

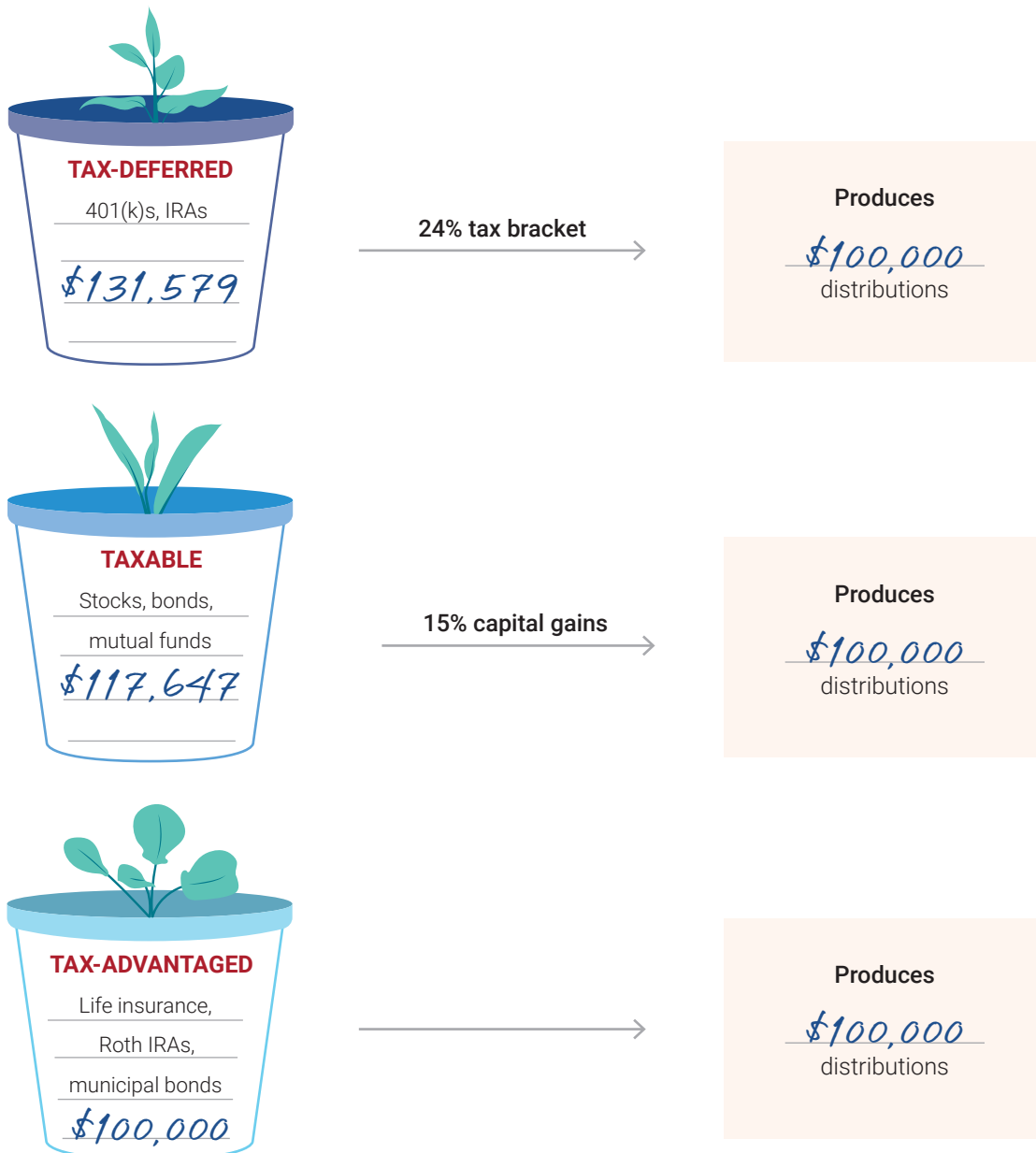
# Prepare today for a tax-efficient future

Help your clients keep more of what they earned

As your clients plant the seeds for retirement, now is the time to show them how taxes will affect them when they begin spending their savings.

Review the sample illustration below to help your client better understand how taxes affect their retirement plan and how to diversify assets, so they can keep more income and pay less in taxes when they begin distributions.

Help them understand how taxes impact the money they use to invest in the different options and how taxes impact their distributions. Diversification is not only important for growth but distribution.



## Get to know the different asset categories to create a diversified portfolio

Plans	Purchased with	What happens when you spend your savings?	Things to consider
<b>Tax-deferred</b> (IRA, 401(k), SEP, TSA)	Pre-tax dollars	Taxable	<ul style="list-style-type: none"> <li>There are contribution limits</li> <li>You will be penalized for withdrawals made before age 59½</li> <li>You are required to take minimum distributions, starting at age 72</li> </ul>
<b>Taxable</b> (Stocks, bonds, mutual funds, checking, savings)	After-tax dollars	Taxable	<ul style="list-style-type: none"> <li>You will be taxed on any capital gains on earnings</li> <li>There are no contribution limits</li> <li>There are no required distributions</li> <li>85% of your Social Security benefits are taxed if you have too much adjusted gross income (MAGI)<sup>1</sup></li> <li>Your Medicare premiums could increase if you have too much MAGI<sup>2</sup></li> </ul>
<b>Tax-advantaged</b> (Life insurance, Roth IRAs, municipal bonds)	After-tax dollars	Tax-free	<ul style="list-style-type: none"> <li>Roth IRAs have contribution limits</li> <li>Municipal bond earnings have no contribution limits but are added to your MAGI and could affect Social Security benefits and Medicare premiums</li> <li>Life insurance has tax-free distributions without penalties;<sup>3</sup> no effect on Social Security benefits or Medicare premiums, and no required distributions</li> </ul>

## Keep more of what you earned

When creating a retirement plan focused on maximizing tax advantages, educate your clients on the benefits of adding a tax-advantaged product like life insurance to their portfolio. Adding cash value life insurance to their overall portfolio can help protect savings and provide:

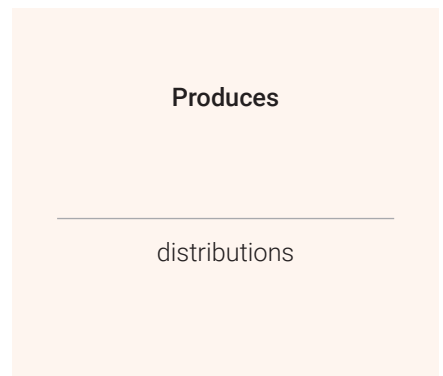
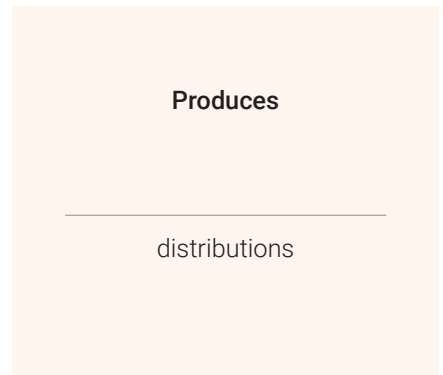
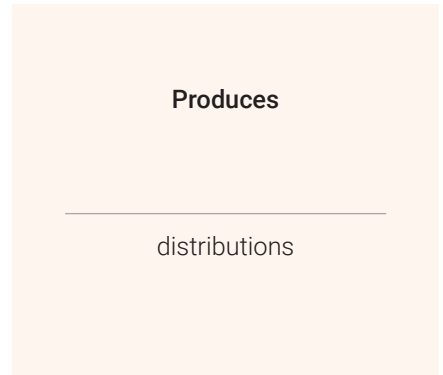
- An income tax-free death benefit for their beneficiaries
- Tax-deferred growth opportunities
- An income tax-free financial resource for retirement<sup>1</sup>
- No penalties for cash values taken before age 59½

<sup>1</sup> Individuals with MAGI above \$34,000; \$44,000 filing jointly.

<sup>2</sup> Individuals with MAGI above \$170,000 – \$340,000 filing jointly.

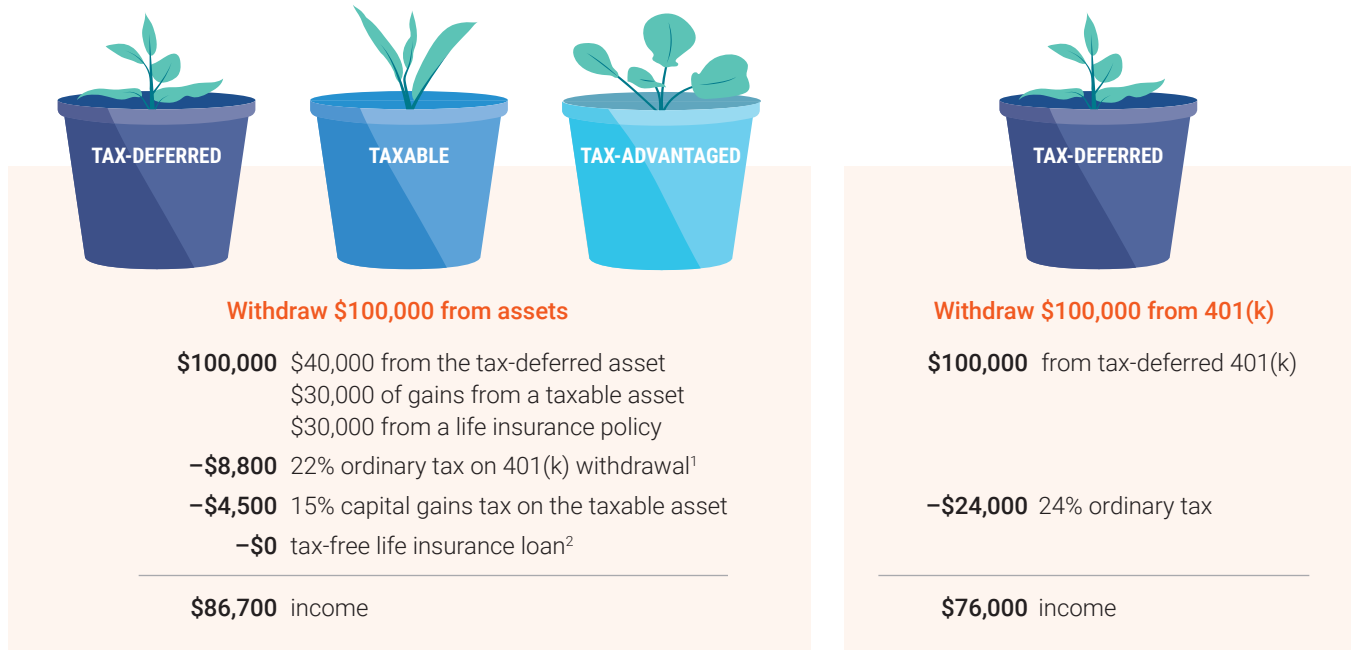
<sup>3</sup> Income tax-free loans and withdrawals will reduce the policy's cash value and death benefit. See page 4 for important information regarding loans and withdrawals.

Fill out the illustration below to help your client better understand how taxes affect their retirement plan.



## Why diversification matters

The following examples show how a typical portfolio will be taxed versus a balanced portfolio. By withdrawing from a mix of asset categories, your clients could have \$10,700 more.



This hypothetical example is for educational purposes only and does not represent any actual strategy and is not intended to be financial advice. Gains and cash value in a life insurance policy are never guaranteed.

Diversification does not assure a profit or protect against loss.

Assumes 24% tax rate

<sup>1</sup> Because the full \$100K was not pulled from a qualified account, it lowers the tax bracket from 24% to 22%. This assumes single filer rates.

<sup>2</sup> Life insurance policy distributions are taken through loans and withdrawals, which reduce a policy's cash value and death benefit and may cause the policy to lapse. Loans are not considered income and are tax-free. Withdrawals and surrenders are tax-free up to your cost basis, provided your policy is not a modified endowment contract (MEC). A MEC policy is one in which the life insurance limits exceed certain high levels of premium or the cumulative premium payments exceed certain amounts specified under the Internal Revenue Code. For policies that are MECs, distributions during the life of the insured, including loans, are first treated as taxable to the extent of income in the contract, and an additional 10% federal income tax may apply for withdrawals made prior to age 59½.

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