The Roth IRA alternative

A case study using cash value life insurance

Perhaps you've looked into contributing to a Roth IRA

After all, a Roth IRA can be a valuable part of your overall retirement income strategy, offering:

- Tax-free accumulation
- Tax-free distributions
- No required minimum distributions (RMDs)

But you don't qualify

You may have maximized your Roth IRA contributions (the maximum is $6,000 per year; $7,000 if age 50 or older) or your income may be too high for you to be eligible. You've maxed out your 401(k) and want to save more for retirement, but you're not sure how.

Consider life insurance as a Roth IRA alternative

If you have a need for life insurance protection and want to save additional money for retirement, but don't qualify for a Roth IRA, a cash value life insurance policy may be a strategy for you.

If you have a higher risk tolerance, a variable universal life (VUL) insurance contract may be an option. VUL has the primary purpose of providing a death benefit to your beneficiaries. It has the secondary potential to build policy cash values, depending on individual investment objectives and elections through customized, professionally managed investment portfolios. In general, cash value life insurance, unlike term insurance, is characterized by its ability to accumulate cash value within the contract over time.

As you can see, cash value life insurance offers many of the same benefits as a Roth IRA

Tax-free accumulation	Roth IRA	Cash value life insurance as a Roth IRA alternative
Tax-free accumulations	Yes	Yes[1]
Tax-free distributions	Yes	Yes[1]
Tax-free income to beneficiaries	Yes	Yes
Requirement for RMDs	No	No
Contribution ceiling[2]	Yes	**No**
Income limitation	Yes	**No**
Earned income contributions requirement	Yes	**No**
Tax penalty on early distributions	Yes	**No[1]**
Deductible contributions[2]	No	No

1 Under current federal tax rules, you may generally take federal income tax-free withdrawals up to your basis (total premiums paid) in the policy or loans from a life insurance policy that is not a Modified Endowment Contract (MEC). Certain exceptions may apply for partial withdrawals during the policy's first 15 years. If the policy is a MEC, all distributions (withdrawals or loans) are taxed as ordinary income to the extent of gain in the policy, and may also be subject to an additional 10% premature distribution penalty prior to age 59½, unless certain exceptions are applicable. Loans and partial withdrawals will decrease the death benefit and cash value of your life insurance policy, and may be subject to policy limitations and income tax. In addition, loans and partial withdrawals may cause certain policy benefits or riders to become unavailable, and may increase the chance your policy may lapse. If the policy lapses, is surrendered or becomes a MEC, the loan balance at such time would generally be viewed as distributed and taxable under the general rules for distribution of policy cash values.

2 While contributions apply to a Roth IRA, contributions to a life insurance policy are called premiums.

See the Roth IRA alternative in action:

Meet Greg and Kelly

Both are:

- 45 years old
- Successful professionals earning more than $206,000 in income per year
- In need of life insurance protection
- Maxed out in their 401(k)s
- No longer qualified for a Roth IRA, due to their income level
- Willing to contribute an additional $30,000 per year over the next 5 years to save for retirement

If they purchase an Equitable Advantage Max℠ life insurance policy and fund it for 5 years (total $150,000), they may be able to take $35,000 per year in income for 20 years (total $700,000) and still maintain some life insurance benefit under current rates.

Things to think about before moving ahead:

While there are similarities between a Roth IRA and cash value life insurance, there are also differences. A Roth IRA is an IRS plan designed to facilitate retirement savings. Cash value life insurance is a contract that builds value and provides a death benefit backed by the claims-paying ability of the issuing life insurance company. Carefully review all the features, benefits and costs of a cash value life insurance policy with your financial professional before making a purchase.

1. If your life insurance policy lapses, you will lose the death benefit and may lose substantial money in the early years.
2. To be effective, you need to hold the policy until death. A life insurance policy generally takes years to build up a substantial cash value.
3. Tax-free distributions will reduce the cash value and face amount of the policy.[1] You may need to pay higher premiums in the later years to keep the policy from lapsing.
4. You must qualify medically and financially for life insurance, unlike a Roth IRA.

Generally, there are additional charges associated with a life insurance policy, including, but not limited to, a front-end load, administrative fees, mortality and expense risk charges, investment management fees, cost of insurance charges, charges for optional benefits selected and potential surrender charges.

The Roth IRA alternative in action

The chart below helps demonstrate the way a VUL policy operates and how the performance of the underlying investment accounts could affect the policy cash value and death benefit. It may not be used to project or predict investment results.

Age	Cumulative premiums	Cumulative distributions	Non-guaranteed cash value	Life insurance death benefit
46	$30,000	$0	$26,000	$396,000
55	$150,000	$0	$213,500	$396,000
65	$0	$0	$441,200	$645,400
66	$0	$38,400	$433,400	$624,000
75	$0	$384,200	$323,500	$474,200
85	$0	$768,400	$48,000	$142,800

Cumulative distributions consist of loans and withdrawals that will reduce your cash value and death benefit. See footnote 1 for more info.

Non-guaranteed cash value is the hypothetical internal policy account value based on projected subaccount performance, minus surrender charge. This is a supplemental illustration and must be read in conjunction with by the basic illustration. The values represented here are for a $395,000 Equitable Advantage Max℠ policy on a 45-year-old male select non-smoker. The values reflect the cost of 5 years of premiums illustrated at a 8% gross rate of return and current charges. If you were to receive a 0% gross rate of return and maximum charges are assessed in the policy, the policy would fail in year 22, by which point $150,000 of cumulative premium would have been paid. Please refer to the basic illustration and current prospectus for more information. To determine how this approach might work for you, individual illustrations based on your own individual age and underwriting class, containing both guaranteed charges and guaranteed interest rates, as well as other important information, should be prepared or requested from your financial professional.

The hypothetical investment results are illustrative only and should not be deemed a representation of past or future investment results. This is not a projection of investment results. Actual investment results may be more or less than those shown and will depend on a number of factors, including investment allocation made by the owner. The death benefit, account value and net cash surrender value for a policy would be different from those shown in the actual gross rates of investment return averaged 0% or 8% over a period of years, but also fluctuated above or below the average for individual policy years. We can make no representation that these hypothetical investment results can be achieved for any one year or continued over any period of time. In fact, for any given period of time, the investment results could be negative.

Alternative scenario

In the previous example, the values reflected 5 years of premiums illustrated at an 8% gross rate of return. Below, we've also included the values that reflect a gross rate return of 0% and guaranteed charges.

Age	Cumulative premiums	Cumulative distributions	Non-guaranteed cash value (0% return at guaranteed charges)	Life insurance death benefit
46	$30,000	$0	$23,900	$396,000
55	$150,000	$0	$109,700	$396,000
65	$0	$0	$97,000	$396,000
68	$0	$76,800	$0	$0
69	$0	$76,800	$0	$0
75	$0	$0	$0	$0

Cumulative distributions consist of loans and withdrawals that will reduce your cash value and death benefit. See footnote 1 for more info.

This chart shows the performance of the contract if maximum guaranteed charges were imposed and the life insurance contract receive a 0% crediting rate in all years. It is illustrated at the same face amount of $395,000 and has the same premium requirements of $30,000 per year for 5 years on a Equitable Advantage Max℠ flexible premium policy on a 45-year-old male select non-smoker. The policy will fail in year 22, at which point $150,000 in premium would have been paid. If the client were to still take the same income withdrawals and loans, cumulative income of $76,800 would have been paid out. See the notes accompanying the chart at non-guaranteed rates for other important information.

Count on Equitable for strategies to fit your needs

We know your needs are unique. That's why we offer a portfolio of life insurance products designed to work with you and adjust as your needs change. Work with your financial professional to find the best fit for you.

For more information on how the Roth IRA alternative could help you, contact your financial professional today.

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This piece is not a complete description of the Equitable Advantage℠ variable life policy. The prospectus contain more complete information about the product, including investment objectives, risks, charges, expenses, limitations and restrictions. Please read the product prospectus and consider the information carefully before purchasing a policy or sending money. You should contact your representative for a copy of the current prospectus.

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