EQUITABLE

Enhancing your benefits

Pension Maximization

Advanced Markets

Retirement is about making the most of what you have to achieve the freedom to pursue your passions.

But life is full of surprises. How can you stay protected from life's uncertainties so you can enjoy life today and feel confident you're ready for tomorrow?

Married couples, where one spouse is retiring as a participant in a pension or defined benefit plan, must choose between getting payments for the lifetime of the participant, or receiving smaller payments over the lifetimes of both spouses.

Before making a choice, consider some important questions:

If the participant dies first, will the surviving spouse have enough income from another source to continue living a comfortable etirement?

Is the difference between the single-life benefit and the joint-life benefit enough to justify the risk of choosing the higher benefit?

What strategies are available to mitigate the risk of choosing a single-life benefit? Those struggling to answer these questions should consider the possibility of choosing the pension maximization (Pension Max) strategy.

The situation

Let's take a look at Bill and Karen to see how Pension Max may be the right strategy for them. Bill and Karen are age 60, and are 5 years away from retiring. They have three adult children. Bill is a participant in a defined benefit plan at his current employer. He has asked the employer for the projected retirement benefits that will be paid by the plan.

If Bill picks the life-only option, he will be entitled to $3,000/month. However, upon Bill's death, that $3,000/month ceases. If Bill chooses the 100% joint and survivor benefit, he and Karen will receive $2,000/month while at least one of them is still living. For example, if Bill dies, Karen will continue to receive the $2,000/month and vice versa.

Bill's monthly income at retirement at age 65

Life-Only Benefit with No Survivorship — $3,000 *per month*

100% Joint and Survivor Benefit — $2,000 *per month*

A strategy

Bill's advisor recommends that he consider taking the larger payout, $3,000 per month, and using a portion of the extra amount to purchase a permanent life plan on Bill's life. His advisor has projected that if Bill were to die at age 65, a death benefit of $338,265 would be able to provide Karen with $2,000[1] per month until her age 90, 25 years. Each year Bill lives beyond age 65 reduces the years between Karen's current age and age 90. As a result, if Bill were to die in a later year, the initial life insurance amount would support a potentially greater annual withdrawal for Karen, ensuring funds available beyond her age 90, or provide an additional legacy for Bill's and Karen's heirs.[2] Bill is in good health and can buy the insurance coverage for $438/month.

Even though the premiums begin preretirement, the flexibility that the plan offers — as well as the enhanced benefit for Bill and Karen at retirement — make Pension Max a good strategy for them.

Year	Life-Only Annual Pension Increase over J & S Benefit	Premium Per Year	Death Benefit[2]	Potential Monthly Withdrawal Amount[2]
1	$12,000	$5,262	$338,265	0
5	$12,000	$5,262	$338,265	$2,000/month
10	$12,000	$5,262	$338,265	$2,000/month
15	$12,000	$5,262	$338,265	$2,000/month
20	$12,000	$5,262	$338,265	$2,000/month
25	$12,000	$5,262	$338,265	$2,000/month

Assuming Bill's early post-retirement death at age 65, the policy would provide the following options:

A $338,000 lump-sum death benefit that would be available to Karen should she need it, or

Generate $2,000[1]/month for Karen — exactly equal to the joint and survivor benefit identified above *(assuming a 3% interest rate on the invested death benefit)* for 25 years,

Provide Karen with cash for supplemental income during her lifetime if she would rather take a lump sum instead of monthly income at a future date,

Any amount left at Karen's death would be available for their children, something that wouldn't be available with the pension benefit.

If Karen dies before Bill, he can surrender the policy and continue to get his life-only pension amount, supplement his pension with the policy's cash values, or he can choose to continue the policy and increase his childrens' inheritance.

Pension Max is not fit for every situation. It works best where:

- Clients are in the 55–60-year-old (preretirement) age group where there is a defined benefit pension benefit.
- There is a significant difference between the single-life and joint-life benefit amounts.
- The participant spouse is healthy and can buy insurance at a reasonable price.
- Only a portion of the single-life benefit amount will be needed for life insurance.
- The life insurance on the plan participant can be purchased at a reasonable price.
- There are no valuable benefits that an employer provides that hinge on choosing the joint and survivor benefit.

Is Pension Maximization right for you?

It depends on a number of factors, such as your financial situation, health, objectives, and the options and benefits you have under your employer's retirement plan. Your financial, legal and tax advisors can assist you with your decisions, and in developing the strategy that is most appropriate for you.

Why Equitable

To help protect the financial security of our clients and their families, we offer:

- Strength and stability. For 160 years, we've been working with clients across generations, building on what's proven and pursuing what's possible.
- A wide range of cash value life insurance policies, one of which might fit your death benefit and cash value accumulation needs.
- Our software can help guide you in designing a life insurance policy that meets your death benefit needs, and shows how the cash values can supplement your retirement.
- A Long-Term Care Services℠ Rider that allows you to receive an accelerated life insurance benefit that can be used for qualified long-term care expenses.[3]

Equitable Financial Life Insurance Company and Equitable Financial Life Insurance Company of America offer the Charitable Legacy Rider,® which can be added to certain policies to offer a benefit to a charity or charities of your choice. Equitable is currently the brand name of Equitable Holdings, Inc. and its family of companies, including Equitable Financial Life Insurance Company (Equitable Financial) (NY, NY); Equitable Advisors, LLC (member FINRA, SIPC) (Equitable Financial Advisors in MI & TN); and Equitable Distributors, LLC. The 160-year history reference applies exclusively to Equitable Financial Life Insurance Company.

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1 Before tax equivalent assuming a 28% tax bracket.

2 This is a supplemental illustration and must be read in conjunction with the basic illustration. The basic illustration contains values using the same underwriting assumptions as this supplement at both guaranteed charges and guaranteed interest rates, and contains other important information. The values represented here are for a $338,265 IUL Protect policy with level death benefit on a 60-year-old man, preferred non-smoker, and assumes current charges. If they were to receive a 0% gross rate of return and maximum charges were assessed on the policy, the policy would fail in year 30, by which point, $157,860 of the cumulative premium would have been paid. The values here are intended to offer a hypothetical representation based on illustrated rates when this marketing item went to print in December 2018. Actual results will vary based on the underwriting classification and crediting rate offered when an illustration is on a different date. Please review a basic illustration containing values based on your own individual age and underwriting class containing both guaranteed charges and guaranteed interest rates, as well as other important information. Your financial professional can provide you a copy of the basic illustration.

3 The Long-Term Care Services℠ Rider does have an additional cost, and is subject to restrictions and limitations. You may qualify for life insurance, but not for the Long-Term Care Services℠ Rider. Please review this rider with your financial professional.

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