

# Indexed Universal Life Insurance

Exploring Legacy, Tax Benefits,  
Flexibility, and Supplemental Income

**FEATURES**

- Tax
- Investment
- Death
- Liquidity
- Flexibility

## Unlocking Retirement Indexed Universal Life Insurance



# Introduction

In the realm of retirement income planning, individuals often seek financial vehicles that offer tax advantages, flexibility, and the potential for long-term wealth accumulation. While life insurance is typically purchased for the death benefit it can provide for your heirs, it also offers compelling features to help enhance your overall retirement plan too. In this booklet, we will explore how an IUL can also offer retirement income and provide the opportunity to offer tax benefits, flexibility, and supplemental income opportunities for your retirement.

## Part 1:

### A Legacy Planning Tool

Indexed Universal Life (IUL) insurance policies are a type of fixed life insurance that provides a tax-free death benefits<sup>1</sup> to your beneficiaries. These funds bypass the probate process and allow your heirs to access the funds quickly to help settle your estate efficiently.

## Part 2:

### Tax Treatment and Accessibility

Indexed Universal Life (IUL) insurance policies offer tax benefits with few barriers to entry. The cash value accumulation within an IUL grows tax-deferred, and policy loans are tax-free, provided the policy remains in force. However, IULs have no high-income limitations and no annual IRS maximum contribution limits. This can make IULs an attractive option for high-income earners who wish to contribute more because there are no limits due to income thresholds<sup>2</sup>.

## Part 3:

### Tax-Free Supplemental Income

One of the key advantages of an Indexed Universal Life (IUL) policy is its ability to provide supplemental retirement income that is tax-free. Retirees can access the cash value of their IUL through or policy loans, allowing them to supplement their retirement income without incurring taxes. For example, annual policy loans from an IUL could help retirees avoid jumping up into a higher federal tax bracket and additional state taxes, providing potentially significant tax savings compared to other retirement income sources.



## Part 4:

### Indexed Universal Life Earns Interest

An Indexed Universal Life (IUL) Insurance policy is a type of permanent life insurance that combines a death benefit with a cash value component that can earn interest based on a market index, like the S&P 500. A portion of your premium is in a cash value account, which grows over time. Interest is credited to the cash

<sup>1</sup> Life insurance death benefits are typically tax free to a properly named beneficiary. Life insurance agents do not provide tax advice.

<sup>2</sup> Life insurance distributions will reduce the policy's cash values and death benefits and could cause the policy to lapse or require additional premiums to keep it in-force. This assumes the policy is not a Modified Endowment Contract (MEC).



value that is linked to the performance of a market index. There is usually a cap on how much interest is credited, and there is a floor to protect from losses in a down market.

## Optional Riders: **Enhancing Your IUL Policy**

Enhance your Indexed Universal Life (IUL) policy with optional riders to provide additional protection and benefits. These riders may or may not involve an additional annual fee, depending on the policy and insurance carrier chosen. Here's a closer look at some of the key riders available:

### **Long-Term Care (LTC) Rider**

This rider allows you to access a portion of your death benefit to cover long-term care expenses. Without this rider, you might face significant out-of-pocket costs if you need extended care due to illness or injury, potentially depleting your savings and impacting your financial stability.

### **Accelerated Death Benefit (ADB) Rider**

If you're diagnosed with a terminal illness, this rider lets you access a portion of your death benefit early. Without the ADB rider, you may struggle to cover medical expenses and other costs during a challenging time, placing additional stress on you and your loved ones.

### **Critical Illness Rider**

This rider provides a lump-sum payment if you're diagnosed with a chronic, critical, or terminal illness. Without this rider, you could face substantial medical bills and other expenses that you will have to pay for while trying to focus on your recovery.

By incorporating one or more of these optional riders as appropriate, you can help ensure that your IUL

policy offers the protection and support you need, helping you navigate life's uncertainties with greater financial confidence.

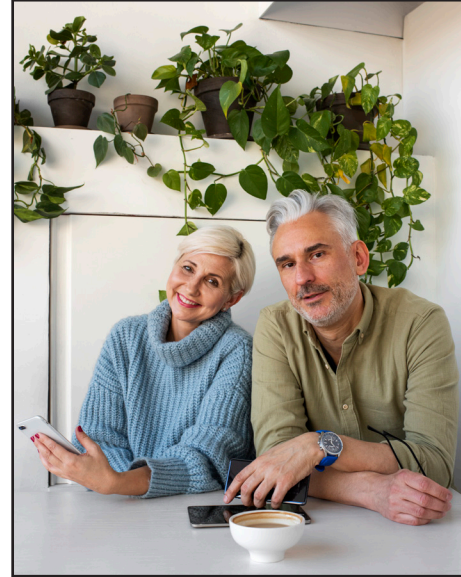


AFFINITY ADVISORY NETWORK, LLC

While IUL may help you address different financial needs, this information is not meant to imply that you may be able to use the policy to meet all of these financial needs during their lifetime. Utilizing one or more IUL benefits may reduce or negate other features of the policy.

## In the end,

Indexed Universal Life (IUL) insurance policies offer a effective way to leave a legacy for your loved ones, while offering the opportunity for a tax free income stream in retirement. With tax benefits and fewer barriers to entry than many other options, IULs can offer high-income earners a flexible and tax-efficient vehicle for building cash value and generating tax-free income in retirement. By leveraging the tax advantages and supplemental income opportunities of an IUL, you can help support your financial future while helping to ensuring a legacy for your heirs.



Life insurance policies are contracts between you and an insurance company and are not suitable for everyone. Life insurance product guarantees rely on the financial strength and claims-paying ability of the issuing insurer and are not FDIC Insured. Life insurance riders may be available for an additional annual fee. Policy and rider availability may vary by state.

Life insurance products contain fees, such as mortality and expense charges, and may contain restrictions, such as surrender charges. Surrender charges vary by product, issue age, sex, underwriting class and policy year. Policy loans and withdrawals will reduce the available cash value and death benefit and may cause the policy to lapse or affect guarantees against lapse.

Additional premium payments may be required to keep the policy in force. In the event of a lapse, outstanding policy loans in excess of unrecovered cost basis will be subject to ordinary income tax. This assumes the policy is not a Modified Endowment Contract (MEC).

Most life insurance policies are subject to medical underwriting, and in some cases, financial underwriting, and the costs of a life insurance policy, including premiums and cost of insurance charges, is dependent on your age and health at the time of application.

If properly structured, proceeds from life insurance are generally income tax free. This information is not intended to provide specific tax, legal or investment advice. Individuals are encouraged to speak to a qualified professional regarding their personal situation.



AFFINITY ADVISORY NETWORK, LLC

Affinity Advisory Network, LLC is a financial services firm helping clients prepare for retirement through the use of insurance and investment products and services. We are not endorsed by or affiliated with any government agency. Affinity Advisory Network, LLC is a network of professionals acting together for the overall benefit of each client, including CPAs, Insurance Agents, Accountants, Real Estate professionals, VA Accredited Claims Agents, and Attorneys. Many of the professionals within the network are independent of the Affinity Advisory Network and maintain their own licenses.

Investment advisory and financial planning services offered through AAN Wealth Advisors, LLC, a State of Ohio Investment Advisor. Sub-advisory services are provided by Advisory Alpha LLC, A SEC registered Investment Advisor. AAN Wealth and Advisory Alpha, LLC are separate and unaffiliated entities . Registration with the SEC or state does not constitute an endorsement of the firm by regulators, nor does it indicate that the adviser has attained a particular level of skill or ability.

This content is for informational purposes only and does not intend to make an offer or solicitation for sale or purchase of any securities. Investing involves risk, including the potential loss of principal. No investment strategy, such as asset allocation or diversification, can guarantee a profit or protect against loss in periods of declining values. Changes in investment strategies, contributions or withdrawals, and economic conditions may materially affect the performance of your portfolio. There are no assurances that a portfolio will match or outperform any particular benchmark. Investors should carefully consider the investment objectives, risks, fees and expenses before investing. Any financial services firms referenced in this material do not provide tax or legal advice. Please consult with your tax or legal professional regarding specific issues prior to making a tax or legal decision. Insurance product guarantees are backed by the financial strength and claims-paying ability of the issuing company. Product and feature availability may vary by state.

If you would like a written opinion you can rely on, please contact an accountant, financial adviser, or attorney. The materials contained herein are not intended to, and do not constitute, legal or financial advice. Attorneys are licensed in limited jurisdictions. The firm does not intend to practice law in any state in which we do not have licensed attorneys, and this information is not intended to solicit representation that would constitute the unauthorized practice of law in any jurisdiction. Hiring a lawyer is an important decision that should not be based solely on this material. Before you decide, please contact us for further information about our qualifications and experience. Neither transmission nor receipt of these materials creates an attorney-client relationship between the sender and the receiver.

