

TAX DIVERSIFICATION

INDIVIDUAL PLANNING

MAXIMIZING YOUR CLIENT'S CASH FLOW IN RETIREMENT

Tax diversification is a strategy in which you hold assets with different tax treatments. It creates flexibility so you can receive income in a way that helps minimize taxes. Retirement assets are generally taxed in one of three ways:

TAXED BEFORE DEPOSIT	TAXED AS IT GROWS	TAXED AT WITHDRAW
<ul style="list-style-type: none"> • After-tax contributions • No tax on growth • No tax when withdrawn 	<ul style="list-style-type: none"> • Contributions are after-tax • Growth is taxed • No tax when withdrawn 	<ul style="list-style-type: none"> • Contributions are deductible • No tax on growth • Taxable when withdrawn
Types: Life insurance, Roth IRA	Types: Bank account, CDs, money market, mutual funds	Types: 401(k), IRA, 403(b)

By diversifying among financial products, you have flexibility to take income in the most tax-friendly way and potentially lower your tax bill in retirement.

THE BENEFITS OF DIVERSIFYING WITH CASH VALUE PERMANENT LIFE INSURANCE

<p>Security for your family</p> <p>Tax-free death benefit for the beneficiary</p>	<p>No income-based funding limits</p> <p>No restriction on how much can be contributed to the contract based on income.</p>	<p>No age-based penalties</p> <p>Distributions are permitted prior to age 59 ½ without IRS penalty²</p>
<p>Growth potential</p> <p>Cash value grows tax-deferred</p>		<p>Greater diversification</p> <p>Distributions are received income tax-free³</p>

HYPOTHETICAL EXAMPLE

The client has a 401(k) account and a cash-value life insurance policy as they enter retirement. They plan to withdraw \$100,000 this year. Their tax bracket is 25%. In this example, tax diversification provided \$12,500 more than the 401(k) strategy.

HERE'S WHAT THE WITHDRAWAL MIGHT LOOK LIKE USING TWO DIFFERENT STRATEGIES

Strategy 1		Strategy 2		
Using 401(k) account money only		Using a tax-diversified strategy		
401(k) account		401(k) account	CV life insurance	
Withdrawal amount	\$100,000	Withdrawal amount	\$50,000	\$50,000
Tax amount	(\$25,000)	Tax amount	(\$12,500)	(\$0)
Retirement Income	\$75,000	Retirement Income	\$37,500	\$50,000
Total \$75,000		Total \$87,500		

The above is for illustrative purposes only and does not represent the performance of any particular insurance or financial product. Actual results will vary and may be more or less favorable. Withdrawals and loans from life insurance may decrease the amount of death benefit and cash accumulation value.

¹ In exchange for the death benefit, life insurance products charge fees such as mortality and expense risk charges and surrender fees. ² If the life insurance policy is a MEC, withdrawals prior to age 59 ½ may be subject to a 10% IRS penalty.

³ Distributions from your life insurance policy are generally received income tax-free. If the policy is a Modified Endowment Contract (MEC), however, distributions may be subject to current income taxes.

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