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You've heard broadcaster Paul Harvey say it a million times: "Now, for the *rest* of the story." As a financial services professional, it is your responsibility to tell them "the *rest* of the story" about their retirement plan.

The part of the story that many people never hear is that a properly structured cash value life insurance contract may be one of the best retirement vehicles for tax-favored capital accumulation and tax-advantaged retirement income as living benefits, in addition to providing income tax-free death benefits to the beneficiary. That's because life insurance performs well in all 4 phases of the wealth creation process: contribution, accumulation, withdrawal and transfer. What most prospects don't realize is that the average retired couple will pay 8 to 12 times more in taxes on their IRA, 401(k) or other qualified plan during their retirement years than they saved on taxes during their accumulation years.

Qualified plans, including IRA and 401(k) plans, are considered by some to be punitive. Douglas Andrew, author of "Missed Fortune," even calls them "the savings bonds the government has developed for itself." Life insurance, on the other hand, is more like having your cake and eating it, too!

The 4 essential components to be considered should be liquidity, safety, rate of return and tax consequences. From a liquidity standpoint, life insurance can be an exceptional vehicle because you often can gain access to a good part of your money without significant consequence.

For example, often you can borrow against the cash value of the policy and not be taxed on the amount you borrow, paying interest at a fixed rate on the loan. The interest charged is often less than what another financial institution would levy. But the real value of this feature is the fact that you can borrow against the policy without canceling it, thus protecting your future.

But it's when the subject of taxes comes up, that insurance becomes particularly attractive.

When prospects hear that life insurance offers them tax-free income at a time in their lives when they are likely to need it most, they are usually eager to hear more. That's when it can be helpful to invite them to imagine they owned a farm. Make it a nice, big wheat farm with green hills, a big red barn and a white fence around everything.

Then ask if they would rather pay tax on the cost of their seed in the spring, or on the proceeds from their harvest in the fall. Even prospects who have never set foot on a farm in their lives usually choose the first option because it makes so much sense. After all, who would rather pay taxes on truckloads of wheat than a few sacks of seed?

When you point out that they may be doing just the reverse with their own retirement plan, prospects become even more interested in hearing more. That's when it can be effective to show them an example such as the one on this page.

In the first 20 months of retirement, every dollar of taxes saved during 30 years of deductions will be paid back to the government, according to Andrew. A person living a normal life expectancy will pay over 10 times the taxes on a qualified retirement plan during the retirement years than the taxes saved during the contribution years.

With an ending like that, every prospect will be glad you told them "the rest of the story."

The Tax Hit

The Tax Situation In Retirement - Life Insurance Can Help

IRA/401(k) contributions = \$3,000 annually x 30 years = \$90,000 total contributions
Income Tax rate (income > \$46,700) = 34% (couple's combined federal and state marginal income tax bracket)

Tax savings on contributions = \$1,020 annually x 30 years = \$30,600 total tax savings

Accumulated IRA/401(k) value using a 10% annual return for 30 years = \$542,829

Life expectancy at age 65 = 20 years per IRS Table V

Before tax income @ 10% over the life expectancy = \$54,283 annually x 20 years = \$1,085,660 total income

Taxes paid on income using 34% tax rate = \$18,456 annually x 20 years = \$369,124 total taxes paid