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National Life Group®

Tax-Free Retirement Strategy

WITH PERMANENT LIFE INSURANCE

Products issued by

National Life Insurance Company®
Life Insurance Company of the Southwest®

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What if you could:

- Provide an income tax-free death benefit for the people who depend on you[1]
- Defer taxes as your accumulated cash value grows.
- Potentially access that cash value using income tax-free policy loans and withdrawals, to use for retirement income or other needs[2]

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1 Internal Revenue Code § 101(a)(1). There are some exceptions to this rule. Please consult a qualified tax professional for advice concerning your individual situation.

2 The use of cash value life insurance to provide a tax-free resource for retirement assumes that there is first a need for the death benefit protection. Policy loans and withdrawals reduce the policy's cash value and death benefit and may result in a taxable event. Withdrawals up to the basis paid into the contract and loans thereafter will not create an immediate taxable event, but substantial tax ramifications could result upon contract lapse or surrender. Surrender charges may reduce the policy's cash value in early years.

Strategies to Save For Retirement

EXAMPLES			
After Tax	**Tax-Deferred**	**Pre-Tax**	**Tax-Free**
• Private Savings i.e. CD	• Annuities	• Traditional IRA • Qualified Plans 401(k) and 403(b)	• Roth IRA • Permanent Life Insurance

After Tax Strategy – when you set aside a portion of your after tax income into an account earmarked for retirement. Taxes are paid annually on any earnings. An example of this type of savings is a Certificate of Deposit.

Tax-Deferred Strategy – when you set aside a portion of your after tax income for retirement, earnings on the account grow tax-deferred. When retirement income is taken, taxes are due on the tax-deferred gain. A Non-Deductible IRA or an annuity is an example of this type of savings.

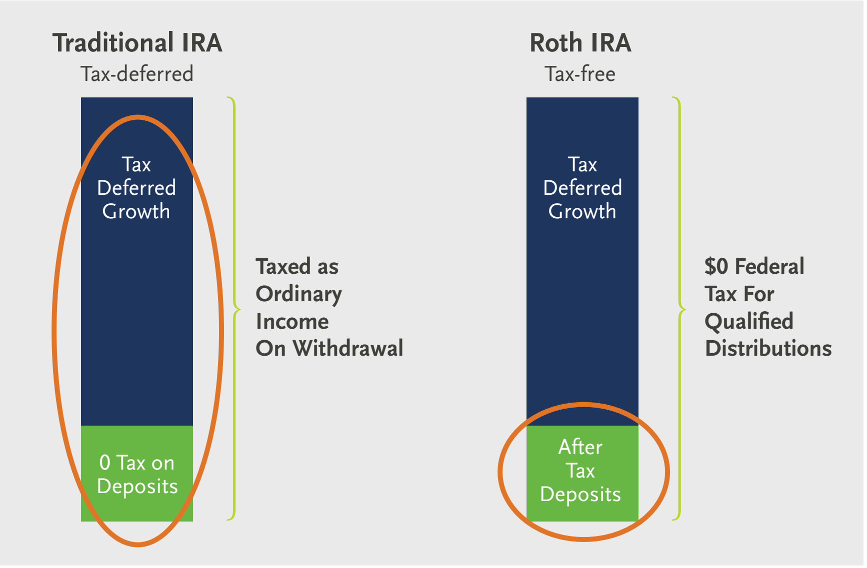
Pre-Tax Strategy – might include an Employer sponsored qualified plan, like a 401(k) and 403(b) plan. You don't pay current taxes on contributions made to the plan and earnings grow tax-deferred. Later when you take retirement income the benefits are income taxable.

Tax-Free Strategy – is similar to the Tax-Deferred Strategy: you set aside a portion of your after tax income, and earnings grow tax-deferred. Retirement income is received income tax free. A Roth IRA is an example of this type of savings. Another type of financial vehicle is permanent life insurance.

It's not just about how much you can accumulate for retirement...

you need to consider taxes on retirement income.

If you were a farmer, would you rather be taxed on the seed or the harvest?



When you save on a before tax basis, such as a Traditional IRA, your contributions are usually tax deductible.

The trade off is all income received is taxed as ordinary income. If you make a withdrawal prior to age 59½ you may incur an additional 10% penalty. This leaves you exposed to potentially higher future tax rates. If you believe taxes are going up this could be devastating to your retirement income. In this example, you are taxed on the harvest.

On the tax-free side, in our example of a Roth IRA, the contributions, i.e., (the seeds), are taxed before they are deposited and both the contributions and earnings may be tax-exempt,[3] thereby insulating you from possible future tax rate increases.

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3 To qualify for the federal tax-free and penalty-free withdrawal of earnings, a Roth IRA must be in place for at least five years, and the distribution must take place after age 591/2 or due to death, disability, or a qualified special purpose distribution, which is a qualified first-time home purchase (up to a $10,000 lifetime maximum). Depending upon state law, Roth IRA distributions may be subject to state taxes.

What direction do you think future tax rates are going to go?

Your outlook on future tax rates may drive some of your retirement strategy.

- If you think future tax rates will be lower, then saving today on a pre-tax basis, such as a qualified plan or Traditional IRA, makes a lot of sense.
- If you think future tax rates will be higher, then you may want to consider a tax-free retirement strategy such as a Roth IRA or permanent life insurance.

Look Closer at Tax-Free Retirement Strategies

Roth IRAs: Good choice…if you qualify. In order to contribute to a Roth IRA your adjusted gross income must be below a certain threshold. Also, even if your income is below the threshold the total amount you can contribute is limited and could phase out should your income increase.

What are your options if you don't qualify for a Roth IRA, or if you want to contribute more?

Permanent Life Insurance: The primary purpose for purchasing permanent life insurance is for the death benefit protection that it provides. However, permanent life insurance offers the ability to build up tax-deferred cash value that can be accessed during your lifetime to generate a stream of retirement income – potentially income tax free.

How it Works:

Each premium payment you make

Builds cash value income tax-deferred

Cash value that you can use during your lifetime, through policy loans and withdrawals, to provide a tax-free retirement income.

Provides an income-tax free death benefit to your named beneficiary.

Optional Accelerated Benefit Riders allow you to access the death benefit during lifetime in the event of a Terminal, Chronic or Critical illness.[4]

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4 Payment of Accelerated Benefits will reduce the Cash Value and Death Benefit otherwise payable under the policy. Receipt of accelerated benefits may be a taxable event and may affect your eligibility for public assistance programs, and may reduce or eliminate other policy and rider benefits. Please consult your personal tax advisor to determine the tax status of any benefits paid under this rider and with social service agencies concerning how receipt of such a payment will affect you. There is generally no restriction placed on the use of the benefit received. Riders are supplemental benefits that can be added to a life insurance policy and are not suitable unless you also have a need for life insurance. Riders are optional, may require additional premium and may not be available in all states or on all products. This is not a solicitation of any specific insurance policy.

Permanent Life Insurance Provides:

- Income tax-free death benefit
- Tax-deferred build-up of cash value
- Potential for tax-free retirement income

Tax-Free Retirement Strategy

Using Permanent Life Insurance

Additional Benefits of Permanent Life Insurance

Self completing

In the event of a premature death, the income tax-free death benefit would help fund your spouse's retirement goals.

Access to funds in the event of illness

Accelerated Benefit Riders are available at no additional cost and may allow you to access all or a part of your death benefit to help pay for costs associated with a terminal, chronic or critical illness.

Protection in the event of disability

For an additional fee, many policies offer an optional Waiver of Premium Rider that continues to pay your planned premiums if you became permanently disabled, keeping your policy on track with your original accumulation goals.

So what is best for you?

For many people, a Roth IRA is a great tool. However, as mentioned earlier, there are some restrictions as to how much you can contribute and how much income you are allowed to have in order to qualify for a Roth IRA.

Permanent life insurance may be the solution.

If you have someone who depends on you financially, then you may need life insurance. In addition to the death benefit protection, permanent insurance cash value can also serve as an accumulation vehicle, with some great tax advantages. Premiums are determined based on the amount of coverage you need and distributions, through tax-free withdrawals and loans, can generally be taken after your first policy anniversary. Your insurance agent can help you determine the best coverage to meet your goals.

It may be that a combination of the two works best for you.

If you meet the income eligibility requirements for a Roth IRA, but want to set aside more than the contribution limits allow and you have a need for protection, you may want to do both a Roth IRA and Permanent Insurance. Contribute the maximum you can under the Roth and then apply the excess amount to your life insurance coverage.

Put the power – and tax advantages – of permanent life insurance to work for you today

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