PROTECT RETIREMENT SAVINGS

Background

Barb and Ken Wilcox are both 50 years old and have two children who are currently in college. They have only been able to save the amount their employers match in their 401k plans as most of their other money has been spent on their daughters and the various activities such as competitive horseback riding and cheer that they have been involved in for several years. They are concerned that they will not have sufficient funds to retire with and need to plan in order to make up for not saving more money at this stage of their lives.

Challenge

They recently met with their financial advisor who handles all of their home and auto insurance coverages and discussed the best way to try to catch up with their retirement planning. They would like to retire by age 67 and know they need to increase their savings rate in order to meet their retirement goals in such a short period of time. They also were concerned about not having any life insurance other than $50,000 of group term Ken had. Their financial advisor talked to them about increasing their savings rate in their 401k plans but indicated they needed a supplemental retirement plan to increase funds that can provide retirement income. In addition, their financial advisor told them they should have some life insurance over and above group term to protect their retirement income in case something happened to Ken while also providing supplemental retirement income.

Solution

Barb and Ken's financial advisor recommended they commit $15,000 per year in addition to increasing their 401k plan contributions. He recommended they place $3,000 a year in a Guaranteed Universal Life policy and commit the other $12,000 to an Indexed Universal Life policy.

The Signature Guaranteed Universal Life Insurance policy will provide guaranteed coverage of $277,632. This policy would also be eligible to be used in the event of a covered critical, chronic or terminal illness. In addition, the policy could be surrendered in exchange for cashing out the premiums and receiving them back. The amount they would receive after 15 years would be $29,250; at 20 years they would receive back would be $60,000 and after 25 years they would receive $75,000 back in premiums which would all be tax free.

The Signature Performance Indexed Universal Life policy would have a premium of $12,000 per year which would be funded up to the maximum limit in order to generate future cash value that could be borrowed out to help fund retirement income. The initial death benefit would be $163,160 which would grow each year and be

$302,441 by age 65. The clients would pay premiums through age 70, for a total amount of $240,000. The clients would then have the opportunity to take monthly policy loans in the amount of $3,147 through age 85. If the policy performs according to current assumptions, the total amount of cash available to be taken as policy loans would equal $566,408.[1]

Conclusion

Barb and Ken could retain both policies and provide themselves additional retirement income with potential death benefits from both policies. They could also take the SGUL policy and after their kids are out of college, the home is paid off and they have saved more for retirement from their 401k plans and Signature Performance Index Universal Life policy, they could surrender the Signature Guaranteed Universal Life policy and cash out that policy and receive a tax-free return of premium of $60,000 after twenty years or $75,000 after 25 years. This would then save them $3,000 a year in premiums, allow them to use the money to pay off debt, provide additional income through a Single Premium Immediate Annuity or use the money for vacations, cars, or any other use they wish to make of the money such as grandchildren's education.

They would have the future protection through the Accelerated Benefit Riders on both life policies in the event of a qualifying critical, chronic or terminal illness which could help pay medical bills, pay family members to take care of you or simply to pay someone to clean the house or mow the lawn. The discounted death benefit could be taken from either policy or from both if needed.

Besides the death benefit protection, the Signature Performance Indexed Universal Life policy provides, by overfunding the policy additional cash value is created that can be tapped in retirement for cash flow to fund an active lifestyle. Assuming an average return of approximately 6.84% each year based upon past performance, over $37,000 per year can be generated from age 70 to age 85. Depending upon performance of the policy, the amount could be less or more.

In this way, we have been able to help Barb and Ken better protect their family with the death benefit and Accelerated Benefit Riders while at the same time providing them a means of saving additional funds that can supplement retirement income and provide Barb and ken an active lifestyle in retirement.

For questions and more information, contact the Advanced Sales Department at 888-504-2550 ext. 5767.

1) The policy loan values are not guaranteed. They are based on nonguaranteed current elements.

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