Preparing for life's uncertainties

Life insurance to preserve income you won't outlive

Enhance your client's retirement income for dollars a day

Minimum wage in some states today is $7.25/hour, or $14,500 per year.[1] If your client pays that same hourly wage into a life insurance policy as premiums, in addition to the death benefit available for their beneficiaries, there is the potential to build a substantial supplemental retirement fund. Here's how:

All along, the policy is providing clients a needed death benefit.

- Cash values that accumulate in a life insurance policy can grow free of income taxes.
- Cash values can be accessed in retirement through withdrawals and loans, which are generally free of income taxation.[2]
- Clients can contribute funds into the policy (as life insurance premiums) in excess of their limits on IRAs, Roth IRAs and 401(k)s. Look for clients who are active contributors to qualified plans and who have money left over to contribute.
- In retirement, clients can draw on funds as needed.

Meet Tony

- **Has a life insurance need.**
- **Is already funding other retirement options.**
- **Has additional funds to contribute toward retirement.**
- **May have an optimal amount to meet death benefit and premium needs even if he cannot contribute the funds shown here.**

Tony is 45 years old, needs $400,000 of life insurance for his family and also has excess funds he needs to contribute to retirement. If he contributes premiums of $14,500/year (current minimum wage), this hypothetical illustration shows what he might see.

Male age 45, preferred nontobacco underwriting classification

Age	Year	Premium	Cash surrender value	Withdrawals and loans	Death benefit
45	1	$14,500	$4,480	$0	$412,760
55	10	$14,500	$171,062	$0	$571,062
65	20	$14,500	$524,279	$0	$639,621
66	21	0	$512,047	$45,812	$614,457
75	30	0	$354,632	$45,812	$391,586
85	40	0	$21,041	$45,812	$56,862
95	50	0	$6,376	$0	$14,510

20 years of premiums at $7.25 an hour or $14,500/year.

Tony can build cash surrender value in a tax-deferred manner.

20 years of tax-free withdrawals and loans from ages 66–85, projected at $45,812. If Tony is in a 24% tax bracket, that's the equivalent of approximately $60,279 of taxable income.

All along, Tony maintains a death benefit for his family and heirs.

The hypothetical illustration 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 supplemental at both guaranteed charges and guaranteed interest rates, and contains other important information. The values represented here are for a $400,000 VUL Optimizer® policy on a 45-year-old male preferred nonsmoker. The values reflect the cost of 20 years of premiums. The values represented here are non-guaranteed and assume current charges and a current interest rate of 7%. If guaranteed rates and charges are used, the policy would fail in year 24.

Other considerations

Life insurance carries underlying charges and costs of insurance, so this strategy is appropriate where there is an existing life insurance need.

Care must be taken when funds are withdrawn or borrowed. Excess withdrawals and loans might cause a policy to fail as a life insurance contract and trigger unexpected taxable income. Care should also be taken that the policy does not become a modified endowment contract (MEC), which might also trigger unexpected income tax consequences.

To learn more, call Equitable Advanced Markets or visit equitable.com.

1 Based on a 40-hour work week; 50 paid weeks in a year.

2 Policy loans and withdrawals will reduce the face amount of coverage and cash value and increase the chance a policy may lapse. If a policy lapses, the loan or withdrawal balance will become taxable.

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