Supplementing Retirement Income

Gallagher

Insurance | Risk Management | Consulting

Protection for Today. Income for Tomorrow.

In today's uncertain environment, **how** you save for retirement may be just as important as **how much** you save.

The types of vehicles you use when accumulating assets for retirement impact how your assets grow, how they are taxed, and when you can access your funds. Specially designed permanent life insurance can help you round out your retirement portfolio while providing your family with death benefit protection, access to tax-favored income, and protection from fluctuating markets.

Why Life Insurance is an important part of a retirement plan

A permanent life insurance policy can be one of the most important purchases you will ever make—the death benefit can protect your family, and the cash value can help you supplement your income during retirement. No matter your goals, the unique tax benefits and features of permanent life insurance can be a powerful tool to help you achieve them.

The combination of tax-free death benefit protection for your family and tax-favored access to the policy cash value during your life makes life insurance unlike any other asset or investment you may own.

How It Works

First, you apply for a permanent cash value life insurance policy. Underwriting of health and financial qualifications may apply, and distributions are in the form of withdrawals and loans from a permanent life insurance policy specially designed as non-MEC.* The policy will provide a death benefit that will be received income tax-free by your heirs. Permanent life insurance also has the potential to develop cash value, which grows on a tax-deferred basis. In the future, you may use potential policy cash value for retirement income purposes.

(*) Refer to disclosure for full description.

What sets a permanent life insurance policy apart from other retirement vehicles is it uniquely provides the flexibility to choose when to take policy distributions.

- Unlike distributions from qualified retirement plans, which may be subject to an early withdrawal penalty at age 59½ and/or mandatory distributions at age 70½, withdrawals from your insurance policy are not mandatory. If you decide not to take income, the death benefit is preserved as an inheritance for your heirs.
- You have the flexibility to decide how and when to take income distributions (early on in your retirement, in later years or not at all).

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Flexibility

A permanent life insurance policy can provide the added flexibility to **access your policy's cash value when you need it on a tax-favored basis –** without age restrictions.

- Tax-deferred growth potential
- Tax-free distributions

Protection

A life insurance death benefit can provide protection for your family when they need it the most. The **tax-free death benefit** can be used to help cover your family's needs, including replacing your salary, funding lifetime goals and more.

Tax Diversification

Why should you consider a tax diversification strategy with life insurance? A permanent life insurance policy can be used to supplement your retirement income, protect your savings and deliver valuable tax advantages, including:

- Tax-deferred growth
- No retirement contribution limits
- No penalties for early access to cash
- Income tax-free death benefit for your beneficiaries
- Tax-free income from policy withdrawals and loans does not affect the following:
  - Income tax bracket
  - Medicare premiums
  - Capital gains exposure
  - Adjusted gross income or modified adjusted gross income

Meet with a Gallagher Life Insurance expert to review your existing policies and financial plan, how you envision for retirement lifestyle, and how we can help you plan with confidence.

LET'S TALK.

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Life insurance policies may contain fees and expenses, including cost of insurance, administrative fees, premium loads, surrender charges and other charges or fees that will impact policy values. Keep in mind that most life insurance policies require health underwriting and, in some cases, financial underwriting. Each case is individually underwritten as the severity of medical conditions varies among individuals. Formal underwriting evaluation and pricing is based on the individual characteristics of each case.

Both loans and withdrawals from a permanent life insurance policy may be subject to penalties and fees and, along with any accrued loan interest, will reduce the policy's account value and death benefit. Assuming a policy is not a Modified Endowment Contract (MEC), withdrawals are taxed only to the extent that they exceed the policy owner's cost basis in the policy and usually loans are free from current federal taxation. A policy loan could result in tax consequences if the policy lapses or is surrendered while a loan is outstanding. Distributions from MECs are subject to federal income tax to the extent of the gain in the policy and taxable distributions are subject to a 10% additional tax prior to age 59½, with certain exceptions.

Guarantees are backed by the financial strength and claims-paying ability of issuing company.

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