ADVANCED MARKETS INSIGHT

ATLAS
ADVISORY GROUP, LLC
Grow Protect Preserve

Planning for Retirement with Cash Value Life Insurance

M Financial Group's Advanced Markets Insights are designed to help clients understand sophisticated planning strategies and their applications.

M Financial Group continues to lead the industry in insurance due care and client advocacy, providing valuable insight and analysis that delivers significant value to clients.

The Challenge

The prospect of a financially secure retirement is a key goal of most successful people. Unfortunately, relatively few options exist to accumulate sufficient retirement funds in a tax-efficient way. Traditional retirement accounts (such as 401(k)s or IRAs), which offer the benefits of tax-deductible (or pre-tax) contributions and tax-deferred growth, also have annual contribution maximums. These limits may restrict affluent individuals from fully achieving their financial objectives.

How Can Life Insurance Help?

Cash value life insurance can be a valuable means of saving additional funds for retirement. Premiums paid into permanent life insurance contracts can generate a cash value which grows tax-deferred. At retirement, tax-favored loans and withdrawals can be used to access the cash value, creating a stream of cash flow to supplement other retirement income.

In addition, life insurance policies feature a death benefit that will be received income tax free[1] by heirs.

Forms of Cash Value Life Insurance

Cash value life insurance varieties include:

- Whole Life Insurance
- Current Assumption Universal Life Insurance
- Equity-Indexed Universal Life Insurance
- Variable Universal Life Insurance

Some of these policies involve market risk, including the loss of principal. A properly licensed and qualified insurance professional can help determine the appropriate form of insurance to fit specific needs.

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Member Firm

1 Life insurance death benefit proceeds are not subject to income tax in most cases. Certain exceptions may apply. Clients should seek the advice of their professional advisors.

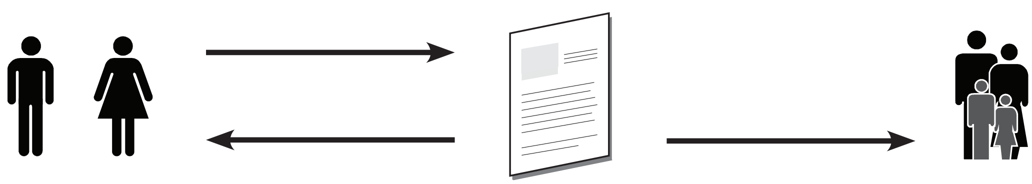
Other Things You Should Know

- A significant advantage of cash value life insurance over most traditional qualified plans is that loans and withdrawals from insurance policies are optional and may be taken at any time. Most qualified retirement plans require minimum distributions after age 70½ and subject distributions to early withdrawal penalties if taken prior to age 59½.
- Depending on the policy performance, the cash value available for loans and withdrawals may be worth more or less than the original premiums contributed.
- An insurance policy may lose some of its tax advantages if it becomes classified as a Modified Endowment Contract (MEC). When a distribution of cash value is made from an MEC, taxation may occur. If the loan or withdrawal is taken prior to age 59½, a federal tax penalty of 10% may also apply.
- Surrender charges usually apply to cash value life insurance policies in the early policy years.
- Withdrawals and loans must be properly structured, as they will reduce the policy death benefit and may cause the policy to lapse. If a life insurance policy lapses with an outstanding loan, adverse income tax consequences may occur.
- In most cases, premiums are not tax-deductible.

Sample Cash Value Life Insurance Cash Flow

Premiums Paid

1. Premiums are paid into a cash value life insurance policy.



Distributions Taken

2. At retirement, policy cash values may be accessed via tax-free withdrawals up to cost basis and tax-free loans.

Death Benefit

3. Heirs receive death benefits income tax free.

For More Information

To learn more,
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