



Using Life Insurance to Help Supplement Retirement Income

Tip Sheet

CONCEPT

The retirement planning strategy uses indexed universal life insurance (IUL) to provide clients with death benefit protection while offering the potential to help supplement their income during retirement.

CLIENT PROFILE

- Aged 25 to 60
 - Has a need for life insurance
 - Seeking additional financial security in retirement years
- May also include:
- Those who have met contribution limits for other plans
 - Clients concerned about possible market losses
 - Those looking for possible tax-advantaged solutions and/or concerned about future tax rates¹

NEED TO KNOW

- Is there a minimum death benefit amount needed? If so, what amount?
- How much premium is available to spend?
- May the premium be increasing in the future? If so, to what levels?
- What is the client's desired retirement age?
- What interest rate assumption should be used?

TIPS AND TALKING POINTS

- Start with the minimum death benefit desired. This is often achieved with an increasing death benefit option, changing to the level option in the year following the last premium payment.
- Consider a level death benefit as an alternative illustration to show more death benefit protection during working years.
- Consider a defined benefit solution. This is where a specific income is desired and the premium and death benefit are adjusted to meet specified goals to help supplement retirement income.
- Inflation protection: Consider an income stream that has an inflation factor of growth.
- Variable interest rate loans: If the illustrated rate is above 6%, a variable interest rate loan may result in one of the best illustrated solutions.
- Guideline Premium Test (GPT) is usually the best option for your client when illustrating retirement planning cases.
- Consider leaving room in the face amount for potential future premium growth.
- Show the performance. Insmark can be used to compare to an alternate financial vehicle. An Internal Rate of Return report can also be effective.

- Be aware that North American's illustrations show the age at the end of the year, while policy loans are illustrated as being taken at the beginning of the year (one year younger).
- Discuss the value of the income stream being generally tax-free via policy loans (assumes non-modified endowment contract status (MEC)). Consider state taxes as well as federal. Consider the possibility of future tax rates going up.^{1, 2, 3, 4}
- Remember that there are no required minimum distributions.

PRODUCTS

Look to these North American IUL products for the retirement planning scenario:

- Builder IUL®: With strong potential for cash value accumulation, Builder IUL is one of the most popular solutions for retirement planning scenarios.
- Guarantee Builder IUL®: This can be effective for tobacco users, as it allows a lower face amount on minimum death benefit solves. The Guarantee Builder can also be effective for those that may not need the cash value in the future and decide to leave the insurance as a guaranteed death benefit for legacy building.
- Survivorship IUL: As a last survivor product, this can be an ideal solution for a married couple, as it may allow a potential income stream as long as either insured is alive.

MARKETING PIECES

North American has a full set of materials on using life insurance to help supplement retirement income—from educational videos to a complete sales concept kit, including agent and consumer brochures, checklists, and case studies.

Visit the Retirement planning landing page [here](#) today to download the complete kit!

Start today and help clients meet their financial protection goals now.

Index Universal Life products are not an investment in the "market" or in the applicable index and are subject to all policy fees and charges normally associate with most universal life insurance.

1 Neither North American Company nor its agents give tax advice. Please advise your customers to consult with and rely on a qualified legal or tax advisor before entering into or paying additional premiums with respect to such arrangements.

IRS CIRCULAR 230 NOTICE

Any tax advice included in this written or electronic communication, including any attachments, was not intended or written to be used, and it cannot be used by you or any taxpayer for the purpose of avoiding any penalties that may be imposed on you or any other person under the Internal Revenue Code or applicable state or local tax law provisions. Although any tax advice contained herein was written to support the promotion or marketing of the transaction(s) matter(s) addressed by the advice, it cannot be used by you or any taxpayer to, promote, market or recommend to another party any transaction or matter addressed herein. Taxpayers should seek advice based on their particular circumstances from an independent tax advisor.

2 The tax-deferred feature of universal life or indexed universal life insurance is not necessary for a tax-qualified plan. In such instances, your client should consider whether other features, such as the death benefit and optional riders make the policy appropriate for the client's needs. Before purchasing a policy, your client should obtain competent tax advice both as to the tax treatment of the policy and the suitability of the product.

3. Income and growth on accumulated cash values is generally taxable only upon withdrawal. Adverse tax consequences may result if withdrawals exceed premiums paid into the policy. Withdrawals or surrenders made during a Surrender Charge period will be subject to surrender charges and may reduce the ultimate death benefit and cash value. Surrender charges vary by product, issue age, sex, underwriting class, and policy year.

4. For most policies, withdrawals are free from federal income tax to the extent of the investment in the contract, and policy loans are also tax-free so long as the policy does not terminate before the death of the insured. However, if the policy is a Modified Endowment Contract (MEC), a withdrawal or policy loan may be taxable upon receipt. Further, unpaid loan interest on a MEC may be taxable. A MEC is a contract received in exchange for a MEC or for which premiums paid during a seven-year testing period exceed prescribed premium limits (7-pay premiums).

Builder IUL is issued on policy form series LS172, Survivorship IUL without the Waiver of Surrender Charge Option is issued on policy form series LS171 and with the Waiver of Surrender Charge, LS171W, Guarantee Builder IUL is issued on policy form series LS175 by North American Company for Life and Health Insurance, Administrative Office, Sioux Falls, SD 57193. Products, features, issue ages, endorsements or riders may not be available in all jurisdictions. Limitations or restrictions may apply.

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