5 Reasons

Your Retirement Plan Should Include Whole Life Insurance

When most people think of their retirement plan, they think of an IRA, 401(k) or 403(b), stocks and bonds, and saving accounts. Together the value of these assets are intended to provide the income needed in retirement.

Whole life insurance is an asset that many financial professionals believe should also be a part of a well-balanced retirement plan. Whole life insurance is a tried and true financial instrument. Unlike many assets the cash value is guaranteed and benefits from a number of income tax advantages.

The value of whole life insurance is much more than just the death benefit. As a part of a complete retirement plan, life insurance increases financial diversity, reduces risk, guarantees growth, and and provides access to policy values. Your financial objectives shift over a lifetime. Whole life insurance provides unique versatility not available with other financial products. Here are five examples that demonstrate the usefulness of whole life insurance as a portfolio asset.

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1 Protecting your family

During the time you are building a future, a career, and a family, only life insurance provides financial protection in the event of death. Initially, your financial advisor may suggest a combination of term and whole life insurance to cover your needs. Over time, as your discretionary income grows, your term insurance coverage can be converted, without insurability, to a whole life policy. Combining term and whole life insurance is a wise strategy that maximizes your protection, your insurability, and your retirement plan while minimizing the financial outlay.

Your life insurance policy can be designed to stay in force should you become disabled and unable to afford the premium. Suffering an income interrupting disability often results in strained financial resources and suspended contributions to retirement accounts. Adding a waiver of premium rider to a whole life insurance policy keeps the policy in force while you are disabled. The cash value continues to grow as guaranteed. Few assets can promise guaranteed growth even if your planned contributions never materialize.

2 Accumulating retirement assets

Inevitably, increasing contributions to your retirement plan will become a primary financial objective. When your retirement portfolio includes a whole life policy you have additional opportunities to accumulate retirement assets. Here's how.

The allowable contribution to retirement accounts, as a percentage of income, decreases as income grows. Let's look at someone earning $50,000. The maximum allowable contribution to a 401(k) in 2016 is $18,000 or 36 percent of income. The same maximum applies to someone earning $150,000; limiting the contribution to only 12 percent of income. Both want to replace 80 percent of their income in retirement but the higher earner is severely limited to how much income can be put aside in a tax-deferred instrument.

Whole life insurance offers another way to allocate funds to future retirement assets. The premium for a whole life insurance policy contributes to one of your retirement assets. Whole life cash value will grow over time, and the increased value is tax deferred. At retirement, whole life insurance can be used as an alternative source of retirement income, to pay long-term care expenses, and to transfer wealth to your heirs.

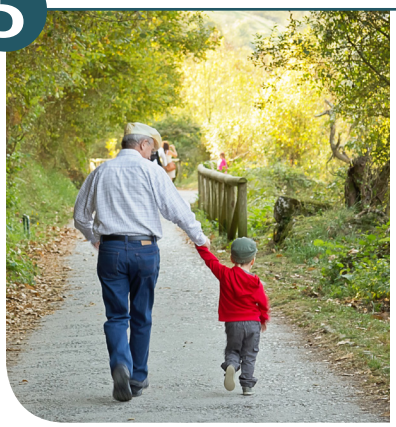
3 Providing retirement income

Whole life insurance can protect your other asset holdings. The cash value of a whole life policy is guaranteed. It is not subject to market volatility and will never decrease. The growth in value is tax-deferred. When markets are declining and a fixed amount of income is expected, of course you prefer not to sell your equities at a loss. You can use your whole life policy to supplement the income you need by borrowing the cash value via a policy loan. Policy loans benefit from favorable tax treatment. As long as you repay the loan outright while the policy is in force, the loan is tax-free. If the loan is unpaid at the time of death, the tax-free advantage can be protected if the death benefit distributed to beneficiaries is reduced by the amount of the loan.

4 Paying long-term care expenses

Many whole life policies offer a long-term care rider that can be added for a small additional cost. Qualifying for underwriting approval for a LTC rider is usually much easier than qualifying for a traditional long-term care insurance policy. A long-term care rider actually advances the death benefit for the purpose of paying long-term care expenses. The remaining death benefit is decreased. A long-term care rider usually uses the same criteria as a standalone long-term care policy to determine eligibility.

5 Leaving a legacy for your heirs



The only retirement asset that offers a tax-free inheritance is life insurance. The guaranteed death benefit is not subject to probate, making it quickly available to your beneficiaries. The value of the death benefit will never decrease. Even if a portion of the death benefit is advanced to pay long-term care expenses or living benefits, the total benefit distributed to the insured and beneficiaries is the full guaranteed amount. The life insurance beneficiary designation allows you to direct who should receive the death benefit and how much they should receive. You can be confident that funds will be distributed quickly and as instructed. Even when challenged, the courts usually uphold the beneficiary designation of a life insurance policy. Other assets in the portfolio may not be as easily transferred.

Your next step

Including a whole life insurance policy as part of your complete financial portfolio reduces the risk of market volatility, provides unique guarantees not available with any other financial instrument, and offers tax advantages not available to other assets. Especially in these uncertain economic times, whole life insurance is a smart retirement asset.

The concepts presented here are best discussed with a financial professional. Talk to your advisor to learn more about the valuable contributions only whole life insurance can bring to a retirement plan.

	Whole Life Insurance	Certificates of Deposit	Equities	Savings Accounts	Retirement Accounts (IRA, 401(k), etc.)
Guaranteed Future Cash Value	✔	✔	✘	✘	✘
Potential for Non-guaranteed Cash Value Growth	✔	✘	✔	✔	✔
Guaranteed Death Benefit	✔	✔	✘	✘	✘
Tax-deferred Growth	✔	✘	✘	✘	✔
Tax-free Funding of Long-Term Care Costs	✔	✘	✘	✘	✘
Tax-free Death Benefit	✔	✘	✘	✘	✘
Disability Protection	✔	✘	✘	✘	✘
Market Volatility	✘	✘	✔	✘	✔