

TAX DIVERSIFICATION

Maximizing your clients' cash flow during retirement is important and, often, imperative to your client's ability to maintain their lifestyle. One of the most frequently overlooked ways to accomplish this is by minimizing taxes through diversification.



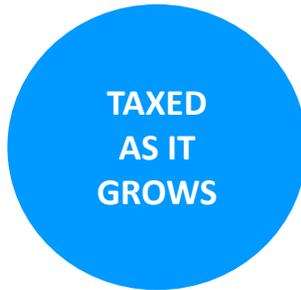
WHAT IS TAX DIVERSIFICATION

Tax diversification is a strategy where you hold assets that have 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:



- After-tax contributions
- No tax on growth
- No tax when withdrawn

Types: life insurance, Roth IRA



- Contributions are after-tax
- Growth is taxed
- No tax when withdrawn

Types: bank account, CD, Money Market, Mutual Fund



- Contributions are deductible
- No tax on growth
- Taxable when withdrawn

Types: 401(k), traditional 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

Security for your family

Income tax-free death benefit* for the beneficiary

Growth potential

Cash value grows tax-deferred so it builds faster.

No income-based funding limits

Save more because there's no income restriction limiting how much you can pay into your policy.

No age-based penalties

You may take distributions from your policy prior to age 59½ without IRS penalty**

Greater tax diversification

Distributions are received income tax-free***, offsetting other taxable income.

HYPOTHETICAL EXAMPLE

Client has a 401(k) account and a cash value life insurance policy as they enter into retirement. They plan to withdraw \$100,000 this year. Their tax bracket is 25%.

Here's what the withdrawal might look like using two different strategies:

In this example, tax diversification provided \$12,500 more than the 401(k) strategy.

STRATEGY 1

Using 401(k) account money only

401(k) account

Withdrawal amount	\$100,000
Tax amount	- \$25,000

Retirement Income	\$75,000
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STRATEGY 2

Using a tax-diversified strategy

401(k) account

Withdrawal amount	\$50,000
Tax amount	(\$12,500)

Retirement Income	\$37,500
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CV life insurance

Withdrawal amount	\$50,000
Tax amount	-\$0

+

Retirement Income	\$50,000
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TOTAL RETIREMENT INCOME = \$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.



With its tax-free income potential, adding life insurance to your portfolio may help you lower your tax bill in retirement. Your financial professional will help you create your personal diversification strategy.

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