

## RETIREMENT PLANNING

# Planning now with life insurance can help you keep more of your money later



## THE IMPORTANCE OF TAX PLANNING FOR RETIREMENT

It's always critical for Americans to review their retirement planning needs. Current events, however, present an immediate need for you to develop retirement strategies that both address taxation and provide sources of supplemental retirement income.

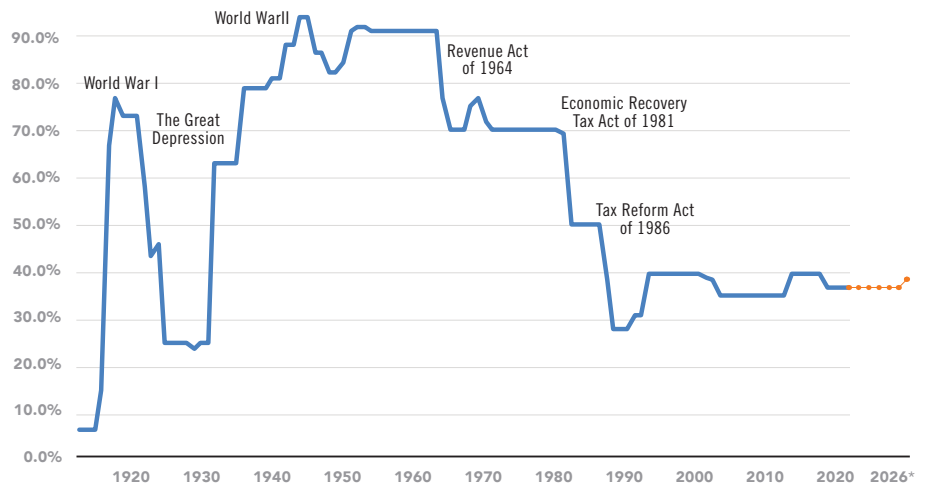
### Consider the long-range effects of:

- Elections and possible tax code changes.
- An ongoing economic climate of uncertainty.
- Sustained extremely low interest rates.
- The pandemic's continued strain on local and federal budgets and the resulting increasing uncertainty around taxes.

## TAXATION IS HARD TO PREDICT.

Tax rates have a history of going up and down, making tax planning particularly challenging. What will the rates be when you retire? And what impact might the economic hit of the current pandemic have on taxes in the short- and long-term?

## Historical Highest Marginal Income Tax Rates in the U.S.



Source: <https://www.investopedia.com/articles/tax/10/history-taxes.asp>.

\*2020-2026 Highest Marginal Income Tax Rate shown is projected based on current legislation. The projected rate through 2025 is 37%. On January 1, 2026 the highest marginal income tax rate is currently scheduled to increase to 39.6%.

## HIGHER INCOME EARNERS, YOU MAY NEED TO FOCUS MORE ON TAXATION

Retirement planning should begin with a tax-advantaged retirement account, but it shouldn't end there. Some financial assets in retirement portfolios create a tax bill every year; others trigger taxes when assets are finally withdrawn.

To prepare, incorporating tax-free vehicles, including life insurance, into your retirement plans can help make a marked difference in the amount of income you have available in retirement.

### Investment and Insurance Products:

Not Insured by FDIC, NCUSIF, or Any Federal Government Agency. May Lose Value. Not a Deposit of or Guaranteed by Any Bank, Credit Union, Bank Affiliate, or Credit Union Affiliate.

## LIFE INSURANCE THAT BUILDS CASH VALUE CAN HELP ROUND OUT YOUR RETIREMENT PORTFOLIO.

The primary purpose of life insurance is to provide death benefit protection; this financial strategy assumes this to be a priority for you. In addition to providing that valuable death benefit for your beneficiaries, life insurance can help to diversify not just your tax strategy but also your assets. It can provide:

- **Tax-free growth of cash value.** Any cash value that accumulates in a life insurance policy grows tax free. Within certain limitations, you can pay additional premiums over time as life changes or earned income increases, in an attempt to help the cash value grow.<sup>1</sup>
- **Tax-free access to the policy's cash value.**<sup>2</sup> You can access cash value that builds in the policy for any reason you choose, like to supplement your retirement income, regardless of your age.
  - Withdrawals from the policy can generally be taken tax free up to the amount of premiums paid.
  - Loans can be taken from the policy tax free as long as the policy is still in force.

## LIFE INSURANCE CAN BE PART OF A TAX DIVERSIFICATION STRATEGY.

Life insurance can be a great addition to any retirement portfolio to help reduce overall exposure to taxes.

Hypothetical Scenario: \$100,000 withdrawal during a retirement year. 401(k): 32% Ordinary Income Tax, Mutual Fund: Assumes no cost basis and 15% Capital Gains Tax. Actual results will depend on your personal financial situation.

NON-DIVERSIFIED	DIVERSIFIED		
<b>401(k)</b>	<b>401(k)</b>	<b>MUTUAL FUNDS</b>	<b>LIFE INSURANCE</b>
Withdrawal \$100,000	Withdrawal \$33,000	Withdrawal \$33,000	Withdrawal \$34,000
Ordinary Income Tax (\$32,000)	Ordinary Income Tax (\$10,560)	Capital Gains Tax (\$4,950)	Ordinary Income Tax (\$0)
	Net Income \$22,440	Net Income \$28,050	Net Income \$34,000
<b>Total Net Income \$68,000</b>	<b>Total Net Income \$84,490</b>		

## PLAN NOW TO KEEP MORE OF YOUR MONEY LATER.

Ask your financial professional today how cash-value life insurance can help you reach your legacy and retirement goals.

<sup>1</sup> If the cash value grows beyond a certain point, the death benefit will be increased. This is to ensure that the policy continues to qualify as life insurance under tax law, and this will also ensure that the tax advantages still apply. If premiums exceed certain levels, your policy may become a modified endowment contract (MEC). Distributions from MECs, including loans, receive less favorable tax treatment than distributions from policies that are not classified as MECs.

<sup>2</sup> Note that loans are charged interest. Taking loans or withdrawals will reduce the policy's cash value and the death benefit paid to beneficiaries. Withdrawals could also shorten any guarantee against lapse that's in place. If there is an unpaid loan, the no-lapse guarantee will not protect the policy from lapsing, and the client might need to pay more into the policy than originally expected. Loans outstanding if the policy lapses or is surrendered will become immediately taxable to the extent of gain in the policy. Withdrawals that are more than what you put into the policy may be taxable.

Life insurance is issued by The Prudential Insurance Company of America, 213 Washington Street, Newark, NJ 07102, and its affiliates.

All guarantees and benefits of the insurance policy are backed by the claims-paying ability of the issuing insurance company. Policy guarantees and benefits are not obligations of, nor backed by, the broker/dealer and/or insurance agency selling the policy, nor by any of their affiliates, and none of them makes any representations or guarantees regarding the claims-paying ability of the issuing insurance company.

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