

## Will your client's 401(k) and Social Security Benefits be enough at retirement?

What Percentage of Earned Compensation Will a 401(k) and Social Security Benefits Provide?					
Compensation	\$50,000	\$100,000	\$150,000	\$200,000	\$250,000
401(k) Annual Contribution (10% of Compensation) <sup>1</sup>	\$5,000	10,000	15,000	18,000	18,000
401(k) Annual Benefits at age 67 <sup>2</sup>	14,680	29,366	44,052	52,864	52,864
Social Security Benefits Beginning at age 67 <sup>3</sup>	21,036	30,984	35,554	35,760	35,784
Total Retirement Income Beginning at age 67	35,716	60,350	79,606	88,624	88,648
% of Comp. Replaced by Social Security and 401(k)	<b>71%</b>	60%	53%	44%	<b>35%</b>

<sup>1</sup> The maximum contribution for 2017 is \$18,000. Does not reflect the use of the catch-up provision. <sup>2</sup> Assumes: (1) Male age 45 (6/15/1972) contributions for 22 years; (3) growth rate=6%; and (4) payout based on single life annuity, age 67. <sup>3</sup> Social Security benefits are based on the Quick Benefit Calculator at [www.ssa.gov](http://www.ssa.gov).

**This hypothetical example is for illustration purposes only.**  
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### Retirement Saving Options

Features	Life Insurance	Taxable Investments	401(k)/ Traditional IRA	Roth IRA	Municipal Bonds
Tax-deferred growth	✓		✓	✓	
Tax-advantaged distributions	✓			✓	✓
No contribution limits	✓	✓			✓
No additional tax for early withdrawals	✓	✓			✓
Will not increase tax expenses, Social Security taxation, or Medicare premiums	✓			✓	
Income tax-free death benefit	✓				

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## Advantages of Cash Value Life Insurance in Retirement Planning

- Income-tax-free death benefit for beneficiaries\***
- No defined IRS limitation on premiums\***
- No limit on gross income affecting your ability to contribute premiums**
- Missed premiums may be “made up” at a later time\***
- Tax-deferred accumulation\***
- Distributions using withdrawals and loans are income-tax-free when structured properly\***
- Access to your values prior to age 59½\***
- Take distributions as needed\***
- No required minimum distributions (RMDs) for owners**
- Self-completing upon death**
- Death benefit exceeds account value**

\* Policy must comply with IRS requirements to qualify as a life insurance contract. Total premiums in the policy cannot exceed funding limitations under IRC 7702. Withdrawals during the first 15 years of the contract may be treated as income first and includible in policyholder's income. If the policy is classified as a modified endowment contract (see IRC 7702A), withdrawals or loans are subject to regular income tax and an additional 10% tax penalty may apply if taken prior to age 59 ½. Distributions will reduce policy values and may reduce benefits. Availability of policy loans and withdrawals depend on multiple factors including but not limited to policy terms and conditions, performance, and fees or expenses.

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### LIRP Design

1. Select Life Insurance Policy
2. Client is Owner/Insured
3. Death Benefit set to Minimum Non-MEC
4. Client pays scheduled premiums  
- usually short-pay until retirement
5. Policy cash value can be accessed during retirement for supplemental income
6. Beneficiaries will receive valuable income tax free death benefit

Not an actual case, and is a hypothetical representation for illustrative purposes only

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## CASE STUDY

Age 40, good health
Occupation: Chiropractor
Annual W-2 Income: \$400,000
Targeted Retirement Age: 67 (full Social Security Benefits)
Targeted Annual Retirement Savings: -10% of W-2 Income = \$40,000
Current annual contributions to 401(k): \$18,000
Additional annual amount targeted to contribute: \$22,000



<b>Life Insurance Policy Assumptions:</b>
Minimum Death Benefit (initially \$600,000)
Underwriting Class: Preferred Non Tobacco
Option B increasing death benefit during contribution phase
Option A level death benefit during distribution phase
Assumed average annual growth rate (gross): 6.06%
Pay premium to age 67
Withdrawals and loans for 20 years beginning at age 68

### Life Insurance Policy Non-Guaranteed Values:

**Premiums:** \$22,000 per year for 27 years = \$594,000

**Illustrated Accumulated Value:** At age 67 = \$1,444,205

**Distributions:** \$125,000 per year for 20 years = \$2,500,000

Before tax equivalent (40% Tax Bracket) \$4,166,666

For more information contact your local AIMCOR member agency or visit [www.aimcorgroup.com](http://www.aimcorgroup.com)

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