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Whole Life Insurance as Part of Your Retirement Income Strategy

Whole life insurance offers a combination of protection, cash value accumulation, guarantees and income tax advantages that differentiates it from many other financial products.

A whole life policy that you purchase today to help protect your family may also help you enjoy a more secure and comfortable retirement many years from now. Consider some of the ways that whole life could help you be better prepared for retirement.

The information provided is not written or intended as specific tax or legal advice. Individuals are encouraged to seek advice from their own tax or legal counsel.

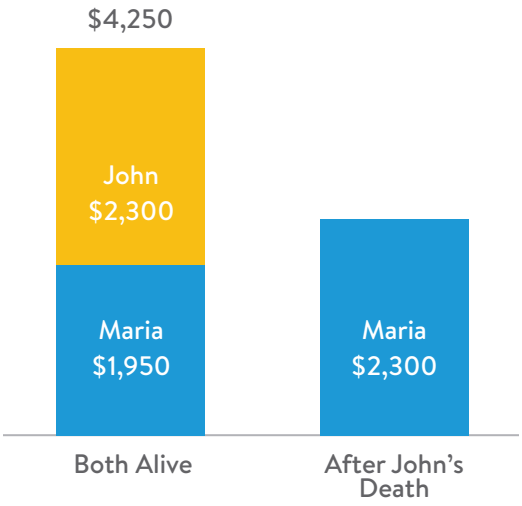
The decision to purchase life insurance should be based upon long-term financial goals and the need for death benefit. Life insurance is not an appropriate vehicle for short-term savings or short-term investment strategies. While the policy allows for loans, you should know that there may be little to no cash value available for loans in the policy's early years.

Protecting Retirement Income

A concern for many retired couples is that the income they receive from Social Security, pension plans and annuities is reduced after the death of the primary recipient. This may occur at a time when the surviving spouse still needs this income.

Life insurance can help replace benefit reductions at death with a cash payment to a surviving spouse that is generally income tax free. This can provide additional financial security during a time of great uncertainty and change.

SOCIAL SECURITY BENEFIT REDUCTIONS AT DEATH



- John and Maria are married and recently retired. They receive a combined total monthly Social Security retirement benefit of $4,250.
- If John were to die, Maria would continue to receive the higher of their two monthly benefits ($2,300). This is a 46% reduction in the Social Security income they were receiving prior to John's death.
- If John had life insurance, it could help replace the reduction in Social Security benefits following his death.

A Source of Supplemental Retirement Income

For many people, the traditional sources of retirement income such as Social Security and employer-provided retirement plans may not provide the income they will need to maintain their standard of living in retirement. They recognize the need to supplement these plans with additional retirement income.

A whole life insurance policy can be an effective way to accumulate additional funds to provide supplemental retirement income because it offers:

- A systematic and disciplined approach to accumulating funds.
- Stable and consistent tax-deferred growth in cash values.
- The ability to provide tax-favored distributions during retirement.[1]

You can also add the waiver of premium rider to help protect your coverage while you are saving for retirement. If you become totally disabled and are unable to work, your premiums will be waived and your policy cash value will grow at the same rate as if you were paying the premiums. This benefit is available for an additional cost.

Most people will need 75% to 85% of their preretirement income to live comfortably in retirement. Individuals earning higher incomes may need to augment Social Security and qualified retirement plans with additional sources of income.

[1] Distributions under the policy (including cash dividends and partial/full surrenders) are not subject to taxation up to the amount paid into the policy (cost basis). If the policy is a Modified Endowment Contract, policy loans and/or distributions are taxable to the extent of gain and may be subject to a 10% tax penalty if the policyowner is under age 59½.

Access to cash values through borrowing or partial surrenders will reduce the policy's cash value and death benefit, increase the chance the policy will lapse, and may result in a tax liability if the policy terminates before the death of the insured.

An Alternate Source of Income During Market Downturns

If you are saving for retirement, you're probably used to seeing the value of your retirement accounts go up and down with the financial markets. However, once you retire market volatility may be a greater concern.

Taking withdrawals from your retirement accounts during market downturns can significantly reduce their value over the long term.

A whole life policy can add a conservative element to your retirement accumulation and income strategy because the cash value never declines in value due to market conditions.

It offers a stable, alternate source of retirement income[1] that can help you be better prepared to deal with market volatility during retirement.

The following chart illustrates the long-term variability in the Standard and Poor's 500® price index, a commonly used measure of U.S. large company common stock prices.

S&P 500® STOCK PRICE INDEX

The S&P 500® price index is a measure of common stock market performance in the U.S. This market index has been provided for informational purposes only; it is unmanaged and does not reflect investment fees or expenses. Individuals cannot invest directly in an index.

Live Better — Leave More with Whole Life

A whole life policy may help you take some of the uncertainty out of your retirement.

The life insurance protection provides additional financial security for your spouse and may help ensure a financial legacy for your family. In addition, your whole life policy cash value will grow over time, and may be a source of supplemental retirement income when you need it.[1] Overall, your policy may help you and your spouse live a better retirement and leave more to your family.

Using Your Policy Wisely

You should carefully consider the value that your policy provides and the best way to use it as part of your long-term retirement income strategy.

For example, taking partial surrenders and/or loans from a whole life policy reduces the policy's cash value and death benefit. In addition, excessive borrowing or accruing loan interest may eventually cause the policy to lapse.

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