Retirement Safety Net - Individual Needs

Plan Now to Protect & Preserve Your Retirement Savings

Wisely planning and saving for retirement can be a formidable undertaking. Retirees today face many new challenges. They are living longer than and more dependent on personal savings, as opposed to corporate-funded pension plans for retirement income as was the norm for prior generations. 401Ks have become a key part of retirement planning for this people in their earning or "accumulation" phase. In today's retirement horizon, lacking sufficient savings and/or outpacing retirement assets is a genuine and increasing concern. Having a comprehensive plan to ensure you have sufficient retirement savings and revisiting your plan routinely can help retirees feel more confident about their future.

ASK YOURSELF:
Are you saving for retirement? Have you considered the potential risks to your retirement plan? Does your plan adequately protect your loved ones?

1. Accumulation Phase - Your Current Assets

Most of your retirement planning will occur in the "accumulation phase," i.e., your working years up until actual retirement. A diversified retirement portfolio will often have income coming from four primary sources:

Because a will does not take effect until you die, it cannot provide for management of your assets if you become incapacitated. That's why it is important to have other estate planning documents, discussed below, that address the risk of serious illness or incapacity.

Taxable Non-Qualified Accounts
- Stocks
- Bank Accounts
- Mutual Funds
- Annuities
- Real Estates
- Business Income

Tax-Deferred Accounts – Qualified Plans
- 401(K)
- IRA
- 403(8)
- Other Defined Contribution Plans

Tax Free Accounts
- Life Insurance
- ROTH IRA
- Muni Bonds

Other Expected Retirement Income
- Corporate Funded Pensions
- Social Security

2. Retirement Risks - Expect The Unexpected

A variety of unforeseen factors could deplete your retirement savings more quickly than expected, including:

- **Inflation Risk**
  What will happen if out of control inflation reduces the purchasing power of your retirement income? If your earnings are not keeping up with inflation, you may run out sooner than expected.

- **Increased Spending Risk**
  How long can your accounts sustain your anticipated retirement lifestyle if the amount you withdraw each year (or multiple years) exceeds the amount you budgeted to withdraw? Wise planning considers large or unexpected expense such as long-term care costs, home improvements or repairs, and financially supporting children or grandchildren.

- **Investment Risks**
  If your retirement accounts underperform, how will your retirement income be affected? Do you have the ability to make up for losses? Markets are unpredictable, and financial models indicate that retiring during a down market (even if it only lasts one year) will negatively affect your portfolio (compared to someone who retires during a bull market).

- **Tax Increase Risk**
  What happens if taxes increase? When retirement income is derived primarily from qualified retirement accounts, an increase in taxes means less purchasing power.

- **Long Term Care Event Risk**
  How would a long-term care event affect your retirement savings?

- **Life Expectancy Risk**
  How long are your assets projected to last? Will you outlive your assets?

Life Expectancy Trends are Changing [2]

With the COVID pandemic, U.S. men saw life expectancy fall by nearly 2.3 years, from about 76.7 to 74.4. Women lost more than 1.6 years of life expectancy, from about 81.8 to 80.2. Here is a helpful longevity calculator based on your personal information: https://www.longevityillustrator.org

3. The Retirement Safety Net

A permanent life insurance policy can be an effective safety net – helping to protect you against some, or all, of these unplanned retirement risks. This safety net approach also provides financial protection for loved ones. Once qualified plan contributions have been maximized, a life insurance policy can allow you to supplement your retirement income in later years and offer the following additional benefits:

Income Tax-Free[4] Death Benefit To Your Survivors To Provide Financial Protection

Access To Tax-Free Income From The Cash Value That Accumulates Inside Your Policy[2] Through Loans and Withdrawals

Access To Up To 100% Of Your Death Benefit Income-Tax Free Should You Need Long-Term Care[3]

Premiums Covered In The Event Of A Total Disability

Death Benefit

At its core, cash value life insurance is a protection vehicle. Life insurance generally provides an income-tax free death benefit to your survivors, making it an excellent way to ensure that your family has the money they need to maintain their current standard of living and meet their financial goals. An heir is assumed, but a beneficiary designated. With smart planning, life insurance can help ensure a comfortable retirement for a surviving spouse, help care for siblings or parents, pay for final expenses, or help provide a legacy for children and grandchildren who may depend on you for financial support.

Supplemental Income

Access to the cash value[2] in your life insurance policy may provide an essential backstop should you outlive your primary retirement savings. Your life insurance policy can be an effective way to supplement your other retirement accounts by:

- Providing a source of tax-free retirement income should you (or your spouse) outlive your primary retirement assets
- Providing a source of supplemental income to offset investment losses and/or inflation
- Pay for unexpected costs that may arise, such as housing, medical, and/or other personal expenses

Long-Term Care

More than 70% of people age 65 years and older will have a need for long-term care during their life.[6] Consider how a prolonged long-term care event could affect

- Your ability to work and produce income for your family
- Your retirement savings when large withdrawals are needed to pay for care
- Your ability to leave your spouse and/or children with an inheritance

To help address this risk, adding a rider for long-term care needs to your life insurance policy allows you to accelerate the policy's death benefit, income-tax free, to pay for long-term care expenses. A life insurance policy with a such a rider can be an effective way to preserve your primary retirement assets in the event you need long-term care.

Disability

In the event of disability during your accumulation years, Disability Payment of Specified Premium Rider will pay a specified premium to keep your policy in force so you can re-deploy those assets, that were designated for premium payments, to other areas of need.

Next Steps

Life insurance, purchased as a retirement safety net, can help address some of the challenges you may face in retirement – outliving your retirement assets, needing long-term care, and protecting your family should something happen to you. Talk to your financial professional about using life insurance to help preserve and protect your assets during retirement years.

1. 2021 – NBC News https://www.nbcnews.com/science/science-news/life-expectancy-fell-sharply-us-last-year-high-income-countries-rcna4450
2. Loans and withdrawals will reduce the death benefit and cash surrender value, and may cause the policy to lapse. Lapse or surrender of a policy with a loan may cause the recognition of taxable income. Withdrawals in excess of the cost basis(premiums paid) will be subject to tax and certain withdrawals within the first 15 years may be subject to recapture tax. Additionally, policies classified as modified endowment contracts may be subject to tax when a loan or withdrawal is made. A federal tax penalty of 10% may also apply if the loan or withdrawal is taken prior to age 59 112. Withdrawals are available after the first policy year.
3. When a rider for long-term care needs is added to a policy.
4. Life insurance death benefit proceeds are generally excludable from the beneficiary's gross income for income tax purposes. There are few exceptions such as when a life insurance policy has been transferred for valuable consideration.
5. When a Disability Payment of Specified Premium (DPSP) is added toa policy.
6. U. S. Department of Health and Human Services, National Clearing house for Long-Term Care Information, February2017. http://longtermcare.acl.gov/the-basics/index.html All guarantees and benefits of the insurance policy are backed by the claims-paying ability of the issuing insurance company. Policy guarantees and benefits 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.

Some riders may have additional fees and expenses associated with them.

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Anyone interested in these transactions or topics may want to seek advice based on his or her particular circumstances from independent advisors.

Insurance policies and/or associated riders and features may not be available in all states.

Life Insurance:

- **Is Not a Deposit of Any Bank**
- **Is Not FDIC Insured**
- **Is Not Insured by Any Federal Government Agency**
- **Is Not Guaranteed by Any Bank or Savings Association**
- **Variable Products May Go Down in Value**

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