



Retirement Planning and the Role of Insurance



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Retirement: The Three-Legged Stool

When it comes to retirement, most people traditionally relied on three sources of income:

A Federal Government

B Employer Pension and Profit Sharing Plans

C Personal Savings

Due to the increasingly difficult financial position of federal programs and the challenges that employers face in establishing and maintaining pension and profit sharing plans, it is more and more important for you to depend on your own personal savings efforts for retirement.

Federal Government

A

U.S. National Debt: A time bomb that is ticking:

- The federal budget deficit for 2009 is expected to exceed \$1.8 billion.
- Federal debt, not including unfunded future liabilities, is over \$11.3 trillion.
- Total federal debt, including the present value of future liabilities for programs like Social Security and Medicare, is over \$59 trillion.
- Total federal debt as a percentage of gross domestic product is more than 240%. That is more than twice the ratio of debt:GDP our country had after World War II.

Source: U.S. National Debt Clock as of 5/22/09
http://www.brillig.com/debt_clock/

The retirement benefits offered under Social Security are also at risk because of:

- **Changing demographics:** In the 1960s, there were five workers paying taxes for every person receiving benefits. Today, that ratio is nearly 3:1.
- The law governing benefit amounts may change because, by 2037, the payroll taxes collected will only be enough to pay about 76% of scheduled benefits.

Source: "The Future of Social Security" 2008 - Pages 8, 9
www.socialsecurity.gov



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Employer Pension and Profit Sharing Plans

B

One or two generations ago, it was common for an employee to have access to a type of pension known as a **defined benefit plan**.

- In 1978, there were 128,041 of those plans in the US. Today, there are less than 26,000 - and the numbers are getting fewer and fewer every year.

Source: Employee Benefit Research Institute
<http://www.aficio.org/issues/retirementsecurity/definedbenefitpensions/>

Today most employers offer what are known as **defined contribution plans**.

- With the economic recession of 2007 – 2009, defined contribution plans' values have been decimated.

Source: Employee Benefit Research Institute
<http://www.aficio.org/issues/retirementsecurity/definedbenefitpensions/>

- Over \$1 trillion dollars have been lost as a result of market losses.
- Another \$1 trillion dollars were lost as a result of employees having to change jobs.

Source: Huntingtonnews.net - Date 5/22/2009
"Losses from 401(k) Plans Make Bernie Madoff Look Like a Piker"

DEFINITIONS

Defined benefit plan: Those plans paid retiring employees a fixed amount of money every year, often a percentage of salary based on years of employment, for life.

Defined contribution plan: In these plans, an employer won't promise you a particular income at retirement. Instead, they will place money into an account and give you the choice in how to invest it. A common example of this type of plan is a 401(k) plan.



Personal Savings

C

A large portion of your retirement depends on your ability to save.

Lifetime earnings up to age 65 if your income averages...

	\$75,000	\$100,000	\$200,000
Age	▼	▼	▼
25	\$3,000,000	\$4,000,000	\$8,000,000
30	\$2,625,000	\$3,500,000	\$7,500,000
35	\$2,250,000	\$3,000,000	\$6,000,000
40	\$1,875,000	\$2,500,000	\$5,000,000
45	\$1,500,000	\$2,000,000	\$4,000,000
50	\$1,125,000	\$1,500,000	\$3,000,000
55	\$750,000	\$1,000,000	\$2,000,000
60	\$375,000	\$500,000	\$1,000,000

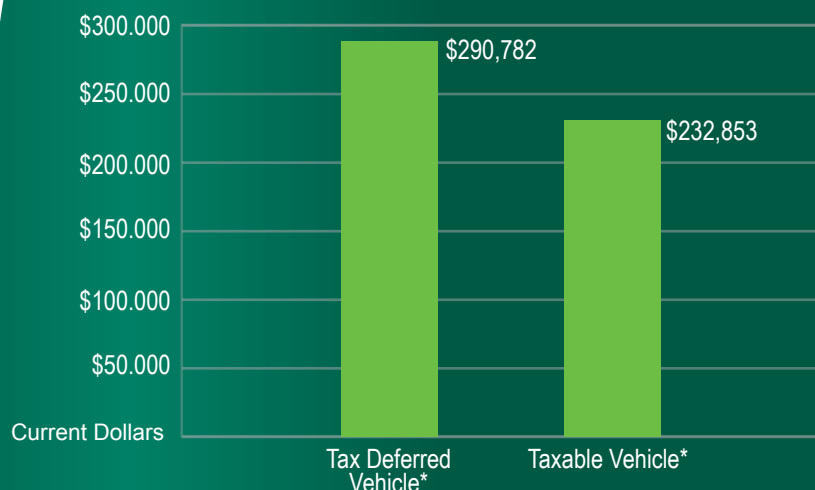
Also keep in mind that...

✓ Taxes impact your ability to save

Of the many challenges in creating wealth for you and your family, taxes may be the single biggest obstacle.

- You Earn It — They Tax It
- You Spend It — They Tax It
- You Save It — They Tax It
- You Die — They Tax It

\$5,000 per year savings over a 25 year period at 6% return



*Interest income is taxable.

✓ Market downturns can delay or destroy your retirement plans

What if a market downturn occurred at the time of your retirement?



Dow Jones Industrial Average returns from May 1987 until May 2009

✓ And that...

On average, for every 100 Americans reaching ages 65 to 69...

27 have died

19 have incomes of less than \$7,000

50 have incomes of between \$7,000 and \$45,000



4 have incomes of more than \$45,000

Social Security Administration Publication No. 13-11871, July 2008

Retirement Planning and the Role of Insurance Indexed Universal Life

- ## Helps you save tax efficiently

Income tax-free death benefits*	Tax deferred growth of cash value	First-In, First-Out (FIFO) taxation*	Policy loans are not subject to income tax*
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- ## Offers downside protection

Growth, linked to a formula based on changes in an index, that:	In good times is credited	 IUL Return Index Return	In bad times is locked in	 IUL Return Index Return
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- ## Protects you and your loved ones

Life insurance benefit for your loved ones	Self insuring for disability & unemployment through available optional riders.	No-lapse guarantee
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- ## Gives you liquidity options

Variable and fixed loan options	Zero net cost loans available after year 10	Premiums paid in excess are not subject to surrender charges
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* Exceptions to this general rule may apply. Ask your agent or a tax professional for more information.



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sustainable
solutions
in times of
uncertainty

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Information provided regarding tax or estate planning should not be considered tax or legal advice. Consult your own tax professional or attorney regarding your unique situation.

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