplement your retirement with tax-advantaged cash value.

\*Death benefit proceeds are generally received federal income tax free as provided in Internal Revenue Code Section 101(a).

\*\***TAX-ADVANTAGED ACCESS TO CASH VALUE:** You can access your cash value through loans and withdrawals. In general, loans are not currently taxable, and withdrawals are taxable only when you take more money out of the policy than you've paid in premiums. Loans and withdrawals may impact the ultimate death benefit payable to your beneficiaries.

# Life Insurance in Retirement Planning

## The strategy can offer:

- An opportunity to increase your retirement income if you are already maximizing your contributions to qualified plans.
- Access to accumulated cash values for any reason, including retirement income.
- The ability to add riders to the insurance policy for greater protection and flexibility.
- The chance for small business owners to supplement their existing retirement plans.
- The chance to delay taking your Social Security benefits until later in life—potentially increasing your monthly payout.



### Create a Financial Strategy

In addition to the concept discussed here, you may wish to develop a financial strategy to take into account current and future income and needs.



HOW CAN LIFE  
INSURANCE HELP YOU  
IN RETIREMENT?

# How The Strategy Works

To create income from a life insurance policy, you first need to choose a policy designed to provide a death benefit and accumulate cash value. Your financial professional can help you decide which might be most appropriate for your financial goals and situation.

## The Steps of the Strategy

1. You pay premiums to keep the policy in force. Part of these premiums will cover the costs associated with the policy, and part will go toward an account that helps build cash value.
2. Over time, the policy builds cash value, possibly enough to increase the death benefit.
3. Once you reach retirement (although you don't need to wait until then), you can access the cash value through loans and withdrawals (typically federal income-tax free) to provide you with supplemental income when you need it. Taking loans and withdrawals will reduce cash value as well as the death benefit.
4. At your death, the remaining death benefit will be paid to your beneficiaries.



## Important Information About The Strategy For You To Consider

- **You should have sufficient liquid assets** to support your current and future income and expenses before implementing this life insurance strategy. Equity in a home should not be considered a liquid asset.
- **This concept is only intended to be used with assets that will not be needed for living expenses** for the expected lifetime of the insured. You will need to consider and estimate such needs as well as additional expenses. If you live longer than expected or these assets are exhausted, additional assets may be needed to pay the premiums to keep your policy in force.
- **If your financial or legacy planning situation changes** and you need to use assets or income for current or future income needs and can no longer make premium payments, your life insurance death benefit may terminate and your desired results may not be achieved. Loans taken will become taxable upon policy surrender or lapse.
- **Consult your professional tax and legal advisors** when considering this strategy.

Life insurance has the flexibility to help you protect and enhance your retirement.

## The Key to Making the Strategy Work

Many people who purchase life insurance select the highest death benefit amount to meet their protection needs and then select a policy that offers the least amount of premium possible.

But, if you want your life insurance policy to have greater potential cash value that you can access later in life, you may want to reverse that process:

- Buy a life insurance policy with a lower face amount (while still meeting your protection needs).
- Maximize the premium payments you are making.

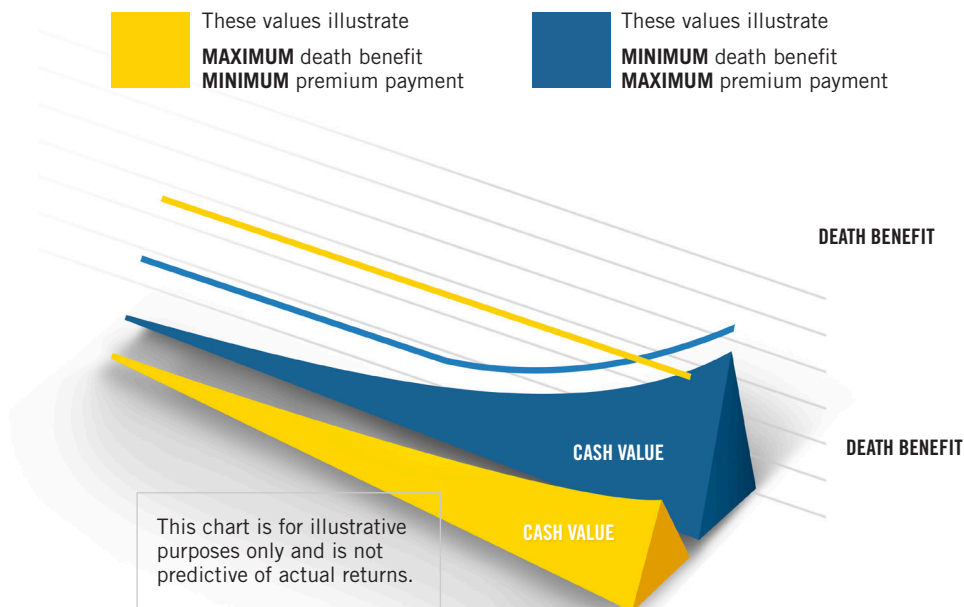
This approach—commonly called “overfunding a policy”—can help your life insurance policy accumulate larger cash values than it typically would by making only the minimum payments required to keep your policy active.

### What is “Overfunding a Policy”?

It is when you buy a life insurance policy with a lower face amount (while still meeting your protection needs) and maximize the premium payments you are making.\*

### Why “Overfund a Policy”?

This approach can help your life insurance policy accumulate larger cash values than it would if you make only the minimum payments required to keep your policy active.



**Work with your financial professional to determine the strategy that will help meet your financial needs.**

\*Federal tax law limits the amount of premium contributions that can be made to a policy in order for it to retain certain tax advantages. When premium contributions exceed this limit, the policy is classified as a Modified Endowment Contract (MEC). Distributions from MECs (such as loans, withdrawals and assignments, including distributions made in the two years prior to becoming a MEC) are taxed less favorably than distributions from policies that are not MECs. For distributions from a MEC prior to age 59½, a federal income tax penalty may also apply. However, death benefits are still generally received income-tax free pursuant to IRC §101(a). Please consult a tax advisor. Life insurance policy cash values are accessed through withdrawals and policy loans. Loans are at interest. Unpaid loans and withdrawals cause a reduction in cash values and death benefits. In general, loans are not taxable, but withdrawals are taxable to the extent they exceed basis in the contract. Loans outstanding at policy lapse or surrender prior to the death of the insured will cause immediate taxation to the extent of gain in the contract.

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