

# **TAX-FREE INCOME**

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# **STRATEGIES**



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# Our Approach

## Building a Strong Retirement Income Strategy

*Many considerations come into play as you financially prepare for your future. Chief among them, we believe, are three core considerations that inform the foundation of your retirement income strategy.*

*At our firm, we use these core considerations to evaluate your retirement income approach, and help you create a strategy that balances these important needs. We look forward to helping you plan for your financial future.*

### ***Risk Assessment of Your Assets***



You need to balance growth and stability as you grow your retirement funds, without assuming excessive risk to do it. Your retirement assets should embrace an appropriate amount of risk for your financial confidence and risk tolerance.

### ***Potential Retirement Income***



One key reason you're accumulating funds? So you can enjoy an income level to support the retirement lifestyle you desire. Your retirement income strategy should help maximize the amount of income you can access in retirement.

### ***Taxation of Your Retirement Assets***



It's important to make informed decisions about the tax status of your retirement assets, and to consider tax diversification within your retirement income strategy. When evaluating your potential retirement income, you'll want to analyze the after-tax amount you'll receive, which is the portion of your retirement funds you get to spend.

These materials are not intended to provide investment, tax or legal advice. Please consult qualified professionals in these areas about your individual situation. The advisor presenting this brochure is a licensed financial advisor and insurance agent.



# COULD **HIGHER TAXES** DERAIL YOUR RETIREMENT APPROACH?

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➔ *5 Ways Taxes Can Rise —  
And How to Protect Yourself*



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# Taxes are an important topic when it comes to retirement. After all, the more you pay in taxes, the less income you'll have to spend.

**When it comes to retirement, there are three possibilities for your taxes:**

↓ **Your taxes could be lower in retirement than they are today.** This is the premise of tax-deferred savings vehicles like 401(k)s and IRAs: you defer your taxes to the future in hopes that your tax rate will be lower in retirement than it is during your working years.

= **Your taxes could be the same in retirement as they are today.** Savers who want to maintain their pre-retirement lifestyle once retired often need to maintain a similar annual income in retirement. For these savers, their tax rate may stay the same in retirement because their income needs stay the same in retirement.

↑ **Your taxes could be higher in retirement than they are today.** This is a risk many savers are beginning to understand. With our current federal debt and recent congressional spending, tax rates in the future could be higher than they are today.



Rising taxes in retirement is an important risk for savers to understand. This is especially true for individuals who have saved all or the majority of their retirement assets in tax-deferred vehicles, like IRAs and 401(k)s<sup>1</sup>. These popular savings vehicles defer taxes to the future. If taxes are higher in retirement than they are today, savers with IRAs and 401(k)s could pay more in taxes than planned. That's because in a rising tax environment, a larger portion of their IRA or 401(k) withdrawals would go to the IRS.

Some savers are most concerned about higher taxes in retirement, since higher taxes pose the greatest risk to traditional tax-deferred savings vehicles.

## **So you may be wondering: Will my taxes be lower, the same, or higher in retirement?**

It is not possible to predict the future. However, we can consider some of the potential ways your taxes could rise in retirement. It may be important for you to understand these factors and consider whether they could potentially impact your retirement approach.

It's important to note that this document is not intended to provide tax, legal or investment advice. You should always consult qualified professionals about your individual situation.

## **5 Ways Taxes Can Rise in Retirement**

**1** You Change Tax Brackets

**2** Tax Brackets Change Around You

**3** Deductions are Eliminated

**4** The Way Assets are Taxed Changes

**5** New Taxes are Enacted





# 5 Ways Taxes Can Rise in Retirement ←

## 1 YOU CHANGE TAX BRACKETS

Your federal tax bracket determines what percentage of your income you will owe in taxes. Some savers may not maintain the same tax bracket throughout retirement. One reason for a tax bracket change in retirement is if a spouse passes away, and the surviving spouse moves from filing married/joint to filing as a single filer. Single filer bracket rates are applied to significantly less income than joint filer rates, so the total amount of taxes you pay could go up, as more of your income is subject to higher bracket rates<sup>2</sup>.



## 2 TAX BRACKETS CHANGE AROUND YOU

Even if your filing status stays the same in retirement, tax brackets could change around you. This occurs when Congress passes new laws impacting



tax brackets. For example, in 2017, Congress passed and the President signed into law comprehensive tax reform, sometimes known as the Trump Tax Cuts<sup>3</sup>. This legislation temporarily lowered tax bracket rates for many Americans. But this law - and its lower bracket rates - will expire in 2025. That means in 2026, tax bracket rates will revert back to their older, higher levels. If you are evaluating your retirement assets based on today's tax rates, it's important to remember those rates will likely be higher starting in 2026 - even if your income needs stay the same.

## 3 DEDUCTIONS ARE ELIMINATED

Your tax bracket is only one factor that can potentially impact your taxes in retirement. How much of your income is subject to taxation is another way you could possibly pay more taxes in retirement than planned. If you make \$100,000 a year and can deduct \$20,000, you likely pay taxes on \$80,000 of taxable income. But if next year you can only deduct \$10,000, you



would suddenly pay taxes on \$90,000 of taxable income instead. Your bracket didn't change, but you ended up paying more in taxes because more of your income was subject to taxation. In the 2017 Federal Tax Reform legislation, we saw an elimination of some deductions<sup>3</sup>, so it is an area Congress could return to in the future.

#### 4 THE WAY ASSETS ARE TAXED CHANGES

You could also end up paying more taxes in the future if the government changes the way retirement assets are taxed. One example of this could be Social Security. Before 1984, Social Security benefits were not taxable. Based on legislation passed in 1983, Social Security payments became taxable up to 50% of the benefits, and in 1993 that amount was raised to 85%<sup>4</sup>. Congress could potentially pass new legislation making an even higher amount of the benefit taxable for some retirees. If that happened, you could pay more in taxes because more of your retirement income would be subject to taxation.

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#### 5 NEW TAXES ARE ENACTED

The final way your taxes in retirement could be higher than they are today is if Congress passes new taxes on retirement assets. There was discussion of this during the Congressional debate over President Biden's Build Back Better agenda. The legislation in Congress included trillions of dollars in new government spending, and to offset that spending, trillions of dollars in new taxes

For example, one tax provision included in the House Democrat's bill enacted a new annual Required Minimum Distribution (RMD) from Qualified retirement accounts like IRAs and 401(k)s. This RMD would be applicable at any age, and would be triggered when a saver's retirement assets reached a value above a congressionally-mandated limit. The proposal would require savers above this cap to withdraw from their accounts 50% of the excess above the cap each year - whether they need the income or not - and pay taxes on that withdrawal, in essence ending the tax-preferred status of those funds<sup>5</sup>.



## Now is an important time to consider your taxes in retirement.

Many experts believe Congress will need to raise additional tax revenue in the near term. Our national debt has swelled to more than **\$36 trillion**<sup>6</sup>. Congress is debating trillions of dollars in new spending priorities, and will need increased tax revenue to offset that spending. Simply put, there's every reason to believe Washington will be searching for more tax revenue in the near term. And recent Congressional debate shows retirement accounts are a key place Congress may look<sup>5</sup>.

### When it comes to taxes in retirement, you may want protection against two related risks:



**TAX RISK**, which is the risk your taxes are not lower in the future than they are today because of your income needs or filing status.



**LEGISLATIVE RISK**, which is the risk our government introduces new or expanded taxes that impact your retirement approach.



## So what actions can you take today to help protect yourself from these risks?

**Tax diversification** may be a valuable option to consider.

Some savers choose to address the risk of variable taxes in retirement by incorporating **tax-free strategies** into their retirement approaches. Tax-free assets can serve as a hedge against rising taxes in the future. Since Roth IRAs, Roth 401(k)s and other tax-free savings vehicles are funded with after-tax dollars, no taxes are due on the funds when they are withdrawn in retirement. That means if Congress raises taxes in the future, these funds would not be impacted<sup>7</sup>.

By ensuring a portion of your retirement funds are in tax-free accounts, you may feel better protected against the risk of rising taxes in retirement. And that could help you have a more **complete approach** to protecting your funds in retirement.

If you have questions or concerns, be sure to work with a qualified professional to develop a retirement approach that works for you.



## DISCLOSURES

1 "Types of Retirement Plans," Internal Revenue Service. Accessed June 2024. Available online: <https://www.irs.gov/retirement-plans/plan-sponsor/types-of-retirement-plans>

2 "2024 Tax Brackets," Tax Foundation. Accessed July 2024. Available online: <https://taxfoundation.org/data/all/federal/2024-tax-brackets/>

3 Public Law 115-97, Passed December 22, 2017. Complete legislation available online: <https://www.govinfo.gov/content/pkg/PLAW-115publ97/pdf/PLAW-115publ97.pdf>

4 "Social Security History," U.S. Social Security Administration, Accessed June 2024. Available online: <https://www.ssa.gov/history/InternetMyths2.html#:~:text=The%20taxation%20of%20Social%20Security,President%20Reagan%20in%20April%201983>

5 "Responsibly Funding Our Priorities Section-by-Section," Fact Sheet, U.S. House Committee on Ways and Means, published September 15, 2021 and accessed June 2024. Available online: <https://waysandmeans.house.gov/sites/democrats.waysandmeans.house.gov/files/documents/SubtitleISxS.pdf>

6 "Debt to the Penny," U.S. Treasury Fiscal Data. Accessed May 1, 2024. Available online: <https://fiscaldata.treasury.gov/datasets/debt-to-the-penny/debt-to-the-penny>

7 "Ten Differences Between a Roth IRA and a Designated Roth Account," Internal Revenue Service, Accessed June 2024. Available online: <https://www.irs.gov/retirement-plans/ten-differences-between-a-roth-ira-and-a-designated-roth-account>

This document is not intended to provide tax, legal or investment advice. Please consult with qualified professionals about your individual situation. This document is not intended to provide a complete overview of product features, benefits and limitations of any particular savings vehicle or product. Traditional and Roth accounts are subject to qualifications and limitations by the IRS. This document should not be deemed a representation of past or future events or results, and is no guarantee of any future performance or occurrence.

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# Bringing Value to You



*You know you should be saving assets for retirement. But do you know all your options for doing so?*



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***You know you should be saving assets for retirement.  
But do you know all your options for doing so?***

We believe how you save is just as important as how much you save. And we want to help you access an approach that benefits you. Our goal is to provide you with a retirement savings option that delivers the important benefits listed here.

This brochure will help you understand the value of these benefits and how this approach can help deliver them. As always, we are here to answer any questions you have.

Opportunity for meaningful growth	Protection of funds from market losses	Tax-free* funds in retirement
Death benefit	Flexibility as you save and access your funds	*See disclosures on the following pages.

***The Importance of How You Accumulate***

The types of vehicles you use when accumulating assets for retirement impact how your assets grow, how you are taxed, when you can access your funds, and more. Below are two common ways people save for retirement:

	Traditional 401(k) or Traditional IRA <sup>1, 2</sup>	Roth 401(k) or Roth IRA <sup>1, 2</sup>
Growth	Many options, typically mutual funds. Account value can fluctuate with market volatility and may be subject to losses, including loss of principal.	Many options, typically mutual funds. Account value can fluctuate with market volatility and may be subject to losses, including loss of principal.
Taxes Paid on Contributions	Deferred (Tax-Qualified Funds)	Upfront (Non-Qualified Funds)
Taxes On Account Growth	Entire account value	None
Tax penalties on funds withdrawn before 59½	10% tax penalty	10% tax penalty on earnings only
Mandatory withdrawals	Yes	No
Limits on annual contributions	Yes	Yes
Death benefit	Account value (less taxes)	Account value

<sup>1</sup>The ability to contribute or take tax deductions for contributions may be limited by adjusted gross income limits.

<sup>2</sup><https://www.irs.gov/retirement-plans/401k-plans>





If you cannot access this information online, contact our office to request a copy. These materials are not intended to provide tax, accounting or investment advice. Be sure to consult qualified professionals about your individual situation.



## An Alternative Approach

While life insurance provides a death benefit for your heirs, certain kinds of life insurance can also be used to accumulate money that, through policy loans, you can use as income in retirement. One such type is a permanent, flexible kind of life insurance called Indexed Universal Life<sup>1</sup> (IUL). Qualifying for an IUL policy depends on your age and health.

This brochure outlines the features and benefits of indexed universal life. Here are the basics:

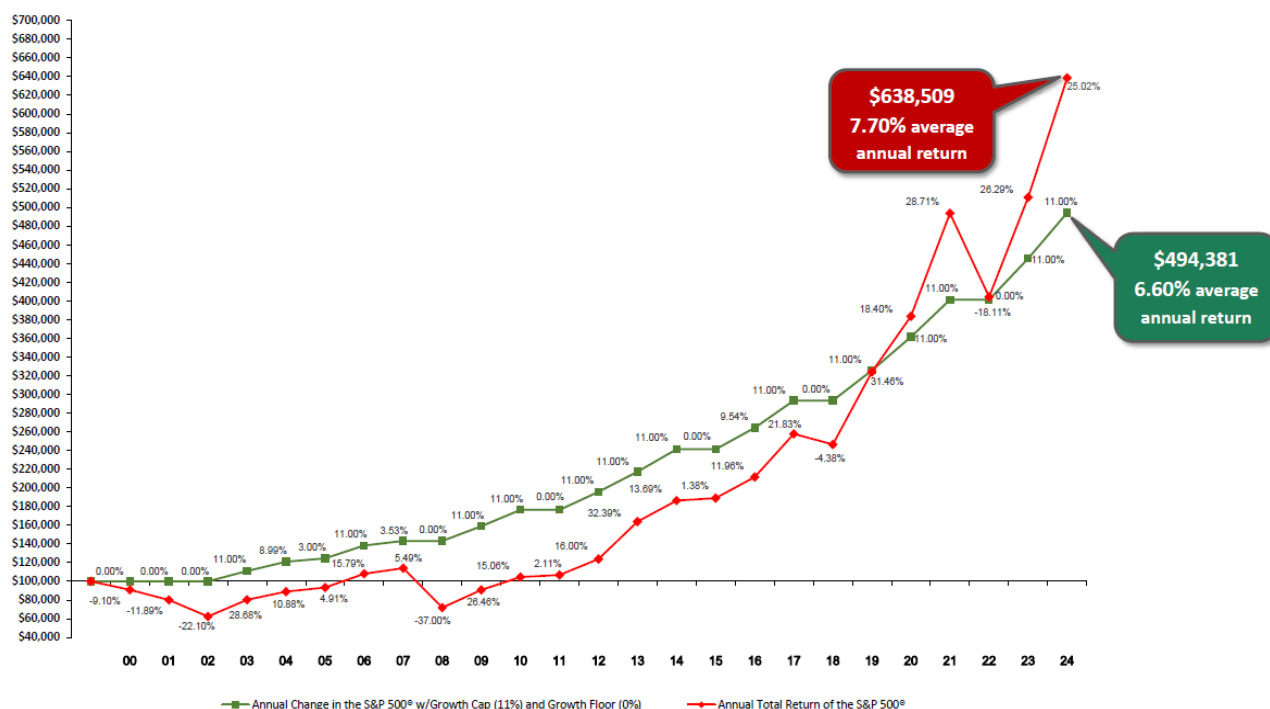
 <b>Death Benefit</b>	<ul style="list-style-type: none"><li>• IUL delivers a death benefit to your family, above and beyond the account value of your policy.</li></ul>
 <b>Growth</b>	<ul style="list-style-type: none"><li>• The “indexed” in Indexed Universal Life refers to how your cash value can grow and how the indexed portion of your assets is credited annually. This will be explained in greater detail on the following pages.</li></ul>
 <b>Taxes</b>	<ul style="list-style-type: none"><li>• With IUL, your policy premiums are paid with after-tax dollars. Your cash value within the account grows income-tax free in most cases. You will generally not pay income tax on loans you take from your policy in retirement.<sup>2</sup></li></ul>
 <b>Flexibility</b>	<ul style="list-style-type: none"><li>• Through policy loans, IUL can deliver the flexibility to access your money when you need it in retirement.</li></ul>

<sup>1</sup>Life insurance policies contain terms, conditions and restrictions that vary by insurance company and by policy. Read your policy carefully before purchasing. The guarantees of life insurance policies rely on the financial strength and claims-paying ability of the issuing insurer.

<sup>2</sup>These materials are not intended to provide investment or tax advice. Be sure to consult qualified professionals about your individual situation.

## How Do Funds Grow with “Indexing”?

Growth potential is one important consideration for your retirement assets. Protection? That’s one, too. IUL can address both of these concerns through the Power of Indexing. Indexing is a method that enables policy holders to participate in a portion of the potential rise in the value of a stock market index, while being protected from a potential drop in the index’s value.<sup>1</sup> There are many different kinds of indexes. As an example, a common indexing method uses the S&P 500® with a cap and a floor. Below is a comparison of \$100,000 invested this century in stocks reflected by the movement of the S&P 500® total return including dividends (red line) and the interest credited under an Indexing method using the S&P 500® with a hypothetical cap of 11% and a floor of 0% (green line).<sup>2</sup> This comparison does not include any charges for the mortality costs of life insurance nor any stock investment fees, so the actual comparative values may vary from what is shown.



Source: Yahoo Finance GSPC Historical Prices, accessed January 2025.

<sup>1</sup>This historical performance of the S&P 500® is not intended as an indication of its future performance and is not guaranteed. This graph is only intended to demonstrate how the S&P 500®, including dividends, would be impacted by the hypothetical growth cap of 11% and the hypothetical floor of 0%, and is not a prediction of how any Indexed Universal Life Insurance product might have operated had it existed over the period depicted above. The actual historical growth of an IUL product existing over the period depicted above may have been higher or lower than assumed, and likely would have fluctuated subject to product guarantees.

<sup>2</sup>This graph does not reflect the impact of life insurance policy charges or investment account fees, so the actual comparative values may vary from the chart above.

## Protection with Indexing

No one can predict the future, so we can't know exactly how a product with the features and benefits outlined in this brochure will perform. However, we want you to understand a range of potential performances that could be delivered through the approach we're recommending.

Below are four examples of how an Indexing method using the S&P 500® with a hypothetical cap of 11% and a floor of 0% interest credited may have performed in various 10-year periods.<sup>1</sup> These examples can show you a potential range of results you could experience.

**1997 - 2006**

**6.6%**

**2000 - 2009**

**4.7%**

**2003 - 2012**

**7.0%**

**2006 - 2015**

**6.8%**

**2009 - 2018**

**7.4%**

**2012 - 2021**

**8.6%**

<sup>1</sup>This historical performance is not intended as an indication of its future performance and is not guaranteed. This table is only intended to demonstrate how an indexing method using the S&P 500®, with a cap of 11% and a floor of 0%, could have potentially performed in a variety of market conditions, and is not a prediction of how any Indexed Universal Life Insurance product might have operated had it existed over the period depicted above. The actual historical growth of an IUL insurance product existing over the period depicted above may have been higher or lower than assumed, and likely would have fluctuated subject to product guarantees. This table does not reflect the impact of life insurance policy charges.

## The Benefits of Tax-Free Income

When it comes to your retirement assets, one factor to consider is your tax liability. Retirement assets can grow in vehicles that are taxable, tax deferred or potentially even tax free. Over the past few decades, many common strategies have led to a taxable income stream in retirement, including traditional 401(k)s and IRAs<sup>1</sup>. On the other hand, Roth 401(k)s and Roth IRAs have allowed savers to pay the taxes before purchase and withdraw their initial assets and earned interest tax-free in retirement.

Here is the main difference in taxation between saving with tax-deferred accumulation and tax-free accumulation:

- Funds are not taxed at the time of contribution. Instead, both contributions and all associated accumulation are taxed when withdrawn in retirement (pre-tax, qualified vehicles<sup>2</sup>).

### Tax-Deferred Accumulation

- Funds are taxed at the time of contribution. Funds accumulate tax free. When funds are withdrawn in retirement, no income tax is due (after-tax, non-qualified vehicles).

### Tax-Free Accumulation

We have included in this report examples to help our clients make more informed decisions among tax-deferred accumulation and tax-free accumulation vehicles.

**Please note this report is not intended to provide tax advice. We encourage you to consult with a tax professional for any questions you may have on your personal situation.**

<sup>1</sup><https://www.irs.gov/retirement-plans/401k-plans>

<sup>2</sup>Withdrawals from qualified vehicles prior to age 59 ½ may result in a 10% additional tax penalty.

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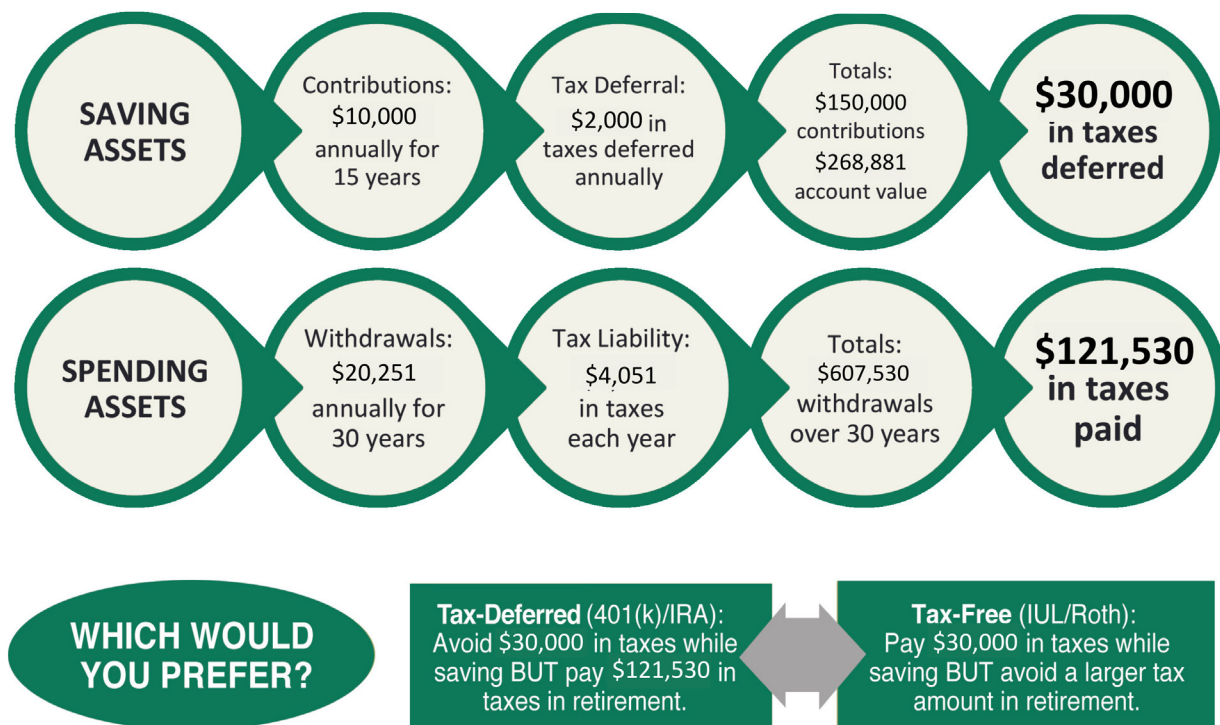


## Taxes: The Cost of Paying Later

Because tax-deferred accounts require participants to ultimately pay income tax on contributions and accumulation, the overall taxes projected to be paid is an important consideration. Below is an example of a tax-deferred account, like an IRA. This example shows the taxes deferred at the time of contribution, and the taxes owed at the time of withdrawal.

For this example, we've assumed an individual with a 20% effective tax rate contributes \$10,000 annually for 15 years with a 7% net annual growth rate into a tax-deferred asset, like a 401(k) or IRA.<sup>1</sup>

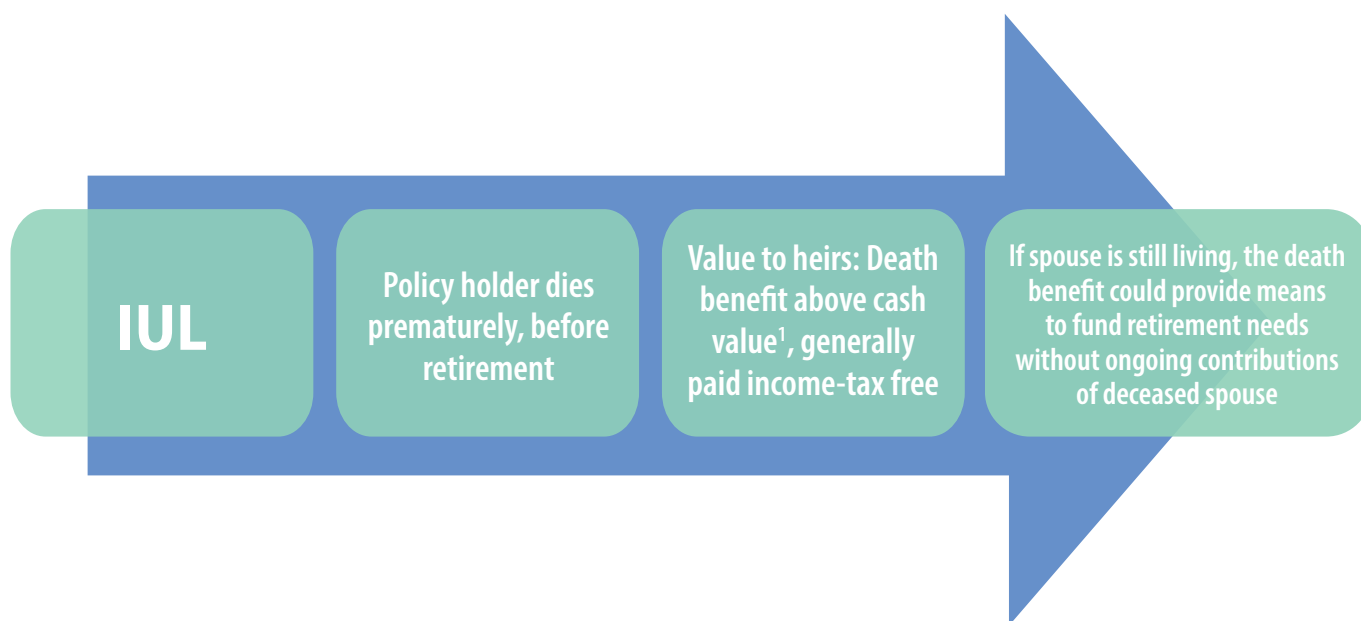
### Tax Burden in a Tax-Deferred Account



<sup>1</sup>This hypothetical example does not consider every product or feature of tax-deferred accounts and is for illustrative purposes only. It should not be deemed a representation of past or future results, and is no guarantee of return or future performance. **This information is not intended to provide tax, legal or investment advice. Be sure to speak with qualified professionals before making any decisions about your personal situation.**

## A Self-Completing Approach

Death benefit protection is an important factor when using Indexed Universal Life to also accumulate assets for retirement. Through the policy's death benefit, your retirement income strategy becomes self-completing: If you do not make it to retirement age and have kept your IUL policy in force, your spouse and family receive a death benefit, which can offset the ongoing retirement contributions of the deceased spouse.



As with most life insurance, your heirs potentially do not have to pay any income taxes on the death benefit proceeds<sup>2</sup>.

Through IUL, you can help protect your heirs' financial future while also accumulating assets for the future, addressing two priorities with one approach.

<sup>1</sup>Death Benefit is reduced by the amount of any outstanding loans and interest from the policy at the time of death.

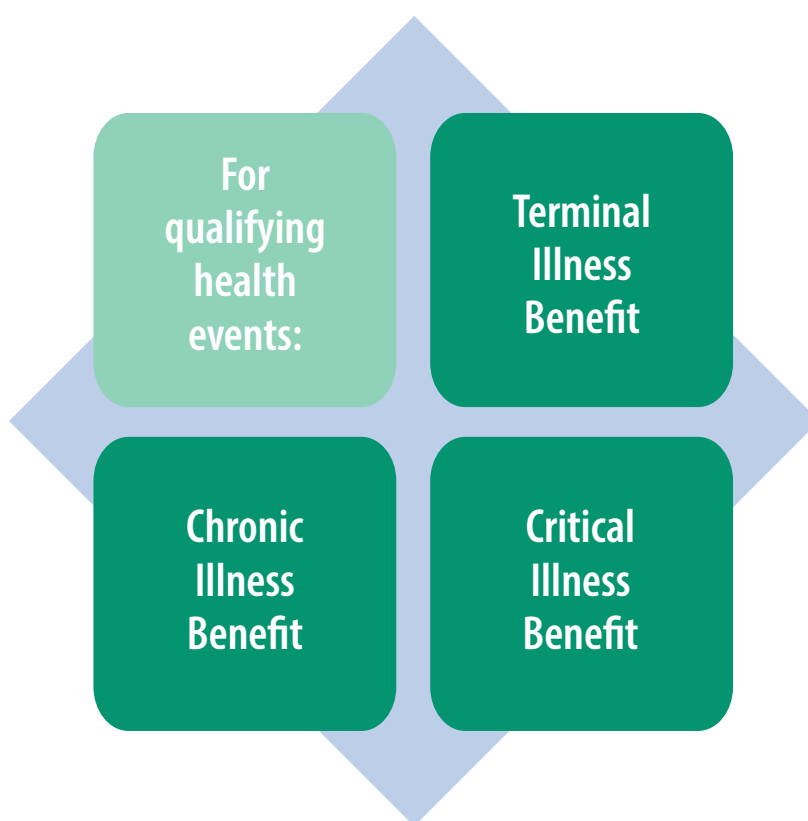
<sup>2</sup>Life insurance policies are contracts between the client and issuing insurance carrier. Life insurance guarantees rely on the fiscal strength and claims-paying ability of the issuing insurer. Universal Life Insurance products are not bank or FDIC insured. Indexed Universal Life insurance products are not an investment in the stock market and are subject to all policy fees and charges associated with Universal Life policies. This information is not intended to provide tax, legal or investment advice. Individuals should consult with qualified tax professionals about their personal situations.

## Living Benefits

An additional way policy holders can use their Indexed Universal Life policies is to help offset the medical costs associated with aging.

Where available, IUL may provide valuable living benefits through an accelerated benefits rider, available for an additional premium. If you experience a qualifying health event while the policy and rider are in force, a portion of the death benefit can be distributed for you to use while living<sup>1</sup>. Instead of your benefits being limited to your account value, you can access portions of the higher-value IUL death benefit to help cover your medical costs or other living expenses. And because this money is considered an acceleration of the death benefit, you generally receive it income-tax free.<sup>2</sup>

Some of the riders that may be available for purchase with your IUL policy include:



<sup>1</sup>Living benefits available for qualifying health conditions. Utilization of living benefits requires a policy holder to meet certain criteria, such as being unable to perform two of the six activities of daily living, as defined by the IRS, and certified by a doctor. Read your policy carefully to see the terms, conditions and restrictions surrounding accelerated benefits riders.

<sup>2</sup>This document is not intended to provide tax, legal or investment advice. Be sure to consult with qualified professionals about your individual situation.

## *Flexibility for Your Money*

IUL can deliver the flexibility to access your money when you need it, through policy loans. This is important, as it can be challenging to predict when and how you'll need to access the money you've accumulated<sup>1</sup>. IUL can help address this concern through flexibility like:

No IRS penalty  
to access funds  
before age 59 ½<sup>1</sup>

If you want to retire early,  
you can take policy loans  
without penalty<sup>2</sup>

Ability to use  
funds for college  
education

You can also use  
policy loans to cover  
college expenses  
for your children<sup>2</sup>

No IRS requirement  
to withdraw funds  
for Required Minimum  
Distributions (RMDs)<sup>1</sup>

Taxes have already  
been paid on  
the premiums







<sup>1</sup>This information is not intended to provide tax or legal advice. Please consult a qualified professional about your individual situation.

<sup>2</sup>Assets accessed through policy loans. Outstanding policy loans and interest reduce the death benefit by an according amount. Please see your policy illustration for complete details and restrictions on policy loans.



## Putting It All Together

An Indexed Universal Life insurance policy<sup>1</sup> can deliver:

 <b>Potential for Accumulation</b>	 <b>Principal Protection<sup>2</sup></b>	 <b>Tax Advantages<sup>3</sup></b>	 <b>Self Completing</b>	 <b>Flexibility<sup>4</sup></b>
Your assets can be linked to a market index. If that index increases in value, your policy will be credited with a portion of that increase each year.	If the value of the index falls, funds linked to that index are protected by a floor of 0% interest. You do not lose money to stock market volatility.	Principal and accumulation in the policy's cash value, if accessed through policy loans, <sup>4</sup> are generally not subject to income tax.	Heirs receive a death benefit when the policy holder dies while the policy is in force. Heirs receive the full death benefit, minus any outstanding policy loans and interest.	There are no tax penalties for early distribution of cash value through policy loans. With a living benefits rider, a portion of the death benefit may be accessed upon qualifying health events.
				

<sup>1</sup>Life insurance policies are contracts between the client and issuing insurance carrier.

<sup>2</sup>Life insurance guarantees rely on the fiscal strength and claims paying ability of the issuing insurer. Universal Life Insurance products are not bank or FDIC insured. Indexed Universal Life insurance products are not an investment in the stock market and are subject to all policy fees and charges associated with Universal Life policies.

<sup>3</sup>This information is not intended to provide tax, legal or investment advice. Individuals are encouraged to consult with qualified tax professionals about their personal situations.

<sup>4</sup>Cash values can be accessed via policy loan after an initial period. Policy loans are not considered withdrawals. If policy loans are not repaid, the death benefit is reduced accordingly. Please consult your policy illustration for complete information on policy loans.

## Policy Structure and Use

Here is how Indexed Universal Life insurance might be used to meet your insurance and retirement needs:

- #1. You purchase a life insurance policy to cover your entire life. As long as there is cash value to pay the policy expenses, through interest credited or premiums paid, the policy will continue.
- #2. The policy's cash value has the potential to grow, connected to any increase in the value of the linked index, as described in your life insurance policy contract. Your cash value is not exposed directly to the stock market.
- #3. Mortality and expense fees are deducted from your cash value.<sup>1</sup>
- #4. During your retirement years, you can borrow from the policy cash value<sup>2</sup> to supplement your income as needed. The loan amount is not subject to income tax.<sup>3</sup>
- #5. When you die, your death benefit will first go to pay off the outstanding loans you have borrowed from the policy (and unpaid interest). The remainder of the death benefit will be paid to your heirs income-tax free.<sup>3</sup>

<sup>1</sup>Life insurance products contain fees, such as mortality and expense charges. As long as there is cash value to pay the next deductions for mortality and expenses, the policy will continue. <sup>2</sup>A portion of the policy's surrender value is available as retirement income through policy loans. Policy loans reduce surrender value and death benefit. <sup>3</sup>Benefits paid at the death of a life insurance policy owner are, according to current tax law, distributed income-tax-free to heirs.



## Disclosures

*These disclosures apply to this presentation in its entirety.*

*The primary purpose of life insurance is to provide a death benefit, and is just one component of a client's overall financial strategy. However, indexed universal life insurance policies also offer the potential for cash value accumulation, and loans may be taken against the available cash value for any purpose, including to help supplement retirement income. Interest will be charged as detailed in your policy.*

*Pursuant to IRS Circular 230, and per the license limitations of the licensed professional presenting this material, this proposal is not intended to offer or provide, and no statement contained herein shall constitute tax or legal advice. See qualified professionals in these areas before making any decisions about your individual situation. Your financial professional is not permitted to offer, and no statement contained herein shall constitute, tax or legal advice.*

*Indexed Universal Life products are not an investment in the "market" or in the applicable index and are subject to all policy fees and charges normally associated with life insurance.*

*It is important to note that taking loans will reduce any available cash value and death benefit amounts. It is also important to note that policy charges will continue to be deducted to cover the full death benefit of the policy.*

*Permanent life insurance requires regular deductions to pay the policy's mortality costs and expenses, which will typically increase as the insured gets older. There are no set premium payments required. As long as there is cash value to pay the next deductions for mortality and expenses, the policy will continue. Current cost of insurance rates and interest rates are not guaranteed.*

*Policy loans from life insurance policies generally are not subject to income tax, provided the contract is not a Modified Endowment Contract (MEC), as defined by Section 7702A of the Internal Revenue Code. A policy loan or withdrawal from a life insurance policy that is a MEC is taxable upon receipt to the extent cash value of the contract exceeds premium paid. Distributions from MECs are subject to federal income tax to the extent of the gain in the policy. Taxable distributions are subject to a 10% additional tax prior to age 59 ½, with certain exceptions. Policy loans and withdrawals will reduce cash value and death benefit. Policy loans are subject to interest charges. Consult with and rely on your tax advisor or attorney on your specific situation. Income and growth on accumulated cash values is generally taxable only upon withdrawal. Adverse tax consequences may result if withdrawals exceed premiums paid into the policy. Excess withdrawals or surrenders made during a Surrender Charge period will be subject to surrender charges and may reduce the ultimate death benefit and cash value. Surrender charges vary by product, issue age, sex, underwriting class, and policy year.*



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# Five Potential Benefits of Indexed Universal Life Insurance

*These are five key benefits IUL delivers and why IUL may be recommended as part of your long-term income and legacy plans. With IUL, you can potentially access tax-free income, opportunity for growth, protection for your funds, a legacy for your heirs, and additional funds for the medical costs of aging.*

*This powerful package may help meet your retirement goals.*

*Wondering why Indexed Universal Life (IUL)<sup>1</sup> Insurance is being recommended as part of your long-term financial strategy? IUL can deliver 5 potential benefits that may be unique in the plan you are crafting.*

*IUL is a cash value life insurance product, designed to help savers like you accumulate funds for the future while also providing a death benefit for your heirs. Here's what IUL can potentially deliver to you.*

## **Legacy For Your Heirs**



Like all life insurance, IUL provides a death benefit for your heirs, above and beyond the cash value of your policy. The death benefit is delivered generally tax-free<sup>2</sup>, so your heirs get the full value of your legacy.

## **Power of Indexing**



Funds in an IUL policy grow through indexing<sup>3</sup>, an interest-crediting method that enables policy holders to have interest credited based on a portion of the rise of a stock market index, while protecting the funds if there is a drop in the index's value. Through indexing, your cash value has the opportunity for growth and, after interest is credited, is protected from losing value when the stock market index drops.

## **Tax-free Distributions in Retirement**



In addition to the tax-free death benefit for beneficiaries, the cash value of an IUL policy grows tax free and can generally be accessed tax free as well<sup>2</sup>. You will not usually owe any taxes on funds you access from a properly-structured IUL policy through policy loans, which is the approach being illustrated for you.<sup>3</sup>

## **Access to Funds with No Market-Value Adjustment**



With IUL, your cash value is available to you without adjustment based on the outside market. Because many indexing strategies have a floor of 0% interest credited, when the stock market index is down, your credited policy cash value will not lose value due to the market<sup>4</sup>. Whenever you need to access your funds, you can do so at full value.

## **Additional Benefits for the Medical Costs of Aging**



Many IUL products include living benefits<sup>5</sup>, which allow a policy holder to access a portion of the death benefit while living when certain medical requirements are met. This can be a valuable benefit, as today's Baby Boomers are projected to spend hundreds of thousands of dollars on medical expenses in retirement<sup>6</sup>.

<sup>1</sup>Indexed Universal Life is underwritten and issued according to the insured's health and age. Life insurance policies contain terms and conditions. Indexed Universal Life is a flexible premium adjustable life insurance product where a portion (or all) of the interest credited is measured against an outside index. There are no set premium payments required, but regular deductions from cash value are required to pay the policy's mortality cost and expenses, which will typically increase as the insured gets older. As long as there is cash value to pay the next deductions for mortality and expenses, the policy will continue. Current cost of insurance rates and interest rates are not guaranteed. Read your policy carefully before purchasing. The guarantees of life insurance policies rely on the financial strength and claims-paying ability of the issuing insurer.

<sup>2</sup>Benefits paid at the death of a policy holder are, according to the current tax law, distributed typically income tax-free to heirs. Funds accessed through policy loans are generally received by the policy holder as income tax-free as well, so long as certain standards are met. Loan which are not repaid will reduce the death benefit amount and available cash value. Please consult your policy illustration for complete details, benefits and restrictions regarding policy loans and the death benefit.

<sup>3</sup>Insurance premiums are paid with after-tax dollars, so withdrawals (up to the amount of premiums paid) are generally received tax-free. The approach being recommended to you does not illustrate withdrawals, but rather policy loans. Please see the footnote above for details on policy loans.

<sup>4</sup>Indexing is an interest-crediting method that enables policy holders to have the amount of interest credited tied to a portion of the potential rise in the value of a stock market index, while being protected against losses from a potential drop in the index's value. Life insurance products do not participate and are not an investment in the stock market and are subject to all policy fees and charges associated with life insurance policies.

<sup>5</sup>Living benefits are triggered by pre-established guidelines. Please refer to your policy illustration for a complete description of benefits, requirements and restrictions regarding living benefits.

<sup>6</sup>Health View Insights, "2019 Retirement Health Care Costs Brief," December 2019

These materials are not intended to provide investment, tax or legal advice. Please consult qualified professionals in these areas about your individual situation.





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