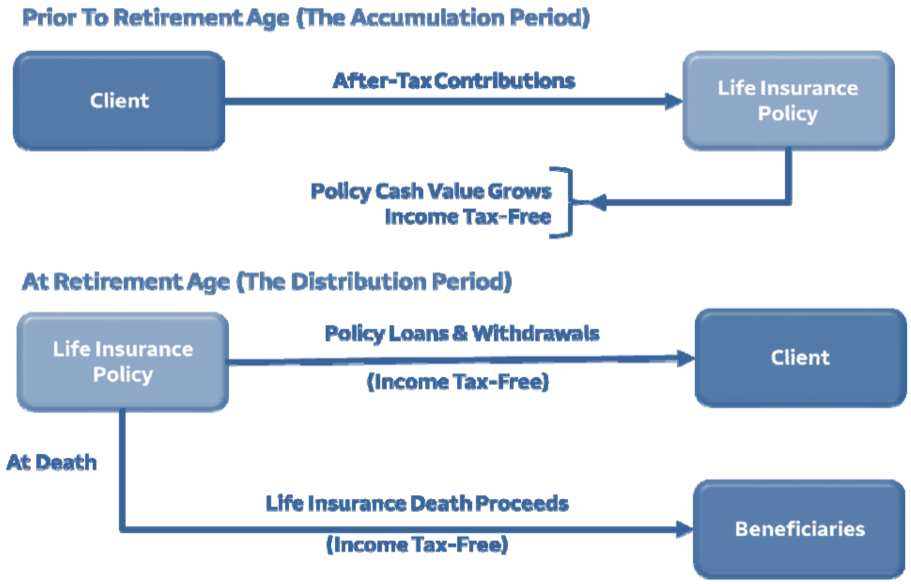
Using Life Insurance for Supplemental Retirement Income

OVERVIEW

The Strategy: Using life insurance to help create supplemental retirement income during the retirement years.

The primary reason for buying life insurance is for death benefit protection.[1] It can also play an important role in retirement by adding tax benefits, diversification to minimize risk, income tax control and important protection elements to retirement planning. These strategies should be carefully considered while planning for retirement or in retirement.

HOW IT WORKS[2]



*Example shown is for illustrative purposes.

WHY SHOULD THIS BE CONSIDERED?

This can be appropriate for high liquid net worth, healthy clients who have maximized contributions to qualified plans and other savings, and allowing sufficient time to build up the cash value before accessing it to ensure the policy remains healthy and does not result in premature lapse.

1. No phase-out limits on contributions like a Roth IRA.
2. No additional 10% tax for early distributions.
3. Income tax-free growth of cash values.
4. Income tax-free access to policy cash values via withdrawals & loans (if properly structured[3]).
5. Income tax-free death benefit payable to the beneficiaries (if properly structured[3]).

1 A death benefit goal must be the clear primary purpose, with a secondary plan to access potential future cash values. Clients should understand risks that affect the policy's future potential income as well as potential lapse risk and negative tax consequences. This solution is appropriate for high liquid net worth, healthy clients who have maximized contributions to qualified plans and other savings, and allowing sufficient time to build up the cash value before accessing it to ensure the policy remains healthy and does not result in premature lapse. As this is supplemental income, the intended goal being supplemented (retirement, education, etc.) should be funded and on track for success without the addition of the life insurance withdrawals. Clients may need to modify their insurance supplemental income plan to avoid premature policy lapse.

2 This strategy should be considered in conjunction with all potential sources of retirement income and not be the sole source of such income. A reduced index crediting rate could produce a lower distributions from accumulated cash value to supplement retirement income.

3 Assuming the life insurance policy meets the definition of life insurance under IRC 7702 and is not a Modified Endowment Contract. Taking withdrawals/partial surrenders and/or loans from a life insurance policy may cause the policy to lapse since insurance charges continue and loan interest accrues. If the policy lapses or is surrendered with a loan outstanding, then the loan will be treated as taxable income in that year, to the extent of gain.

Capitas Financial, Inc. (Capitas) provides life insurance marketing support and case management services to Merrill. Capitas is not an affiliate of Bank of America Corporation.

The information cannot be relied upon for the avoidance of taxes and or IRS penalties. This material is not intended to provide tax, accounting or legal advice. As with all matters of tax or legal planning your client should consult their tax or legal counsel before implementing any financial, tax, or estate planning strategy. Capitas Financial is not a legal or tax advisor.

This material is being provided for informational or educational purposes only and does not take into account the investment objectives or financial situation of any clients or prospective clients. The information is not intended as investment advice and is not a recommendation about managing or investing a client's retirement savings. Clients seeking information regarding their particular investment needs should contact a financial professional.

Guarantees are based on the claims-paying ability of the issuing insurance company and do not apply to the underlying investment options. They are not obligations of, nor backed by, the broker/dealer and/or insurance agency selling the policy, nor by any of their affiliates, and none of them makes any representations or guarantees regarding the claims-paying ability of the issuing insurance company.

Investing involves risk including possible loss of principal. Information is current as of the date of this material.

Any opinions expressed herein are from a third party and are given in good faith, are subject to change without notice, and are considered correct as of the stated date of their issue.

This material does not take into account a client’s particular investment objectives, financial situations, or needs and is not intended as a recommendation, offer or solicitation for the purchase or sale of any security or investment strategy.