

Life Insurance in Retirement



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California State License: #0H21479


Northwestern Mutual is the marketing name for The Northwestern Mutual Life Insurance Company (NM), Milwaukee, WI (life and disability insurance, annuities) and its subsidiaries.

29-5184-07 (Rev 0422)





How many of
you have life
insurance?



Why do you have life insurance? Or why are you thinking about it now?

Protect Your Family

Life insurance:



Provides funds when they're needed most.



Replaces uncertainty with guarantees.



Is more than just a death benefit.

Today's Agenda

- Types of life insurance
- Living Benefits of Life Insurance
- How to know which type of life insurance is best for you

Let's get started!

Types of Life Insurance

There are two basic types of life insurance:

Term

Whole

Term Life Insurance

Term

- Coverage only for a specific period of time
- If you stop payments or your policy expires and is not renewed, your coverage ends
- It's like renting an apartment
- Most affordable type of insurance

Whole Life Insurance

Whole

- More like owning a home
- Coverage for life
- Higher premium payments
- Builds cash value

Uses of Permanent Life Insurance

You can use your policy values to:

- Emergencies/Opportunities – Loans/Withdrawals
- Equalize an estate
- Supplement Retirement Income
- Pledge as collateral for a bank loan
- Estate Planning
- Pay final expenses
- Pay long term care premiums

The primary purpose of permanent life insurance is to provide a death benefit. Using permanent life insurance accumulated value to supplement retirement income will reduce the death benefit and may affect other aspects of the policy. Utilizing the cash value through policy loans, surrenders, or cash withdrawals will reduce the death benefit; and may necessitate greater outlay than anticipated and/or result in an unexpected taxable event. Assumes a non-Modified Endowment Contract (MEC).

Emergencies / Opportunities

- Trips
- Starting a business
- Buying a new home

Accessing your life policy cash value

- Policy loans
- Surrendering paid-up additions
- Receiving annual dividends in cash

Taxation of Life Insurance

- Tax-deferred growth
- Tax-favored withdrawals
 - Tax-free: basis
 - Ordinary income: gain
 - MEC
- Tax-free death benefit

Equalize an Estate

Considerations:

- Business interests and real estate can be tough to divide
- Beneficiaries in high tax brackets

Pledge as Collateral for a Bank Loan

- Borrowing from a bank vs the life insurance company
- IRAs / Qualified plans cannot be used
- A loan is leverage

Supplement Retirement Income

- E&Y Study
 - Our analysis shows that integrating insurance products into a financial plan provides value to retirement investors.”
—EY Americas
- Cash Reserve

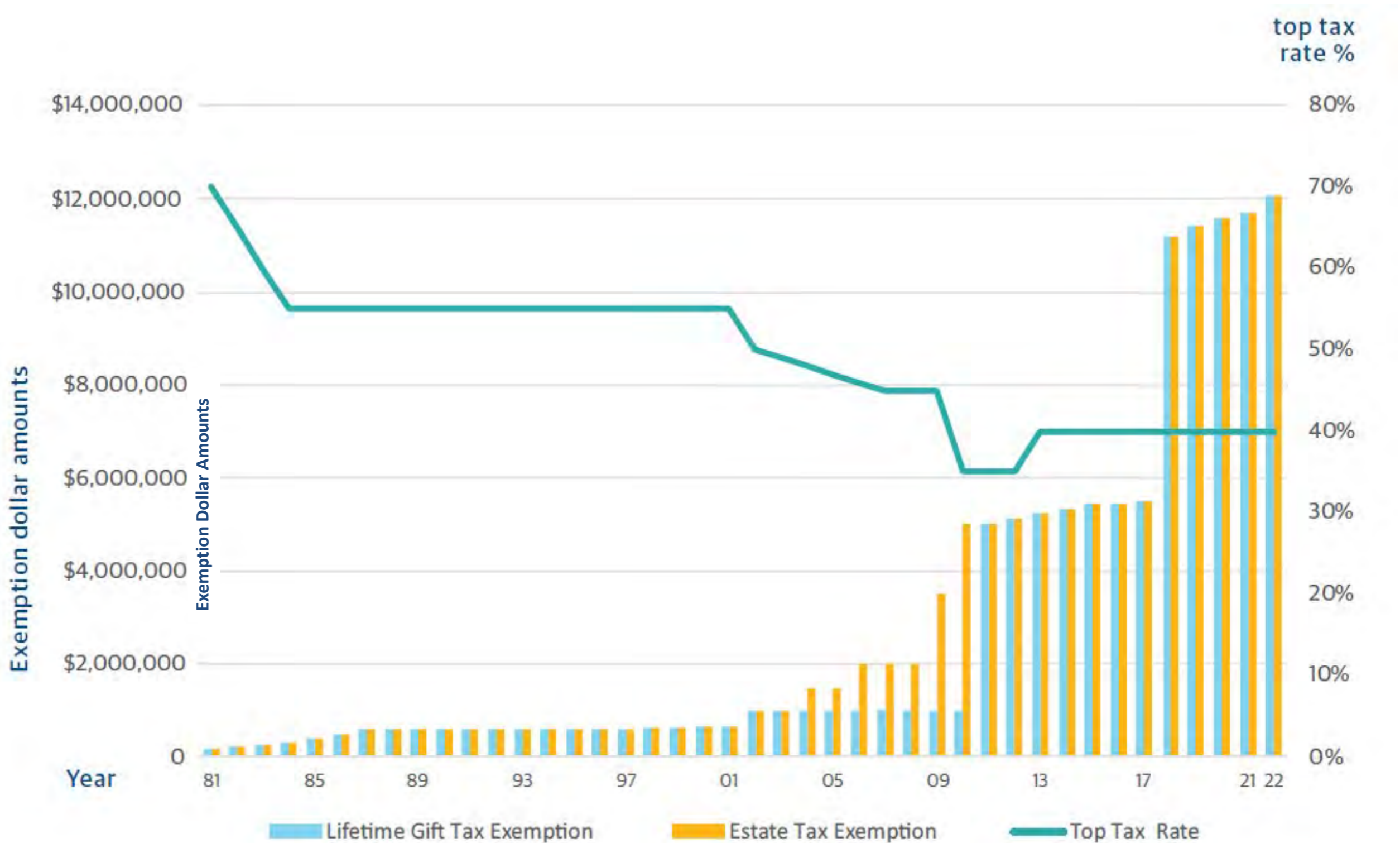
Estate Planning

- The History of Estate Taxes
- The use of an Irrevocable Life Insurance Trust (ILIT)
 - Estate planning needs
 - Legacy
 - Liquidity
 - Creditor protection
 - Can also be flexible

Estate Planning > Charitable Gifts

- Leverage
- Gift an Existing Policy
 - Charity as beneficiary
 - Transfer policy to charity
- Benefit to charity
- Death Benefit

History of Gift and Estate Taxes 1981 – 2022



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Pay Final Expenses

- Spend other assets more freely
- Could be trust owned
- Final expense insurance, “Burial Insurance”
 - Marketing
 - Policy Size
 - Underwriting
 - Not a substitute for an estate plan
- Probate Costs: 1-4% depending on State

Pay Long-Term Care Premiums

- Non-qualified annuity or permanent life insurance policy
- Proportionate amount of basis and gain
- Can be automated

Any questions
about the role of
life insurance in
your financial plan?



Choosing the Insurance That's Right for You



What are your
needs?



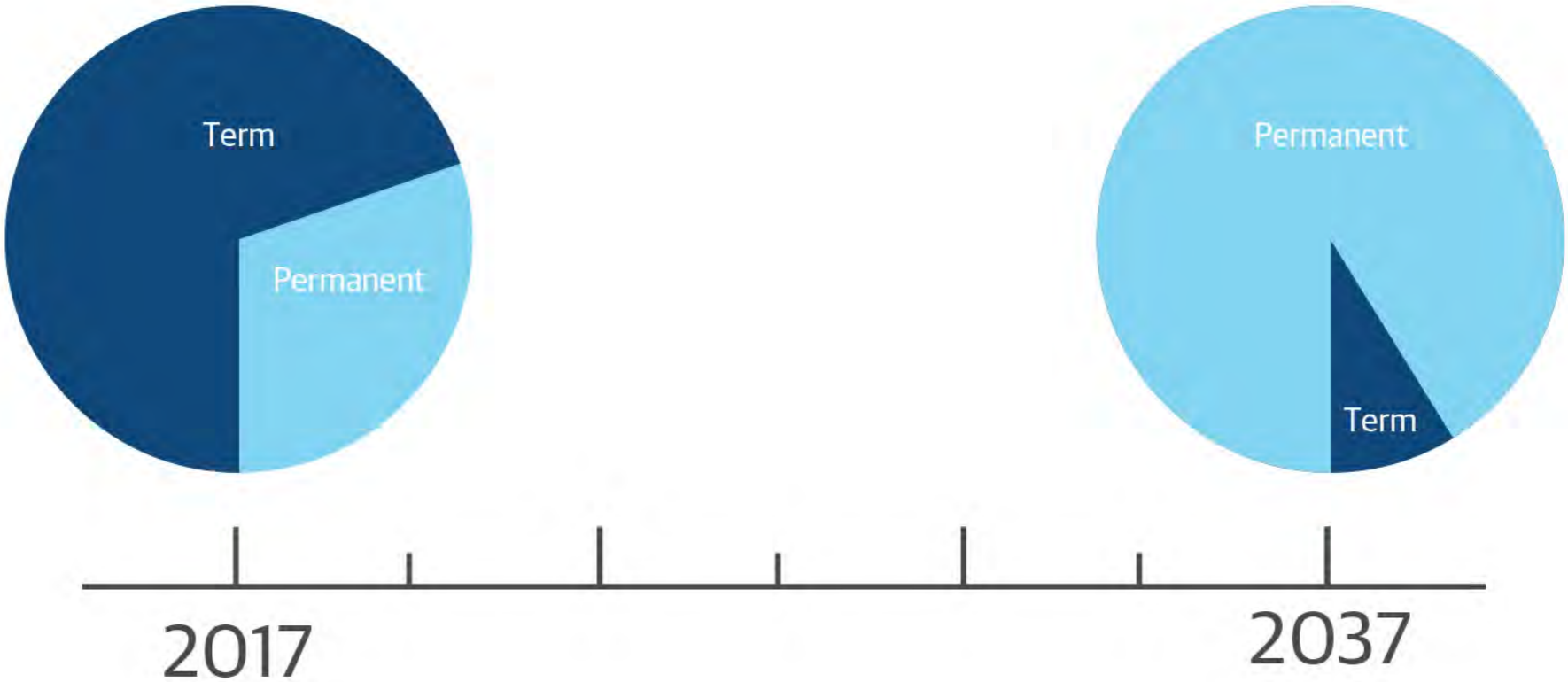
What are your
goals?



What's your
budget?

Choosing the Insurance That's Right for You

Many people purchase both term and whole life insurance.



How Much Life Insurance Do You Need?



How much can
you afford?



What do you
have?



What are your
goals?

Our Approach

We'll get to know you

- What is important to you and your loved ones?
- Where are you today?
- What steps have you already taken?
- Where do you want to be in the future?

Analyze your financial situation

- Develop a plan to reach your goals

Key Considerations

No matter who you decide to work with, keep three things in mind.

- 1 Look for quality.
- 2 Work with a company that'll be there when you need them.
- 3 Work with an advisory team you like and trust.

Questions?



Thank You

Disclosures

Financial representatives do not render tax or legal advice. Consult a tax or legal professional for advice that is specific to your situation.

Each method of utilizing your policy's cash value has advantages and disadvantages and is subject to different tax consequences. Surrenders of, withdrawals from and loans against a policy will reduce the policy's cash surrender value and death benefit and may also affect any dividends paid on the policy. As a general rule, surrenders and withdrawals are taxable to the extent they exceed the cost basis of the policy, while loans are not taxable when taken.

Loans taken against a life insurance policy can have adverse effects if not managed properly. Policy loans and automatic premium loans, including any accrued interest, must be repaid in cash or from policy values upon policy termination or the death of the insured. Repayment of loans from policy values (other than death proceeds) can potentially trigger a significant tax liability, and there may be little or no cash value remaining in the policy to pay the tax. If loans equal or exceed the cash value, the policy will terminate if additional cash payments are not made.

Policyowners should consult with their tax advisors about the potential impact of any surrenders, withdrawals or loans.