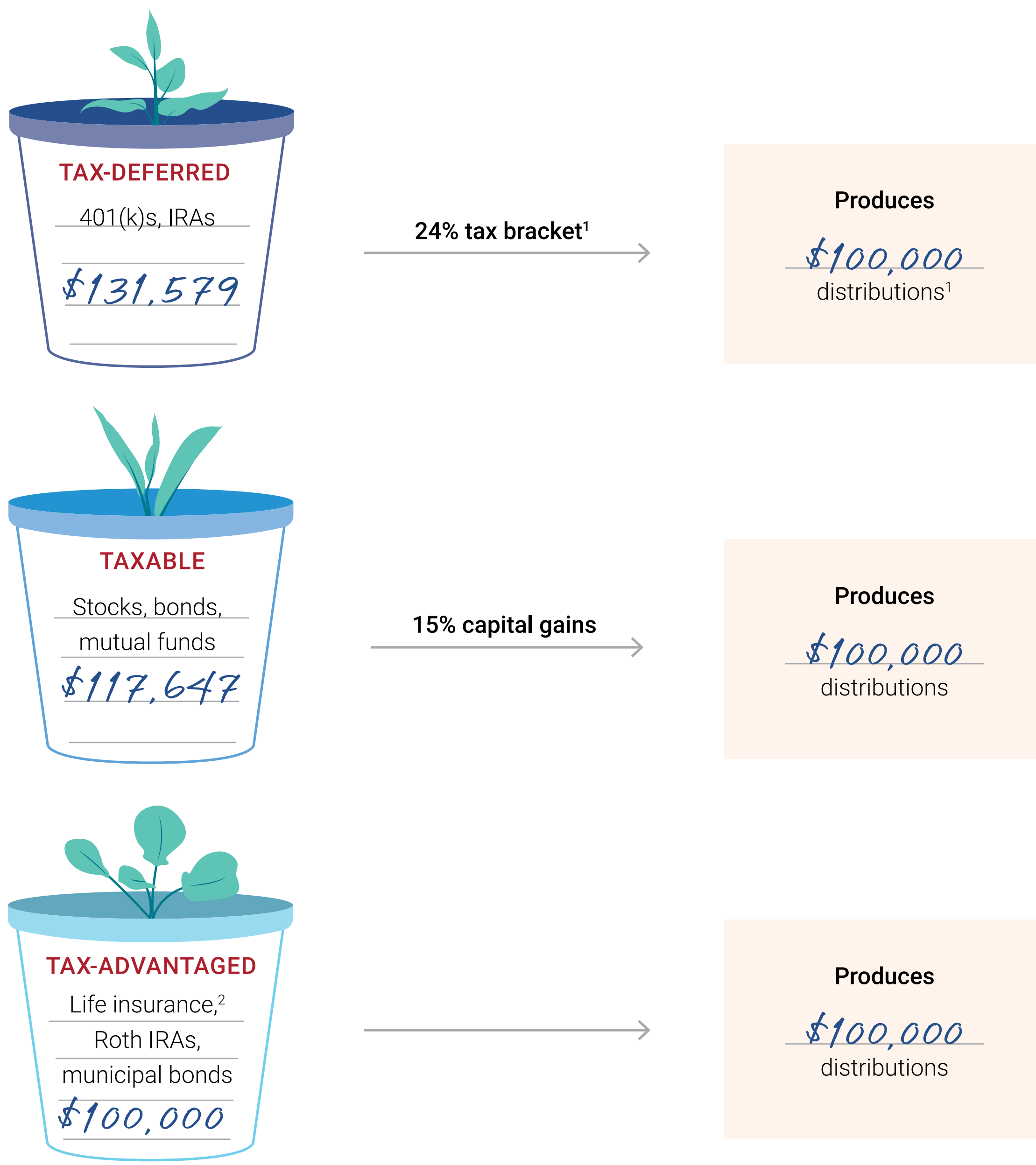
Prepare today for a tax-efficient future

Keep more of what you earned

As you plant the seeds for retirement, now is the time to understand how taxes will affect you when you begin spending your savings.

Review this sample illustration. See how taxes will affect your retirement plan, and how to diversify assets, so you can keep more income and pay less in taxes once you begin distributions. Diversification is not only important for growth, but also for distribution.



[1] Note: a flat tax rate is assumed, but because of the marginal tax rates, the actual effective rate would be lower.

[2] Provided it's not a MEC

Get to know the different asset categories to create a diversified portfolio

Plans	Purchased with	What happens when you spend your savings?	Things to consider
Tax-deferred [IRA, 401(k), SEP, TSA]	Pretax dollars	Taxable	▪ There are contribution limits ▪ You will be penalized for withdrawals made before age 59½, unless specific conditions apply. ▪ You are required to take minimum distributions, starting at age 73[1]
Taxable (Stocks, bonds, mutual funds, checking, savings)	After-tax dollars	Taxable	▪ You will be taxed on any capital gains on earnings ▪ There are no contribution limits ▪ There are no required distributions ▪ 85% of your Social Security benefits are taxed if you have too much modified adjusted gross income (MAGI)[2] ▪ Your Medicare premiums could increase if you have too much MAGI[3]
Tax-advantaged (Life insurance, Roth IRAs, municipal bonds)	After-tax dollars	Tax-free[4]	▪ Roth IRAs have contribution limits ▪ Municipal bond earnings have no contribution limits but are added to your MAGI and could affect Social Security benefits and Medicare premiums[3] ▪ Life insurance generally has tax-free distributions without penalites;[4] no effect on Social Security benefits or Medicare premiums, and no required distributions

Keep more of what you earned

When creating a retirement plan, consider adding a tax-advantaged product to your portfolio. Adding cash value life insurance can help protect savings and may provide:

- A life insurance death benefit is generally paid tax free to beneficiaries[5]
- Tax-deferred growth opportunities
- An income tax-free financial resource for retirement[5]
- No penalties for cash values taken before age 59½, provided the policy is not a MEC.

[1] Required minimum distributions (RMD) age is dependent on year of birth.

[2] Individuals with MAGI above $34,000; $44,000 filing jointly.

[3] Medicare premium are based on MAGI. Income table can be found at https://www.cms.gov/newsroom/fact-sheets/2024-medicare-parts-b-premiums-and-deductibles?mod=anlink.

[4] Pursuant to IRC Sec.101(a)(1). In some circumstances insurance death benefits may be partially or wholly taxable. For example, may be taxable if the Policy is transferred for value and is not subject to an exception; or if the Policy is a Modified Endowment Contract (MEC). See page 4 for important information regarding loans and withdrawals.

[5] Distributions taken through loans and withdrawals, reduce a policy's cash surrender value and death benefit and may cause the policy to lapse. Loans are generally not considered income and are tax free, however, are treated as taxable withdrawals if the policy is a MEC. Withdrawals and surrenders are tax free up to the cost basis, provide the policy is not a modified endowment contract (MEC).

Fill out the illustration below to understand how taxes might affect your retirement plan.

Produces

____

distributions[1]

Produces

____

distributions

Produces

____

distributions

[1] Note: a flat tax rate is assumed, but because of the marginal tax rates, the actual effective rate would be lower.

Why diversification matters

The following examples show how a typical portfolio will be taxed versus a balanced portfolio. By withdrawing from a mix of asset categories, you could have $10,700 more.

Withdraw $100,000 from assets

$100,000	$40,000 from the tax-deferred asset $30,000 of gains from a taxable asset $30,000 from a life insurance policy
–$8,800	22% ordinary tax[1] on 401(k) withdrawal[2]
–$4,500	15% capital gains tax on the taxable asset
–$0	tax-free life insurance loan[3]
$86,700	income

Withdraw $100,000 from 401(k)

$100,000	from tax-deferred 401(k)
–$24,000	24% ordinary tax[1]
$76,000	income

This hypothetical example is for educational purposes only and does not represent any actual strategy and is not intended to be financial advice. Gains and cash value in a life insurance policy are never guaranteed.

Diversification does not assure a profit or protect against loss.

[1] Assumes 24% tax rate but because of the marginal tax rates, the actual effective rate would be lower.

[2] Because the full $100,000 was not pulled from a qualified account, it lowers the tax bracket from 24% to 22%. This assumes single filer rates.

[3] Life insurance policy distributions are taken though loans and withdrawals, which reduce a policy's cash value and death benefit and may cause the policy to lapse. Loans are generally not considered income and are tax-free, however, are treated as taxable income if the policy is a MEC. Withdrawals and surrenders are tax-free up to your cost basis, provided your policy is not a modified endowment contract (MEC). A MEC policy is one in which the life insurance limits exceed certain high levels of premium or the cumulative premium payments exceed certain amounts specified under the Internal Revenue Code. For policies that are MECs, distributions during the life of the insured, including loans, are first treated as taxable to the extent of income in the contract, and an additional 10% federal income tax may apply for withdrawals made prior to age 59½.

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Not guaranteed by any bank or savings association
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