

A New Look on Life

Supplemental Income

MetLife

Cash Value Life Insurance as an Asset

More so now than in the past, there seems to be a disconnect between the opportunities of traditional investing and the necessary savings needed to supplement the retirement clients expect and deserve. In this world of the *New Normal*, clients are reevaluating their priorities and more importantly, their traditional way of thinking about investing.

The Client:

Jackson Henley, age 45, is a successful consultant for a business development firm. He is currently making just over \$300,000 a year. He is looking to tax diversify his current portfolio in a non-correlated asset to provide tax-favored supplemental income into retirement.

The Concern:

Like many others, Jackson is concerned about saving enough for retirement. As he becomes more and more successful he is noticing that the opportunities to save in traditional vehicles is becoming increasingly limited. He maxed out all of his traditional qualified plan options and at the \$16,500 maximum contribution is only able to save just over 5% of his income. As a supplement to his traditional vehicles, he has been saving in nonqualified personal investments, but is seeing that without tax-deferral the growth of those investments is not keeping pace with his future planning needs. Additionally, he realizes that as he becomes more successful, the amount of income replacement protection needed for his family has also increased. He is looking for a solution that will provide him with an opportunity to plan for his retirement while still protecting his family along the way.

The Solution:

Jackson met with his financial professional to discuss different opportunities to reach the retirement he expects and deserves. Together they decide to apply for a \$1,000,000 whole life policy to provide the tax-deferred cash value accumulation that he needs to supplement retirement income, while still providing additional death benefit protection for his family. Jackson receives a preferred health rating and decides to pay premiums of \$24,376 for the next 20 years to his desired retirement age.

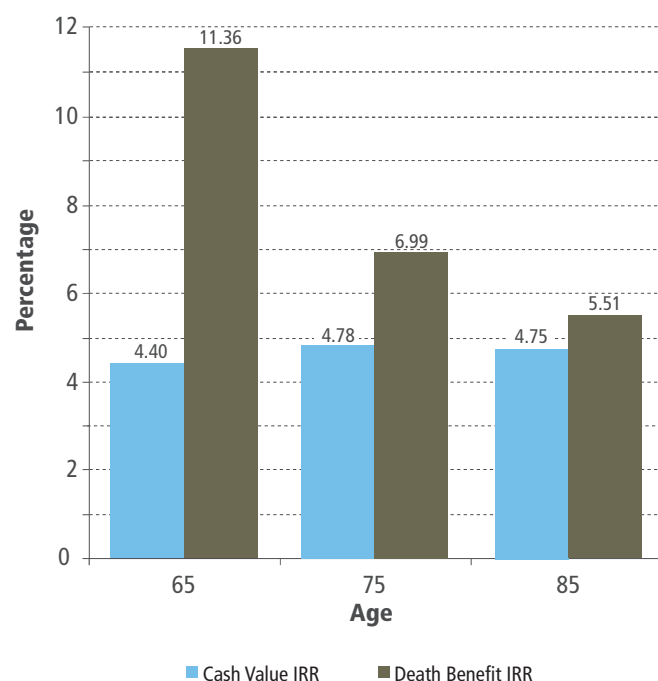
The Benefit:

Jackson is able to accumulate \$1,316,028 in cash value by age 75 that can be used to supplement his retirement income needs. That is an Internal Rate of Return (IRR)¹ of 4.78% and would provide Jackson with additional income at age 75 of \$76,217 for 10 years. This means Jackson would pay \$487,520 in premiums for the next 20 years to receive \$760,217² in tax-free income into retirement and still have over \$1,055,340 in additional cash value and \$1,503,495 in death benefit for wealth transfer. Jackson wants to work with a company with strong financials to back its product guarantees and potential for paying dividends, so he decides to work with MetLife.

CLIENT PROFILE

- 30-55 years old
- Needs supplemental retirement income planning
- Seeking tax diversification
- Risk Averse
- Death benefit protection needs

Cash Value and Death Benefit IRR—Whole Life



This means, given our assumptions, Jackson would have to earn 7.35% in an investment subject to a 35% tax rate, to equal the 4.78% earned in the whole life policy.

For more information,
contact Metlife today or visit
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¹This is a hypothetical example for illustration purposes only. Actual results will vary. MetLife does not provide tax and legal advice. Clients should consult their attorney and/or tax advisor before making financial investment or planning decisions.

²Tax-free distributions assume that the life insurance policy is properly structured, is not a Modified Endowment Contract (MEC) and distributions are made up to the cost basis and policy loans thereafter. Should the policy lapse or be surrendered prior to the death of the insured, there may be tax consequences. Loans and withdrawals will decrease the cash value and death benefit.

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