How IUL Can Help Address

5 Potential Risks in Retirement

Wondering why **Indexed Universal Life** (IUL)[1] Insurance is being recommended as part of your long-term financial strategy?

There are many risks savers may face in retirement. Some savers want to address as many of these risks as possible. **Here are some common potential risks you could face in retirement** — and how IUL may help you overcome them.

Market Risk is the risk associated with both growing and protecting your retirement funds, so you have enough savings to fund your retirement lifestyle.

How IUL Can Potentially Help: The Power of Indexing

Funds in an IUL policy grow through indexing,[2] an interest-crediting method that enables policyholders to have interest credited based on a portion of the rise of a stock market index, while protecting the funds if there is a drop in the index's value. Through indexing, your cash value has the opportunity for growth and, after interest is credited, is protected from losing value when the stock market index drops.

Income Risk is the risk associated with ensuring you have enough income to last throughout your retirement.

How IUL Can Potentially Help: Access to Funds with No Market Value Adjustment

With IUL, you can potentially have a more predictable supplemental income base. That's because your cash value in an IUL policy is available to you without adjustment based on the outside market. Because many indexing strategies[2] have a floor of 0% interest credited, when the stock market index is down, your credited policy cash value will not lose value due to the market.[3] Whenever you need to access your funds, you can do so at full value.

Tax Risk is the risk associated with changes to your tax rate in retirement, particularly the risk of your taxes being higher than you expected.

How IUL Can Potentially Help: Tax-Free Distributions in Retirement

The cash value of an IUL policy grows tax free and can generally be accessed tax free as well.[4] You will not usually owe any taxes on funds you access from a properly-structured IUL policy through policy loans, which is the approach being illustrated for you. That means if income taxes rise in the future, the funds you access from your policy won't be affected. Additionally, your policy's death benefit will be delivered to your beneficiaries tax-free.

Legislative Risk is the risk that new legislation or regulation passed by the government changes the rules around your retirement savings vehicles, negatively impacting your approach.

How IUL Can Potentially Help: Contractual Agreement

IUL, like all life insurance, is a contract between the issuing insurer and the policyholder. Typically, when new laws are passed that impact life insurance contracts, those rules only apply to new contracts issued going forward. Current policies are grandfathered into the older rules.[5] This can help protect your funds from legislative changes in the future.

Medical Cost Risk is the risk associated with the medical costs of aging. Today's savers are projected to spend hundreds of thousands of dollars on medical expenses in retirement.[6]

How IUL Can Potentially Help: Additional Benefits for the Medical Cost of Aging

Many IUL products include living benefits,[7] which allow a policy holder to access a portion of the death benefit while living when certain medical requirements are met. This can be used to help offset high medical costs associated with certain medical conditions and needs.

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[1] Indexed Universal Life is underwritten and issued according to the insured's health and age. Life insurance policies contain terms and conditions. Indexed Universal Life is a flexible premium adjustable life insurance product where a portion (or all) of the interest credited is measured against an outside index. There are no set premium payments required, but regular deductions from cash value are required to pay the policy's mortality cost and expenses, which will typically increase as the insured gets older. As long as there is cash value to pay the next deductions for mortality and expenses, the policy will continue. Current cost of insurance rates and interest rates are not guaranteed. Read your policy carefully before purchasing. The guarantees of life insurance policies rely on the financial strength and claims-paying ability of the issuing insurer.

[2] Indexing is an interest-crediting method that enables policy holders to have the amount of interest credited tied to a portion of the potential rise in the value of a stock market index, while being protected against losses from a potential drop in the index's value. Life insurance products do not participate and are not an investment in the stock market and are subject to all policy fees and charges associated with life insurance policies.

[3] Insurance premiums are paid with after-tax dollars, so withdrawals (up to the amount of premiums paid) are generally received tax-free. The approach being recommended to you does not illustrate withdrawals, but rather policy loans. Please see the next footnote for details on policy loans.

[4] Benefits paid at the death of a policy holder are, according to the current tax law, distributed typically income tax-free to heirs. Funds accessed through policy loans are generally received by the policy holder as income tax-free as well, so long as certain standards are met. Loans which are not repaid will reduce the death benefit amount and available cash value. Please consult your policy illustration for complete details, benefits and restrictions regarding policy loans and the death benefit.

[5] Indexed Universal Life insurance policies are a contract between the issuing insurer and the policyholder. Both Congressional action and the U.S. legal system have generally interpreted life insurance policy contracts to exist under a grandfather clause, which allows contracts to follow old governance rules even when new rules are implemented. The most wide-ranging examples of this can be found in the Tax Equity and Fiscal Responsibility Act of 1982, the Deficit Reduction Act of 1984, and the technical and Miscellaneous Revenue Act of 1988, all available for review at Congress.gov/bill.

[6] Health View Insights, "2019 Retirement Health Care Costs Brief," December 2019 These materials are not intended to provide investment, tax or legal advice.

[7] Living benefits are triggered by pre-established guidelines. Please refer to your policy illustration for a complete description of benefits, requirements and restrictions regarding living benefits.

The primary purpose of life insurance is to provide a death benefit, and is just one component of a client's overall financial strategy. While the primary purpose of life insurance is the death benefit, indexed universal life insurance policies also offer the potential for cash value accumulation, and policy loans and withdrawals may be taken against the available cash value for any purpose, including to help supplement retirement income.

This document is not intended to provide tax, legal or investment advice. Please consult qualified professionals in these areas about your individual situation.