

# Map Your Course

Help to Minimize the Risks to Your Retirement

## Longevity – The Great Unknown



Preparing for retirement is like planning for a trip without an itinerary. You don't know how long you'll be gone or where you're going. But you do your best to prepare for a range of weather and different modes of transportation.

What that means in retirement planning terms is that you save and focus on asset growth and total returns. You think about how you'll spend your time in retirement, you consider the variables that may pop up and try to put aside enough so you can afford that lifestyle.

### How Long Will Your Retirement Last?

Once you've retired, longevity becomes the overarching risk. You may plan for 25 years and live 40 years. And, you'll want to spend as much as you comfortably can without triggering old-age poverty.

During retirement, your remaining retirement savings continues to earn interest. But, a longer retirement can also result in greater exposure to other risks. There's more time for inflation to compound. There's also increased chance for you to incur an expensive health problem or for market volatility, etc.



Even if inflation averages about 3 percent per year, the cost of living doubles in just 23 years.

And, what if you don't live as long as you expect? Even that includes risks. If, for instance, you plan for a 50-year retirement and only live for 10, you could leave unused money in your estate which could trigger estate taxes.

It's a balancing act. Making that "act" even tougher, if you're married, you not only have your own longevity to consider, you also have your spouse's.

Fortunately, there's a way to help make this balancing act easier and that's an **Income Advantage<sup>SM</sup> Indexed Universal Life insurance (IUL) policy**.

**Tip:** You don't know who will live longer – you or your spouse. Because of that, you may need life insurance policies on both of you. If you need money during retirement, you can draw from the cash value of both policies.<sup>1</sup>

<sup>1</sup> Cash value is the amount that may be available through loans or withdrawals, as defined in the contract. Any policy withdrawals, loans and loan interest will reduce policy values and benefits.



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# Planning Your Path To and Through Retirement

**Kurt is a hypothetical client who is planning ahead for his retirement.** Let's take a look at how supplementing his current retirement savings plans with an Income Advantage<sup>SM</sup> IUL policy might work for Kurt's situation.

## Current Retirement Savings Vehicle

Kurt already has an employer-sponsored retirement savings plan. He continues funding this plan up to the amount his employer matches contributions.

## Taking Retirement Income

In retirement, Kurt draws as much of his income as possible from his traditional retirement savings plans. This helps ensure that he uses up assets that could increase his estate's value.

## An IUL Policy

Additionally, Kurt purchases an Income Advantage IUL policy. Since one of his primary goals (besides providing a death benefit) is to build cash value,<sup>2</sup> he chooses maximum funding for his policy with an increasing death benefit. He uses the minimum initial death benefit allowed for his policy to meet the IRS definition of life insurance and for him to receive the potential tax advantages that come with a life insurance policy.

- If Kurt's retirement savings run low, he can start drawing from his IUL policy's cash value.<sup>2,5</sup>

## Flexibility to Meet His Retirement Income Needs

There are times when Kurt may want to supplement his income with distributions from his IUL policy:

- In years when markets are down, he may want to stop drawing from other retirement savings. This helps him avoid selling into market losses. But, in years when the markets are doing well, he draws from his traditional retirement savings vehicles
- If his income level is about to put him into a higher tax bracket, but he still needs additional money, he may want to consider taking a distribution from his IUL policy. Since distributions from an IUL policy are typically received income tax free,<sup>4,5</sup> this can help ensure Kurt does not move into a higher tax bracket, which would cost him more in the long run

- If Kurt passes away before his spouse, his policy's death benefit can be used to refill his spouse's retirement bucket. His spouse will receive the death benefit income tax free.<sup>3</sup>



## Tax Benefits of Life Insurance

On top of everything else, it's good to keep in mind the tax benefits of life insurance.

- Income tax-free death benefit<sup>2</sup>
- The accumulation value grows tax deferred
- Whatever the reason, you can access your policy's cash value<sup>1</sup> through income tax-free loans and withdrawals<sup>4,5</sup>

<sup>2</sup> The amount that may be available through loans or withdrawals, as defined in the contract.

<sup>3</sup> Death benefit proceeds from a life insurance policy are generally not included in the gross income of the taxpayer/beneficiary (Internal Revenue Code Section 101(a)(1)). There are certain exceptions to this general rule including policies that were transferred for valuable consideration (IRC101(a)(2)). This information should not be construed as tax or legal advice. Consult with your tax or legal professional for details and guidelines specific to your situation.

<sup>4</sup> For federal income tax purposes, tax-free income assumes (1) withdrawals do not exceed tax basis (generally, premiums paid less prior withdrawals); and (2) the policy does not become a modified endowment contract. See IRS 72, 7702(f)(7)(B), 7702A. This information should not be construed as tax or legal advice. Consult with your tax or legal professional for details and guidelines specific to your situation.

<sup>5</sup> Any policy withdrawals, loans and loan interest will reduce policy values and benefits.



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Base plan, riders and product features may not be available in all states and may vary by state.

This brochure is only a brief summary of some of the key features of this policy. For more complete information, you should refer to the form of the policy, including any applicable riders and endorsements to the policy, and other materials about the policy that you will receive. We strongly urge you to thoroughly review all of these items and to discuss any questions you have with our licensed agent/producer or with your own professional advisors, as appropriate.

All guarantees subject to the financial strengths and claims-paying ability of the issuing insurance company.

Income Advantage<sup>SM</sup> – Sex Distinct Policy Forms: ICC15L123P, or state equivalent; in FL, D501LFL14P. Unisex Policy Forms: ICC15L124P, or state equivalent; in FL, D502LFL14P.

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