THE TAX ADVANTAGES OF LIFE INSURANCE

PREPARING FOR RETIREMENT

As you accumulate assets for retirement, consider how to protect those assets as well as the people you'd like to leave them to. A life insurance policy with cash value can be an important component of a financial strategy for your retirement years by:

- Providing financial protection for those who rely on you.
- Allowing you to reap tax advantages.

Its death benefit, cash value accumulation, and access to that cash value are either tax-free or tax-deferred.

1022550-00004-00 Ed. 02/2021

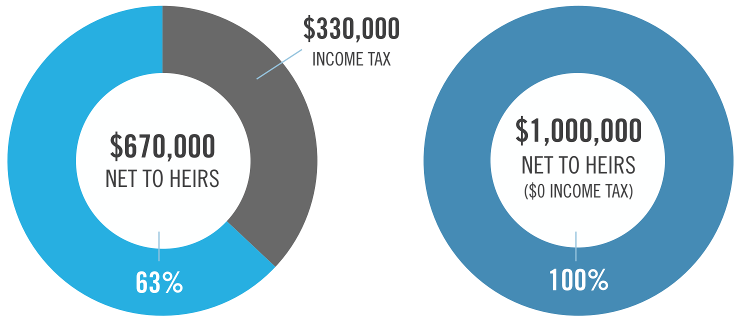
TAKE CONTROL OF TAXES

Since many retirement assets generate a tax bill, taxes can undermine your plans and leave you with less than you expect. And with more and more potential changes in the tax code, no one can predict what you will face when you retire. Fortunately, in addition to a typically federal income tax-free death benefit for your loved ones, life insurance can also help by providing supplemental income that is usually income tax-free.[1]

Life insurance with cash value growth potential can be a valuable tool for taking more control of your taxes in retirement in three ways:

1 A GENERALLY FEDERAL INCOME TAX-FREE DEATH BENEFIT.

While most financial vehicles create taxable income, life insurance does not. So, instead of receiving the "after-tax" amount, your loved ones can receive the full death benefit amount that you've intended for them.



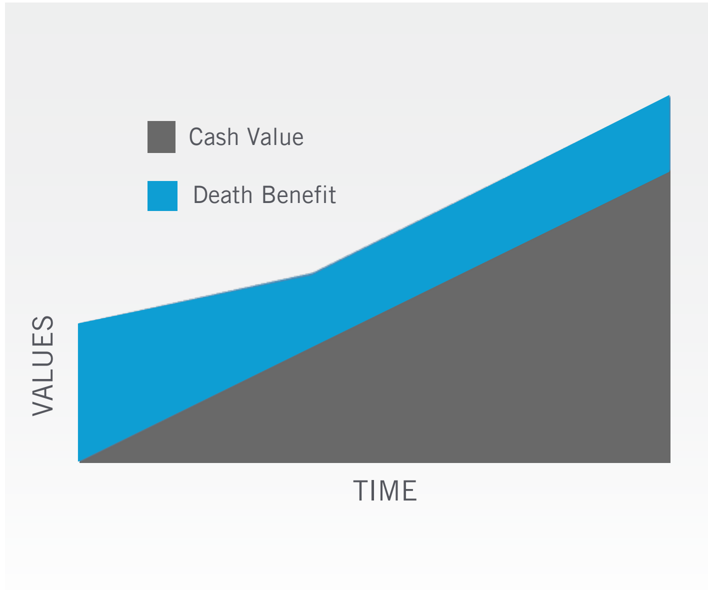
QUALIFIED TAX-DEFERRED ASSET DEATH BENEFIT: $1,000,000

LIFE INSURANCE DEATH BENEFIT:* $1,000,000

*Life insurance policies are purchased with after-tax dollars.

2 INCOME TAX-FREE GROWTH

Any cash value that accumulates in a life insurance policy grows tax-free. In some policies, you can choose a death benefit option that enables the death benefit to increase if the cash value does. This can help you leave even more to your heirs. (If the cash value grows beyond a certain point, the death benefit will be increased. This is to ensure that your policy continues to qualify as life insurance under tax law, and this will also ensure that the tax advantages still apply.)



3 TAX-FREE "LIVING BENEFITS"

Living benefits are benefits paid out to you (while you are alive, of course). These are also generally tax-free and can include:

- **Accessing the death benefit** early—accelerating it—because of a chronic illness. This can be helpful, especially since 6 out of 10 adults have a chronic disease.[2] It is estimated that the average lifetime cost of formal long-term care is $172,000.[3] If family members provide most of your care, you might still like to reimburse them for their lost wages and travel or other costs associated with helping you.
- **Accessing cash value accumulation.** You can access any cash value that builds in your policy for any reason you choose.[4] And you can do so regardless of your age; there is no age 59½ threshold or other limitations. You can access the money in two ways:
  - **Withdrawals** from the policy can generally be taken tax-free up to the amount of premiums you've paid.
  - **Loans** can be taken from the policy tax-free as long as the policy is still in force.

DID YOU KNOW?

YOU CAN USE CASH VALUE IN A POLICY TO HELP SUPPLEMENT RETIREMENT INCOME.

It's true! If your policy accumulates enough cash value, you could take a one-time or regular loans or withdrawals from it after you retire.

Since you likely have other assets to pass to your heirs, you might not need the highest death benefit possible. If so, consider choosing a lower face amount, to ensure your family is protected, and paying higher premiums than what's required. This will help to enhance the policy's tax-deferred cash value growth potential.

Please note that federal tax law limits the amount of premium contributions that can be made to a policy for it to keep its tax advantages, so you'll need to stay within certain limits.[5]

Learn more about how you can benefit from the tax advantages of life insurance. Talk with your financial professional today.

[1]According to IRC §101(a).

[2]Centers for Disease Control and Prevention, Chronic Diseases in America, Assessed 12/2020.

[3]PwC, The Formal Cost of Long-Term Care Services: How Can Society Meet a Growing Need?, Accessed 12/2020.

[4] Note that loans are charged interest. Taking loans or withdrawals will reduce the policy's cash value and the death benefit paid to your 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 your policy from lapsing, and you might need to pay more into the policy than you 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.

[5]When premium contributions exceed this limit, the policy is classified as a modified endowment contract (MEC). Distributions from MECs (such as loans, withdrawals, and collateral assignments) are taxed less favorably than distributions from policies that are not MECs to the extent there is gain in the policy. For distributions from a MEC before age 59½, a federal income tax penalty may apply to the extent there is gain in the policy. Please consult a tax advisor.

Life insurance is issued by The Prudential Insurance Company of America, Pruco Life Insurance Company (except in NY), and Pruco Life Insurance Company of New Jersey (in NY). All are Prudential Financial companies located in Newark, NJ.

Life insurance policies contain exclusions, limitations, reductions of benefits, and terms for keeping them in force. A financial professional can provide you with costs and complete details.

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1022550-00004-00 Ed. 02/2021
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