



Life insurance in a qualified plan

Advanced Markets

The potential to optimize pretax dollars
for family and business protection



EQUITABLE

Leveraging pretax retirement dollars

Successful business owners may have significant insurance needs. Using pretax qualified plan dollars may be a means by which business owners gain the necessary life insurance coverage to provide their families with financial security and help ensure the continuation of their business.

People who may benefit the most from purchasing life insurance in qualified plans include business owners and partners who have:

- Significant personal life insurance needs.
- Considerable accumulated assets in a qualified plan or assets in an IRA that could be moved to a qualified plan.
- Other retirement income sources that are more than sufficient.
- A desire to bequeath assets to children and grandchildren.
- Potential future estate tax liabilities.

Qualified plan basics

Above all, qualified plans are designed to accumulate assets for retirement, since:

- Contributions are tax-deductible to the employer plan sponsor.
- Contributions are tax-deferred to the employee participant.
- Growth in qualified plan values are tax-deferred for the employee participant.
- Plan assets are generally sheltered from creditors.

When the plan permits, purchasing life insurance within a qualified plan can be an excellent means by which business owners can leverage pretax dollars while protecting their beneficiaries and assets.

Not all qualified plans have provisions allowing for the purchase of life insurance. However, business owners may have the ability to include a life insurance option for new or existing qualified retirement plans.

Important note

Equitable Financial and its affiliates believe that education is a key step toward addressing your financial goals, and we've designed this material to serve simply as an informational and educational resource. Accordingly, this brochure does not offer or constitute investment advice, and makes no direct or indirect recommendation of any particular product or of the appropriateness of any particular investment-related option. Your needs, goals and circumstances are unique, and they require the individualized attention of your financial professional.

Benefits

Death benefit protection

In the event of the insured business owner's death, benefits paid help protect their loved ones' financial security. Additionally, benefits paid may also help in the transition of the business's management responsibilities to a desired family member.

Additional financial resources to pay insurance premiums

Due to family, investment and business expenditures, premium dollars for needed life insurance coverage may be limited. Qualified plan values or contributions may be an additional source of needed life insurance premium dollars.

Self-completing retirement asset

In a case of premature death, retirement savings contributions may cease. The business owner's surviving spouse may have been relying on continued contributions to achieve a planned retirement income level. A life insurance death benefit can immediately fund this future source of retirement income.

Potential tax-free death benefit

For life insurance within a qualified plan, the beneficiary receives the death benefit less the policy's cash surrender value, income tax-free. Upon transfer of ownership outside of a qualified plan, the entire death benefit can be received income tax-free (taxes may be due if the policy is not purchased for its fair market value).

Options to continue coverage

Those leaving their jobs have several options for coverage continuation. These include having the qualified plan distribute the policy to themselves or transferring the policy to another qualified plan (if the plan will accept life insurance). If estate planning is an objective, a trust can be established to purchase or to receive the policy as a gift (policy's fair market value must be determined in accordance with IRS guidelines).

Tax treatment of current life insurance benefits

The election of a life insurance benefit within a qualified plan is deemed to be a current plan benefit and is treated similarly to employer-provided group life insurance. The value of the current protection is determined using a government table, Table 2001, or a life insurance company's alternative term rates if available.¹

Plan participants essentially pay the tax on a term insurance rate for the current life insurance protection rather than paying tax on the actual permanent life insurance premium. The rates applied are a standard rate available to all insureds and ignore smoking status and substandard rating charges.

¹ Equitable Financial does have an alternative term rate schedule available.

For more information about purchasing life insurance inside a qualified plan, please contact your financial professional.

Please be advised that this document is not intended as legal or tax advice. Accordingly, any tax information provided in this document is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer. The tax information was written to support the promotion or marketing of the transaction(s) or matter(s) addressed, and you should seek advice based on your particular circumstances from an independent tax advisor.

Life insurance products are issued by Equitable Financial Life Insurance Company (NY, NY) or Equitable Financial Life Insurance Company of America and co-distributed by affiliates Equitable Network, LLC (Equitable Network Insurance Agency of California in CA; Equitable Network Insurance Agency of Utah in UT; Equitable Network of Puerto Rico, Inc. in PR) and Equitable Distributors, LLC. For New York state-based (i.e., domiciled) Equitable

Advisors Financial Professionals, life insurance products are issued by Equitable Financial Life Insurance Company (NY, NY). All companies are affiliated and directly or indirectly owned by Equitable Holdings, Inc., and do not provide tax or legal advice. You should consult with your tax and legal advisors regarding your particular circumstances.

Equitable is the brand name of the retirement and protection subsidiaries of Equitable Holdings, Inc., including Equitable Financial Life Insurance Company (NY, NY); Equitable Financial Life Insurance Company of America, an AZ stock company; and Equitable Distributors, LLC. Equitable Advisors is the brand name of Equitable Advisors, LLC (member FINRA, SIPC) (Equitable Financial Advisors in MI & TN). The obligations of Equitable Financial and Equitable America are backed solely by their claims-paying abilities.

Life Insurance: • Is Not a Deposit of Any Bank • Is Not FDIC Insured • Is Not Insured by Any Federal Government Agency
• Is Not Guaranteed by Any Bank or Savings Association • May Go Down in Value

© 2022 Equitable Holdings, Inc. All rights reserved. GE-3156103.2 (10/22) (Exp. 10/24) | G1890839 | Cat. #136501 (10/22)



EQUITABLE