

Life Insurance in Retirement Planning (LIRP)

Using an Indexed Explorer Plus[®] to satisfy a life insurance need and supplement retirement income.

Who Can Benefit

- Age: 35-60.
- Maxing out contributions to qualified retirement plan(s), additional money to allocate towards savings.
- Concerned about sufficiency of retirement income; if taxes increase, it could have a negative effect on retirement income.
- Is insurable and has a life insurance need.

Common Scenario

You have maxed out contributions to your qualified retirement account(s). The bulk of your investable assets may be in your qualified plan and/or IRA. You would like to explore additional means of nonqualified savings, and are concerned about the risk that tax laws could change, and that your expected post-retirement tax rate may be higher than anticipated. You would benefit from life insurance protection to cover your family's financial needs in the event of your passing.

Proposal

An Indexed Explorer Plus[®] universal life policy can be designed to accumulate cash value over time (tax-deferred) based on premiums paid into the policy and on policy performance. The death benefit covers your life insurance need pre-retirement and, once retired, the cash values may be accessed on an income tax advantaged basis to supplement your retirement income.

¹ Withdrawals of cash value up to cost basis are received free of income tax. Policy loans are not included in income at the time of the loan.

BENEFITS

- Immediate death benefit protection.
- Policy cash values accumulate tax-deferred.
- You may access cash values on an income tax-advantaged, potentially income tax-free, basis.¹
- No Internal Revenue Code contribution limits (policy design and insurability will dictate any limitation).
- No Required Minimum Distributions.
- No pre-59½ early withdrawal penalties.

Be mindful of...

- Policy should not be structured as a modified endowment contract, or MEC. Loans and withdrawals from MECs may be subject to ordinary income tax (earnings are deemed to be distributed first), and may be subject to a 10% penalty if taxable loans and/or withdrawals are taken before age 59½.
- Issuance of life insurance policy requires insurability and underwriting.
- Policy lapse or full surrender prior to death may result in income tax consequences.
- As a nonqualified asset, premiums paid are not income tax deductible.
- This is a long-term strategy that requires your long-term commitment. Short paying the policy may result in MEC status. Policy must be given ample time to accumulate cash value. Policy loans and cash value should be monitored to avoid lapse.

Case Study

- Client: William Evans, doctor, age 45, standard non-tobacco user, Ohio resident.
- \$10,000/year until 65. Income to start at age 71-85.
- Specified amount: \$211,762.
- Non-guaranteed interest rate of 7.49% as illustrated.²
- Distributions are participating loans. Loan interest rate: 6%; non-guaranteed interest on loaned account value: 7%.



Year	Annual Premium	Distribution	Net Cash Surrender Value	Net Death Benefit
1	\$10,000	\$0	\$2,941	\$220,340
10	\$10,000	\$0	\$116,846	\$329,171
20	\$10,000	\$0	\$376,591	\$588,353
25	\$0	\$0	\$543,597	\$630,572
26	\$0	\$65,849.28	\$517,547	\$605,375
27	\$0	\$65,849.28	\$490,401	\$572,356
30	\$0	\$65,849.28	\$402,590	\$451,592
35	\$0	\$65,849.28	\$232,688	\$289,118
40 (with total amounts)	\$0; \$200,000 total premium paid	\$62,999.60; \$987,739.20 total distribution from policy	\$ 20,052	\$ 100,159

This example is hypothetical in nature and used for illustrative purposes only.

² At the time of application either the Index Accounts with the 1% minimum guaranteed interest rate or the Index Accounts with the 0% minimum guaranteed interest rate must be selected.

IUL is a universal life policy. It has insurance related costs. Premiums paid must produce sufficient cash value to pay insurance charges. Indexed returns do not protect against lapse if premiums and returns do not provide sufficient cash value to cover loan interest and insurance costs. Your clients must understand that loan risk means loans may well not be zero cost. Such loan risk and interest costs will reduce account value and will contribute to a risk of policy lapse if account value becomes insufficient to cover charges.

Loans will accrue interest. Loans and withdrawals may generate an income tax liability, reduce the Account Value and the Death Benefit, and may cause the policy to lapse. Sufficient premium and account value are necessary to cover insurance costs. Index returns do not guarantee that the policy will stay in force. Product issued by Columbus Life Insurance Company, Cincinnati, Ohio. Indexed Explorer Plus Flexible Premium Universal Life Insurance Policy series ICC17 CL 88 1708. Product and rider provisions, availability, definitions and benefits may vary by state. Payment of benefits under the life insurance policy is the obligation of, and is guaranteed by Columbus Life. Guarantees are based on the claims-paying ability of Columbus Life. Products are backed by the full financial strength of Columbus Life.

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