

# The power of tax deferral

Issued by Delaware Life Insurance Company

## How tax deferral can help your retirement account value grow

Tax deferral allows you to delay paying taxes on earnings in your retirement accounts—such as interest, dividends, or capital gains—so they can accumulate tax-free until you withdraw them after you retire. The most common types of tax-deferred retirement accounts are IRAs, 401(k)s and tax-deferred annuities. Delaying taxes on the earnings you make in these accounts can help in two ways:

### 1 More growth potential when you're saving

Instead of paying taxes on your earnings every year, taxes on earnings in a tax-deferred retirement account are delayed until you withdraw them in retirement. That means you'll have more money in your account to potentially grow, through compounding. With compounding, your interest earns interest every year, which can accelerate the amount you save over time.

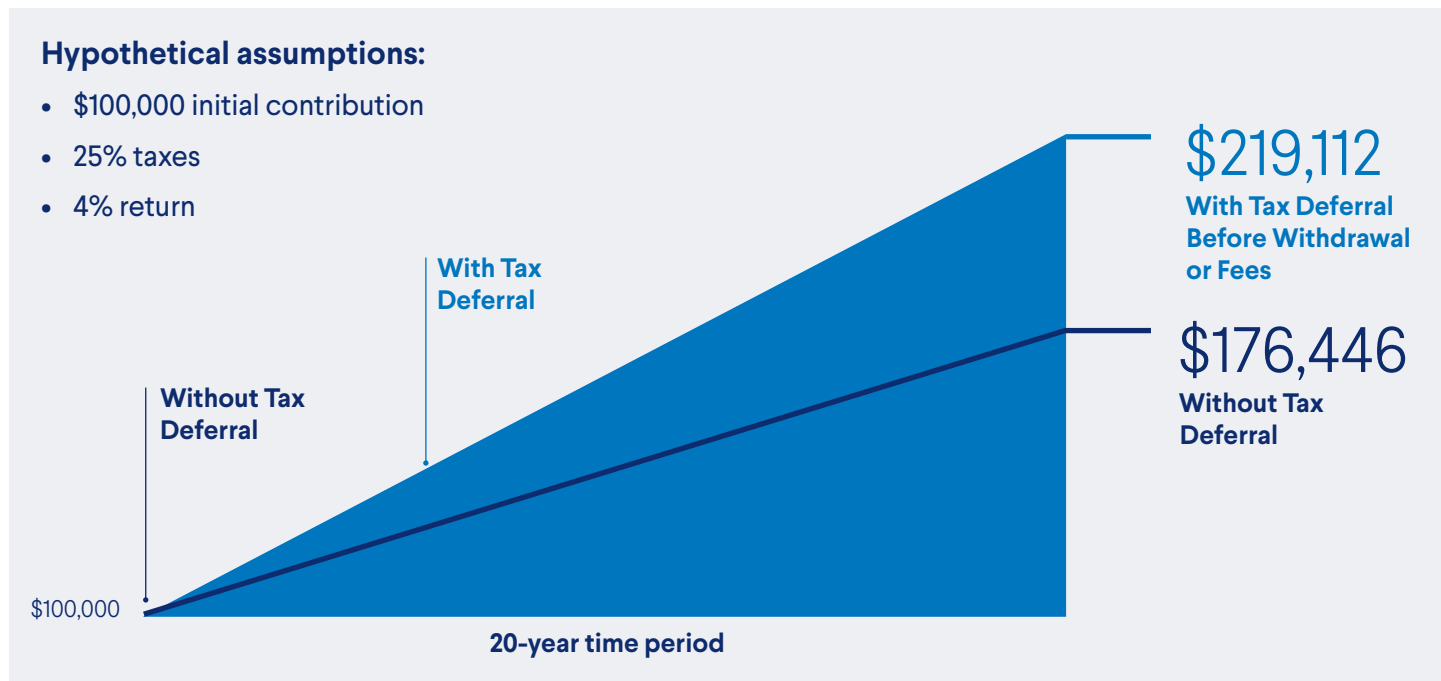
### 2 Potentially lower tax bracket in retirement

The prime saving years for retirement are typically your peak working years when you typically pay higher income taxes. But once you retire and begin to live on less income, you could be taxed at a much lower rate. Any tax-deferred earnings you withdraw in retirement would be taxed at that lower rate too.

Remember: Your earnings in a tax-deferred account continue to grow tax-free, until you start taking withdrawals or income payments in retirement. When you do, your withdrawals of taxable amounts are subject to ordinary income tax, and, if taken before age 59½, you may have to pay a 10% federal tax penalty.

## The longer you defer paying taxes, the better

As the chart below shows, a \$100,000 contribution that earned a 4% average annual return and paid taxes each year in the 25% tax bracket could have grown to \$176,446 over 20 years. In contrast, a \$100,000 contribution that earned 4% in a tax-deferred account over the same time period would have grown to \$219,112—a \$43,000 advantage.



Source: TradeWell Tax & Financial. <http://tradewelltax.com/solutions/retirement-planning>

This chart is hypothetical and for illustrative purposes only. This example illustrates tax deferral and does not represent the past or future performance of any product. Actual results will vary.

A lower tax rate on capital gains and dividends would reduce the favorable impact from the tax-deferred account. Changes in tax rates may impact these results. You should work with your personal advisor.

**The hypothetical 4% rate of return shown is not guaranteed and should not be viewed as indicative of the past or future performance of any particular product.**

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**delawarelife.com**

Service Center: P.O. Box 758581, Topeka, KS 66675-8581

Sales Support: 844.DEL.SALE (844.335.7253)

Customer Service: 877.253.2323

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