# RETIREMENT ROADMAP

## Are You Ready For Retirement?

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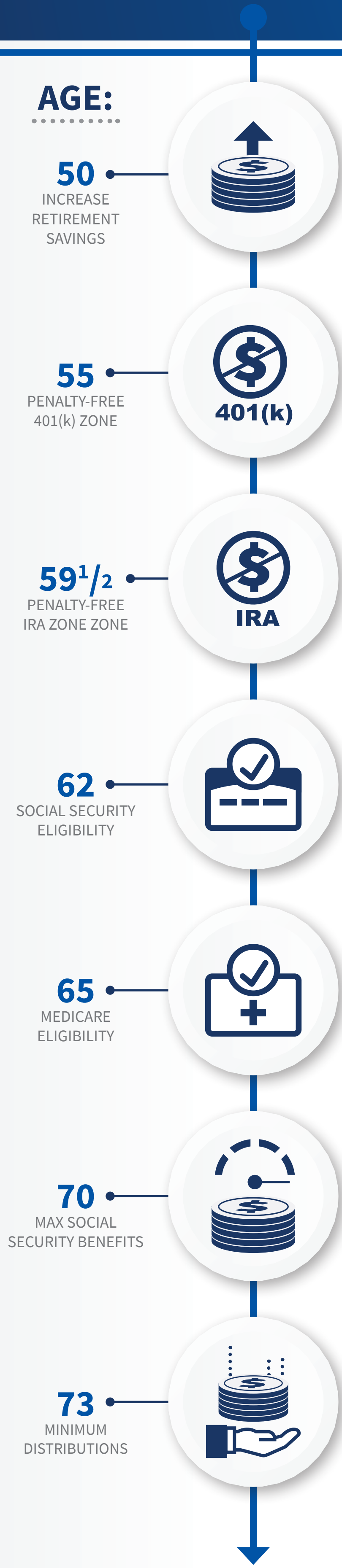
**Use this retirement timeline to help determine the ages you should pay special attention to. It's a helpful tool to use as you develop a retirement income strategy with an insurance professional.**




### AGE 50: INCREASE RETIREMENT SAVINGS

**Contribute up to $10,000 plus $6,000 in catch-up to 401(k)**

Starting in 2015, pre-retirees age 50 and over can contribute up to $18,000 PLUS up to $6,000 in catch-up contributions (if allowed by employer) to their 401(k) plan.

### AGE 55: PENALTY-FREE 401(k) ZONE

**No federal tax penalty on withdrawals**

If you retire at age 55 or older, you can potentially take distributions from your 401(k) or other employer-sponsored retirement plans without incurring penalties. You can avoid the usual 10% federal tax penalty on early withdrawals, but note that you'll still owe income taxes on these distributions.

### AGE 59 1/2: PENALTY-FREE IRA ZONE

**No penalty on IRA withdrawals**

Once you hit this half birthday, you may take IRA withdrawals without getting penalized. Traditional IRA withdrawals are taxed as income. Roth IRA distributions are tax-free and penalty-free if the Roth IRA has been held for at least five years.

### AGE 62: SOCIAL SECURITY ELIGIBILITY

**Eligible to start receiving social security benefits**

At age 62, you may be eligible to receive Social Security benefits. Keep in mind that if you start taking benefits at this age, your benefits will be reduced by a fraction of a percent for each month before your full retirement age (which varied depending on your birth year).

### AGE 65: MEDICARE ELIGIBILITY

**Eligible to sign up for Medicare benefits**

Medicare is federal health insurance for people 65 or older and those under 65 with certain disabilities. Your initial enrollment period includes the month of your 65th birthday and the three months before and after. If you are already receiving Social Security benefits you will automatically be enrolled in Medicare, in most cases. You can learn more by visiting: medicare.gov

### AGE 70: MAXIMUM SOCIAL SECURITY BENEFITS

**Eligible for increased payments after delaying benefits**

If you delay claiming social security benefits, you may be eligible for increased payments. But after age 70 there is no additional incentive for delaying benefits.

### AGE 73: MINIMUM DISTRIBUTIONS

**Must start taking your annual required distributions (RDMs)**

At this age, you must start taking your annual required minimum distributions (RMDs) from retirement accounts, such as a traditional IRA. Take note that RMDs are taxed as ordinary income.

# Ready for Retirement?

Retirement—it's what you work your whole life for. While everyone will have their unique ideas for retirement (travel, spend time with family, a second career), there are some common challenges the next generation of retirees face.

These include longer life expectancies, inflation, market volatility, and taxes, all of which can make the prospect of a sustainable retirement difficult. And what if you have other goals, such as passing on a legacy to the next generation?

Our biggest goal is to help position our clients toward their ideal retirement and address the challenges they may face. We do this by building plans that address their specific needs and unique objectives.

We recognize how important retirement is for you. Whether you are just now saving, about to retire, or already in retirement, we have the solutions and experience to help you.

## Our Keep-It-Simple Approach

*Arrange your assets to last longer than you*

*Position retirement resources for an efficient tax treatment*

*Identify efficient wealth transfer strategies*

## Retirement Questions We Can Help You Answer

*How much do I need for retirement?*

*When can I retire?*

*What financial products or solutions should I explore?*

*How long do I need retirement income?*

*How can I efficiently transfer a legacy to the next generation?*

*Is an annuity right for me?*

*What types of life insurance meet my objectives?*

*How does my 401(k)/IRA factor into my retirement plan?*

Planning for retirement can involve many different kinds of solutions, products, and strategies. While many individuals only seriously begin to plan 10 years out from retirement, planning can (and should) begin earlier. One of the biggest risks consumers face now is outliving their money. Many consumers know this, which is why they seek options that offer significant growth potential—such as investments. But with this growth potential comes risk exposure.

While we have a wide menu of retirement solutions that can be incorporated into your retirement plan, we focus on safe money alternatives. These are products and solutions that can provide guaranteed growth with limited or no risk exposure. This can include, among other products, life insurance and annuities.

### Life Insurance

The main purpose of life insurance is to replace income in the event of death. But life insurance has evolved to include many variations, some of which can accumulate an accessible cash value that can be drawn on during life or include living benefits to protect against illnesses that could deplete retirement savings.

### Annuities

There are many types of annuities, however, most have two phases—accumulation and distribution. During the accumulation phase, fixed and fixed indexed annuities capture interest. During distribution, you begin to receive benefit payouts upon a triggering event. With certain elected features, it may be possible to secure a lifetime income stream from an annuity product.

# Medicare

## Medicare Basics:

*Part A – Hospital Insurance*
*Part B – Medical Insurance*
*Part C – Medicare Advantage Plans*
*Part D – Prescription Drug Plans*

**Open Enrollment**
Oct. 15th – Dec. 7th

Medigap OEP

For most beneficiaries, Medigap OEP lasts from the first day of the month they turn 65 or older and enroll in Part B, lasting six months.

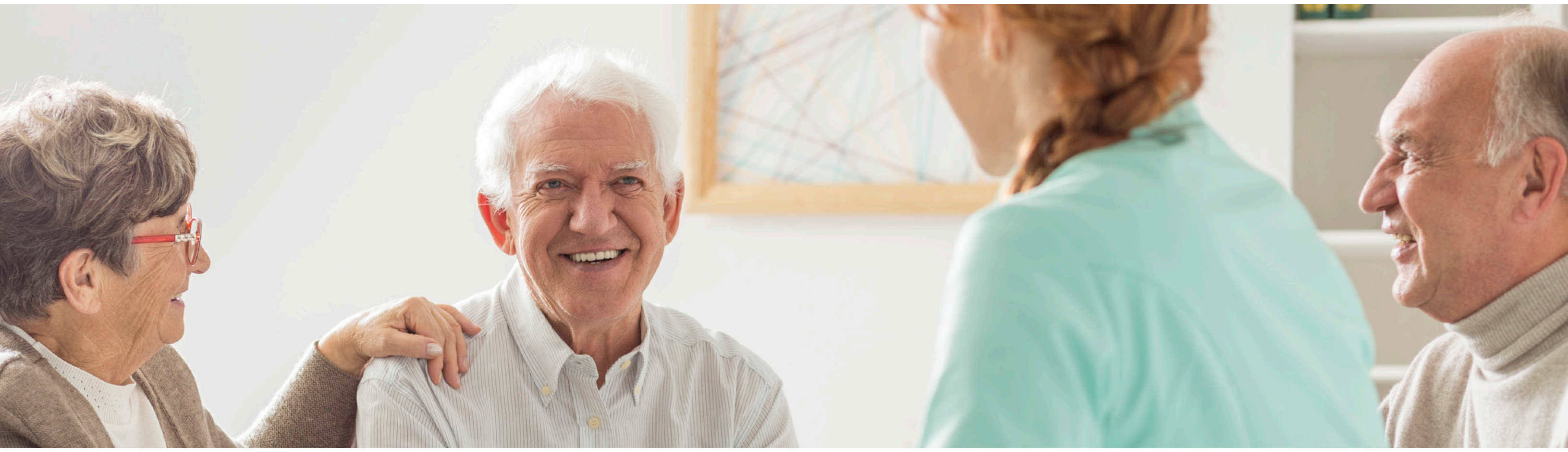
The process of obtaining, using, and understanding your Medicare coverage can be confusing. Medicare is a wide-reaching national healthcare program involving many guidelines and rules. The truth is Medicare can be complicated, may not cover all necessary services, and incur high out-of-pocket expenses. This is why many consumers seek out supplemental Medicare policies called Medigaps.

Medigaps are designed to provide coverage for things that traditional Medicare (Part A and Part B) do not. Often this includes non-covered items and services, as well as certain out-of-pocket expenses, depending on the particular Medigap policy. While all Medigaps provide the same basic benefits, there may be variation with additional benefits on a policy-to-policy comparison.

Medigaps involve enrollment timeframes that make obtaining or switching a policy outside of the Medigap Open Enrollment Period difficult unless a beneficiary meets certain specific conditions. This means that most beneficiaries will have one shot to get the best supplemental Medicare policy for them.

We have worked with many individuals like you find their best-fitting Medigap policy. Guiding you through your Medicare/Medigap options, we simplify the process so that you have a full understanding of your benefits.

# Long Term Care



According to Longtermcare.gov 70% of people turning age 65 can expect to use some form of long-term care during their lives. The 2019 Genworth Cost of Care survey calculates the national annual median cost of care in a
semi-private room (nursing home) is $90,155.
A private room jumps to $102,200.

Planning ahead has very real benefits for you and your family. Long-term care services can be very expensive, with associated costs constantly rising. These expenses may endanger your retirement and savings. Further, lacking a plan could be a burden on your loved ones due to the time and finances required to look after you should long term care become necessary.

Long-Term Care Insurance helps to protect you against some of these expenses. With an array of progressive solutions, we can find the long-term care insurance policy that meets your goals and gives the protection you need.

A research brief conducted by the Center for Retirement Research at Boston College found that 58% of women used nursing home care at age 65 or after. For men, the percentage was 44%.

**58%** *58% of women used nursing home care at age 65 or after*

**44%** *44% of Men used nursing home care at age 65 or after*

# Social Security

## Social Security Questions We Can Help Answer:

*How is my benefit determined and what age should I claim benefits?*

*How can I maximize my benefits and make them meaningful according to my objectives?*

*What about COLA's, divorced spouse benefits, and survivor benefits?*

*How will my benefits be affected if I continue to work and how will benefits affect income taxes?*

*How can I best coordinate social security with other retirement income sources?*

*When does it make sense to delay taking benefits?*

Social Security planning is an incredibly important aspect of your overall retirement planning process. Many people aren't aware of Social Security issues or considerations that potentially impact their retirement outcomes. As with many other parts of the retirement process, failing to understand your Social Security options can cause you to lose out on money, and once you make your choice it often cannot be undone.

Social Security is a valuable asset and should be managed as such. For some people, this will mean using any number of Social Security maximization strategies. Although every individual will present a unique set of goals and financial constraints, in many cases it will pay off to delay taking Social Security benefits if possible. Because what will work best for you will ultimately depend on your specific financial situation, it is best to work with a financial advisor that has knowledge and expertise in this area of retirement planning.

We can help you understand your Social Security benefits, work through maximization strategies, and tie everything to your overall retirement goals.

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# Your Retirement Income Worksheet

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# Not All Retirement Expenses Are Created Equally

As you prepare for retirement, it is important to understand there are generally two kinds of retirement expenses.

**Essential:**
These expenses you have to pay such as your mortgage and other related home expenses, food, cars, healthcare, etc.

**Discretionary:**
These are your lifestyle expenses such as entertainment, travel, and other leisure activities.

A secure retirement is built on the foundation of having enough guaranteed income to meet you essential expenses. Of course all of us want to be able to live the lifestyle of our choice, but we know if we can at least meet our essential expenses, we will be able to sleep well at night.

Together we can use this worksheet to create a customized income strategy to help meet your individual needs and to ensure that your income will last for your entire life.

# Gap Finder

How to identify your retirement income needs in 4 easy steps:

## 1. ESTIMATE your expenses in retirement. Expenses measured annually

| Essential Expenses | |
|---|---|
| Housing<br>e.g., mortgage payments, rent, insurance, property tax | |
| Utilities<br>e.g., gas, water, electricity, telephone, cable | |
| Food/Groceries/Meals | |
| Transportation<br>e.g.,car payments, gas, car insurance, maintenance | |
| Personal<br>e.g., clothing, haircuts, dry cleaning, toiletries | |
| Healthcare<br>e.g., medical insurance, vision/dental, prescriptions and other out-of-pocket expenses | |
| Life, Disability and Long-Term Care Insurance | |
| Other | |
| Annual Essential Expenses | |

| Lifestyle Expenses | |
|---|---|
| Entertainment<br>e.g., movies, theatre, sporting events and restaurants | |
| Travel and Recreation<br>e.g., hotel, airfare, and RV/boat expenses | |
| Memberships<br>e.g., golf, health club and yoga | |
| Gifts and Donations | |
| Other | |
| Annual Lifestyle Expenses | |

| | |
|---|---|
| Annual Essential Expenses | |
| Annual Lifestyle Expenses | |
| Total Annual Expenses<br>(Essential + Lifestyle) | |

Planning Tip: Don't overlook your spouse's assets and guaranteed income. Group all assets and income together, or complete separate worksheets for you and your spouse.

## 2. DETERMINE your guaranteed sources of income.

Estimate the income you'll receive from Social Security, pensions, annuities and other guaranteed sources of retirement income. Expenses measured annually

| Guaranteed Sources of Retirement Income | |
|---|---|
| Social Security | |
| Pensions | |
| Annuities<br>e.g., guaranteed lifetime withdrawals or annuity payments | |
| Other | |
| Total Annual Guaranteed Income | |

## 3. CALCULATE your essential income gap.

Take your Annual Guaranteed Income minus your Annual Essential Expenses.

Annual Guaranteed Income - Annual Essential Expenses = Essential Income Gap

__________ - __________ = __________

Next, take your Annual Guaranteed Income minus your Total Annual Expenses (your essential expenses plus your lifestyle expenses) to see if you are facing a Total Income Gap.

Annual Guaranteed Income - Total Annual Expenses = Total Income Gap

__________ - __________ = __________

If the result of either calculation above is negative, you are likely to face an essential income gap or a total income gap. You may want to consider repositioning a portion of your existing assets to generate additional guaranteed income to help cover your income gap.

## 4. INVENTORY your investment portfolio.

Now that we have determined whether or not you have a retirement income gap, we can review your portfolio to determine if any of your assets can be used to create income for your retirement. Be sure to include all of your assets, no matter where they're invested.

Sources measured at their current value.

If you're facing an Essential Income Gap or a Total Income Gap, you may want to consider repositioning a portion of these assets to generate the additional guaranteed income you need to help close the gap.

### Inventory of Personal Assets

| | |
|---|---|
| Stocks | |
| Bonds | |
| Mutual Funds | |
| Cash<br>e.g., CD's, money market, checking, savings account | |
| IRAs<br>e.g., Traditional and Roth | |
| Employer-Sponsored Retirement Plans<br>e.g., 401(k)s, 403(b)s, SEP IRAs | |
| Annuities | |
| Other | |
| Total Current Assets | |

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# Understanding 401(k)/ Pension Rollovers
# KNOW YOUR OPTIONS!

## Current Situation

Whether you are still accumulating funds for your retirement, at retirement age, or currently retired, it is important to know your various options in regards to your hard earned money. You should feel that your money is safe and secure and will be there for you when you need it most. Also, that it is in a vehicle that will provide guaranteed income for the rest of your life.

There is a common fear or feeling that your investments are now, or could go underwater. You can alleviate these fears with products that have no market risk, provide guarantees, enhanced death benefits and lifetime Income options.

Learning about these options and taking action will help you feel assured that your hard earned money is in good hands. It will keep you on track to a secure retirement and provide a secure nest egg for funds designated to pass onto your beneficiaries.

## Change in Employment Status

Most people at some point in their lives have either left or lost their current job, or are getting ready to retire. You have options when deciding what to do with your 401(k)/Pension plan. You are entitled to take your hard earned savings with you. Even if you are still working and are over age 59½ you may be able to take an in-service distribution of some or all of your money.

## Avoid Unnecessary Taxes

Withdrawing your 401(k)/Pension plan in a lump sum could cost you thousands of dollars in unnecessary taxes and penalties and extend your retirement age by years. These penalties are avoided by moving this money into an IRA; this is called an IRA rollover. This allows you to transfer your existing retirement account into another retirement account without incurring taxes or penalties. Barring a financial emergency, withdrawing your money unnecessarily is not the best decision when trying to attain your financial goals. The best decision is to roll the money over to an IRA.

## Retirement Concerns

The financial markets have been experiencing historic volatility and extreme ups and downs that are likely to continue for an unspecified period of time. The need for safer less risky financial investments has become more prominent than ever. This, coupled with fewer employers providing retirement accounts for their employees, has placed the responsibility on you to not only save for your retirement, but to find safe and secure investment vehicles for your money.

## Some Retirement Concerns Are:

- Will my money be safe where it is?
- Are there alternatives besides risky investments and low rate CD's?
- Will Social Security be there for me when I need it?
- Will my money last for the rest of my life?
- Can I be financially independent and not have to depend on my loved ones?
- Pension Plans seem to be a thing of the past. Can I create my own?

## Retirement Solutions

Whether your long-term objective is to build a source of guaranteed lifetime income, save for a specific retirement goal, or leave a legacy for your loved ones,

Fixed Annuities are designed to meet your retirement needs.

## Some Retirement Solutions Are:

- Safe Guaranteed Investments offer security to address Retirement Fears.
- Fixed Annuities are one option to offer Safety and Guarantees.
- Income Riders attached to Fixed Annuities offer a way to create your own Pension Plan.

## What are Fixed Annuities?

A Fixed Annuity is a contract between you and an insurance company designed to help you reach your long-term financial goals. Your money is not directly invested in the market and therefore is not subject to the risk of market losses.

Fixed Annuities guarantee a minimum rate of growth and penalty free withdrawals throughout the contract term and full liquidity at the end of the term. They can provide you with a guaranteed income stream either starting immediately or at some time in the future.

## Benefits of Fixed Annuities

**Tax Deferral:** Under current federal income tax laws, any interest in your Fixed Annuity is tax-deferred. You pay ordinary income taxes on your investment only when you begin receiving money from your contract. Most likely you will be retired by the time you begin taking this income and in a lower tax bracket than you were while earning the money.

**Guaranteed Interest:** Fixed Annuities offer a guaranteed interest rate that is competitive with other long-term financial vehicles. Since the interest your annuity earns is tax-deferred, it may accumulate assets faster.

**Protection:** Fixed Annuities offer you a level of protection you may find reassuring. That protection can benefit you in three separate ways:

- **Accumulation:** Your principal and credited interest is protected.
- **Guaranteed Income:** You can be protected from the possibility of outliving your assets.
- **Legacy:** If you pass away, a Fixed Annuity can help provide for your loved ones.

### Lifetime Income Riders

Take control of your financial security by creating your own personal pension plan with a Guaranteed Lifetime Income Rider. This is an optional rider that can be added to most Fixed Indexed Annuities and some Traditional Fixed Annuities. The Income Rider value grows at a specified rate separate from the annuity value. The rider will continue to grow for a specific period of time or until activated, the value serves as a basis for the income calculation. Once activated, the rider will provide a **LIFETIME payment guaranteed**. The annuity account value will continue to grow and income payments are subtracted from the annuity value like a withdrawal. If the annuity value is depleted, the Income Rider payments will continue for life.

## Spousal Continuance Options

Some Income Riders offer a joint payment option, allowing your payments to continue as long as both you and your spouse are living. This feature can provide peace of mind that neither one of you will run out of money as long as you live. Income Rider features will vary by product so it is important to understand the benefits offered by the annuity contract you choose.

## Income Rider Example

- A person age 55 invests $100,000 into a Fixed Annuity with an 8% Premium Bonus.
- Add an Income Rider growing at 6.5% compounding interest rate. The rider value will grow to $202,730 over 10 years.
- If the Income Rider is activated after 10 years at age 65, based on a 5% withdrawal percentage it will pay $10,136 each year guaranteed for life.
- Compare this to an alternate investment growing at an estimated 3% compounded rate, by taking the same withdrawal at age 65 the money will run out at age 80.

| Investment | Index Annuity Rider Value | $100,000 Growing as Estimated 3% Rate |
|---|---|---|
| Value after 10 years (Age 65) | $202,730 | $134,392 |
| Annual withdrawal amount at age 65 | $10,136 | $10,136 |
| Guarantees | Guaranteed for Life | Runs out at age 80 |

## Enhanced Death Benefit Riders

You may have funds designated to pass on to your beneficiaries. If you are in this fortunate position you should consider choosing an Annuity that offers an Enhanced Death Benefit Rider. These optional riders can increase the amount that will be passed onto your beneficiary. They provide a guaranteed growth percentage to your premium that will be paid out at Death. The amount paid to your beneficiaries will be the greater of your annuity account value or your enhanced Death Benefit Value.

## Product Options

Choosing the right accumulation vehicle for retirement can be difficult. With so many choices, which product will be right for you? On one hand, you want the safety and guarantee of premium and credited interest rates. On the other hand, you might want the potential of higher returns by being linked to the market.

Now you can have the best of both worlds, guarantee of premium and the potential of market-linked growth with no risk of loss of premium due to market downturns. This is available through a **Fixed Indexed Annuity**.

## The Game of Roulette

In the game of Roulette, if you place $1.00 on black and the ball lands on black you win $1.00, essentially doubling your money. However if the ball lands on red, you lose all of your money. This is a risk most people cannot afford to take with their retirement money.

What if there was a game that when you place $1.00 on black, and the ball lands on black, you would win $.50 for a total of $1.50. However, if the ball lands on red you would not lose your $1.00. You still get to keep your $1.00 plus what you have already earned every time the ball lands on red. Is that a game you would want to play?

| | Bet on Black | Lands on Black | Lands on Red |
|---|---|---|---|
| **Roulette** | $1.00 | $2.00 | $0.00 |
| **What if?** | $1.00 | $1.50 | $1.00 |

## Understanding Fixed Indexed Annuities

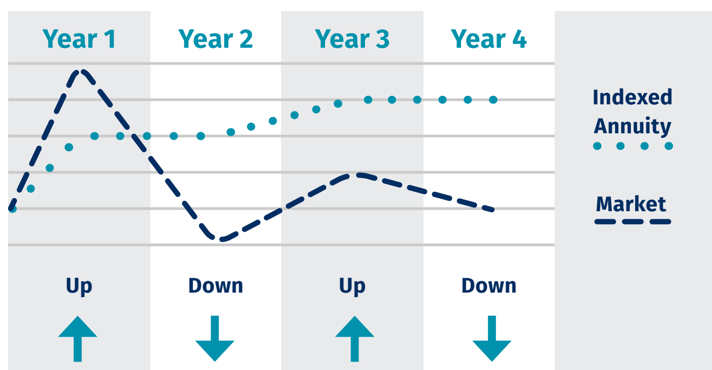
With a Fixed Indexed Annuity, you participate in a portion of the gains, however you bear none of the risk; much like the game I mentioned. If the market goes up you would receive a portion of the increase credited to your account. However, if the market goes down, you would not lose a penny of your original investment or the earnings that have been credited to your account. Fixed Indexed Annuity premiums are not invested directly in the stock market or in individual stocks. This allows you to benefit from the potential gains of the market without direct participation. In contrast to a securities-type product or mutual fund where the investor bears the market risk, the Fixed Indexed Annuity concept insulates you from any risk of loss of premium due to market downturns.

## What is Indexing?

Indexing is simply an investment strategy that follows the performance of well-known market Indices. With indexing, the interest credits you earn are linked in part to the value of these indices. However, regardless of the index performance, your interest credits will never be less than zero.

Below is an example of how a Fixed Indexed Annuity protects your money from market volatility. The blue line represents the annuity value and the red line represents the market value.

- **Year 1:** When the market goes up the annuity participates in a portion of the gains.
- **Year 2:** When the market goes down the Annuity value stays the same.
- **Year 3:** If the market goes up the annuity will not have to recover from market losses before earning again.
- **Year 4:** If the market goes down, the annuity value stays the same. NO LOSS!




## Take Control of Your Future

It's up to you to take control of your future. Make sure you have the information needed that will allow you to make the best decisions for your money and help you to achieve your retirement goals.

**Make safe, secure, smart choices and plan for the rest of your life now!**

# Fixed Annuities and Riders - Simply Explained

## What are Fixed Annuities?

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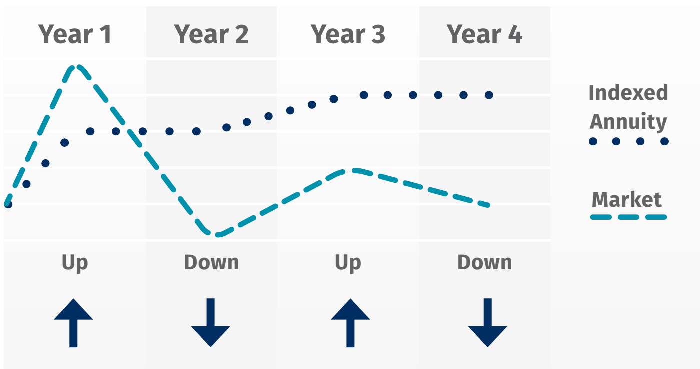


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# Achieve Your Retirement Goals

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# SMART WEALTH ACCUMULATION

PRESENTAED BY

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When it comes to accumulating wealth for retirement and other goals, individuals face many challenges. This is true if you are…

| | |
|---|---|
| ***Just Now Hitting Your Income-Earning Stride*** ............... | *(generally age 30 -37)* |
| ***Succeeding in Your Career*** ................................................... | *(generally age 37-45)* |
| ***or Pre-Planning Retirement*** ................................................ | *(generally age 45-55)* |

While each age bracket will have their own specific concerns, the main idea is that the longer you wait to build a financial plan meeting your objectives, the harder it will be to achieve them.

One central question you may be asking yourself is: ***How do I accumulate wealth and create a robust retirement while addressing my obligations?***

As you progress in your career, this question likely becomes louder. Thankfully, there are a number of solutions and strategies that can be employed to help individuals in your position answer this question. This guide provides wealth-building insight and a high-level overview of one potential solution.

# WEALTH BUILDING BASICS

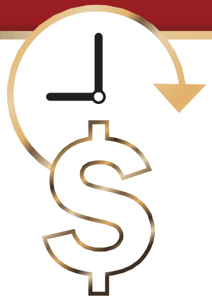
## Three Kinds of Money

There are three kinds of money related to the wealth accumulation process. Understanding how these categories of money interact with each other and how they help or inhibit growth is crucial to efficient wealth accumulation.


### Taxable

With these accounts, realized dividends, capital gains, and interest are taxed as earned annually. Think of money market funds, savings accounts, stocks, bonds, and certificates of deposit.

These types of accounts may offer upside potential and easy accessibility. While you may face drag on the growth each year, these accounts provide liquidity.



### Tax-Deferred

A tax-deferred account helps you grow your investment by delaying taxation until distribution. Examples include 401(k)s, Traditional IRAs, and other qualified retirement accounts.

You may find that tax-deferred retirement programs involve contribution limits and early withdrawal penalties.

### Tax-Free

As the name suggests, tax-free accounts are just that: tax-free. Tax-free accounts include municipal bonds, Roth IRAs, and others.

There may be stipulations and conditions applied to some tax-free accounts. For example, Roth IRAs involve contribution limits and income thresholds. For 2019 and 2020, the maximum annual contribution is $5,550 unless you are older than age 50, in which case the limit is $6,500. Additionally, Roth IRAs are only available to those making $135,000 or less for single filers / $199,000 for married filers.

Municipal bonds can count as provisional income and may increase taxation on your Social Security.

There is another account that is classified as a tax-free account and it combines the advantages found in taxable and tax-deferred accounts. Additionally, you can put as much money into this as you would like and also secure other important benefits. We discuss this later in the guide.

When building wealth, it is recommended to have money in all three types of accounts so that your financial mix is properly diversified. Ultimately what will work for you will depend on your unique situation and goals, which is why working with experienced and knowledgeable financial professionals can be so helpful.

# THE 4 CHALLENGES EVERYONE FACES IN RETIREMENT

Everyone, from blue-collar workers to skilled, high-earning professionals, faces the following four challenges in retirement.

## 1.) Taxes

Tax liabilities will, of course, differ amongst various accounts and financial products. Depending on what you have, you may be taxed as interest grows or you may only face taxation upon distribution. Without getting too in-depth, the issue is that taxes may erode meaningful portions of your retirement resources. This can become a problem as you stop earning income from work and begin to draw on your retirement funds.

## Social Security

Many retirees are surprised to find out that there are instances in which Social Security benefits may be taxable income. Generally, taxation of benefits applies to individuals with additional income, such as wages, interest, dividends, and other taxable income (which is reported on your tax return filed each year).

**The current thresholds, as found on the SSA website, are as follows:**

- Those filing as individuals with $25,000 to $34,000 in taxable income may have up to 50% of their Social Security benefits taxed.
- Those filing as individuals with more than $34,000 in taxable income may have up to 85% of their benefits taxed.
- Those filing a joint return with a combined income between $32,000 and $44,000 may have up to 50% of their benefits taxed.
- Those filing a joint return with a combined income of more than $44,000 may have up 85% of their benefits taxed.

## Dividend Income

Gains collected on investments are subject to taxation, even in retirement. Depending on if the gains are ordinary dividends or qualified dividends, you will face different liabilities, with the qualified gains generally receiving more favorable tax treatment.

## 401(k)/ Traditional IRAs

Distributions from traditional 401(k)s and IRAs will generally be taxable as ordinary income upon distribution since contributions are typically made with pre-tax dollars. Additionally, you may be subject to an early withdrawal penalty if you take a distribution before age 59 ½.

## Roth IRAs/Roth 401(k)s

Since contributions to Roth IRAs and Roth 401k(s) accounts are made with after-tax dollars, distributions and gains will be, in general, tax-free.

## Tax Environment

The tax environment you retire into will affect your retirement funds. If you are a few years away from retirement, you may not retire into a significantly altered tax environment, though it is certainly possible. However, the further you are from your retirement event, the more opportunity there is for changes in the tax environment that will directly impact you.

## 2.) Longer Life Expectancies

The good news: Americans are living longer. From 1960 to 2010, life expectancy in the US rose nearly ten years, from 69.77 years to 78.54 years of age. While this means that the US population, on average, has more time in retirement to spend with family or pursue a passion, it also means that retirement income needs to last longer. There is a risk of outliving your money, which is why many consumers seek products that accumulate cash value or provide guaranteed lifetime income (as is the case with some life insurance policies and annuities that have a lifetime income rider).

One other concern with longer life expectancies is the risk of experiencing a long-term care situation. According to longtermcare.gov, “70% of people turning age 65 can expect to use some form of long-term care during their lives.” Without sufficient long-term care protection, medical costs associated with LTC can exhaust your retirement funds.

## 3.) Inflation

Your grandparents or parents might take delight in telling you how much a candy bar or gallon of milk cost back in their day. The price difference is due to inflation—and you most likely already have a pretty good understanding of its effects. Things tend to rise in cost over time, and hopefully, so do wages. But this has a drag on purchasing power.

For example, using the US Inflation Calculator (usinflationcalculator.com) we can see that something that cost $100.00 in 1990 would cost $186.53 in 2017. This represents a cumulative rate of inflation of 86.5% over the seventeen years between 1990 and 2017.

Why does this matter to your retirement? Well, depending on what products or accounts you use to build your retirement resources, your purchasing power upon distribution can be dramatically different than when you put the money into the accounts. If your retirement accounts have little or no growth to beat inflation, the real dollar purchasing power you have in retirement can be significantly altered.

Typically, consumers have to choose between "safe" financial products (like 401(k), IRAs, CDs, or mutual funds) that have low-interest rates or investments that have more growth potential, but with more risk exposure.

Some strategies, such as indexed insurance products, work to provide growth potential with guaranteed returns.

## 4.) Market Volatility

Who remembers the Great Recession?

While the economy has improved since then, many consumers took a significant hit to their 401(k) s and IRAs. This matters because gains needed to recover losses can be significant. Recovering losses takes away from an important resource before and after retirement: time. If it takes you five to ten years to recover losses, you've not only lost time, you may have lost purchasing power due to whatever inflation occurs in the time period. And many consumers, as they transition into retirement, don't have the ability to recover, since they aren't earning income from work.

# A UNIQUE SOLUTION

As you can tell from the previous section, there are a lot of moving parts and considerations to keep track of as you develop a wealth accumulation strategy.

So, is there a solution that addresses the four challenges of retirement discussed earlier and gives you the advantages of taxable, tax-deferred, and tax-free money?

## To reiterate, here's what we're looking for.

- Accumulate funds to hedge against inflation and longer life expectancies.
- Grow funds tax-deferred.
- Receive distributions tax-free.
- Retain accessibility.
- Limit market exposure.

The answer to the question above is yes, there is a solution and it might surprise you: life insurance.

Life insurance —specifically maximum-funded, permanent life insurance— is one of the greatest wealth accumulation vehicles available.

## More Than A Death Benefit

You may think that life insurance is only used to obtain a death benefit to cover final expenses and provide a financial resource for your survivors in the event of your death. While a death benefit is typically the main benefit consumers seek when exploring life insurance options, many types of policies include attractive features that factor into retirement planning.

Permanent life insurance policies give lifetime protection, provided premiums, and applicable charges are paid per the condition of the contract. This broad category of life insurance offers flexibility and builds tax-deferred cash value.

One type of permanent life insurance, Indexed Universal Life (IUL), is particularly advantageous for consumers planning to incorporate life insurance into their retirement planning.

# How Indexed Life Insurance Works

Indexed Universal Life Insurance, often referred to as IUL, is a type of life insurance that can offer both a death benefit and a cash value. In addition to the option for growth based on a declared interest rate, the policy also has the option for interest crediting tied to a stock market index.

Like all Universal Life Insurance, Indexed Universal Life Insurance can be paid for through flexible premium payment options, provided premium targets are met. Payments over the cost of insurance are placed into a cash-value account, which is tied to a stock market index such as the Standard & Poors 500 or the Dow Jones Industrial.

For those of you familiar with annuities, indexed life insurance will be reminiscent of FIAs (fixed indexed annuities). The mechanics are very similar and as such, there is no direct market participation of the cash accumulation account.

Resetting at specified periods (typically on an annual basis), captured interest rates are only tied to positive stock market index movements. If the stock market index goes negative, the cash value in an index universal life policy won't decrease because of this negative performance. The growth potential of the indexed account will typically have a cap on the interest that can be captured each period. But growth will be tax-deferred and accessible through withdrawals or loans.


from the insurance company and using your accumulated cash value as collateral. These loans, like most other loans, incur an interest rate that accrues each policy year. Loan interest is typically compounded to the loan itself, rather than paid by the policyholder. If there remains an unpaid loan at the time of an insured's death, the outstanding amount will be deducted from the death benefit and the remaining amount paid to beneficiaries.

## Withdrawals

Generally, insurance companies will allow policyholders to withdrawal in two ways. One with a decrease in coverage equal to the amount withdrawn and one without a decrease in coverage. It is important to consider the effect of a withdrawal. In the first method, you would see a reduction in death benefit because the partial surrender amount will equate to a reduction of coverage. In the second withdrawal method, the policy's death benefit would remain the same. Although one thing to remember is that taking withdrawals out of a universal life insurance policy can affect the performance of the policy.

Both withdrawals and loans may require an increase in premiums to make the policy whole to remain in force. As with any type of financial instrument or life insurance, the particulars will vary based on the carrier, additional features, and insurance contract. This is why it is essential to seek out a trusted life insurance agent and to consult with a highly rated financial advisor about any tax concerns regarding policy loans and withdrawals.

## Overfunding the IUL Contract

This is where Indexed Universal Life Insurance really proves its worth in retirement planning. There are two important ideas to keep in mind.

1. IUL's offer flexible premium options—so as long as the contract is held in force, either by meeting minimum premium payments or absorbing some of the accumulated value.
2. There is no contribution limit on an IUL policy, unlike an IRA or 401(k). You can put as much as you'd like into the contract and the amount will grow.

So, by overfunding your IUL policy, you can accumulate a cash value that is tied market performance, but not directly exposed to market forces. And your cash value is accessible tax-free.

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*Interested in exploring Indexed Universal Life or another financial strategy? Schedule a free appointment at (800) 255-5055.*