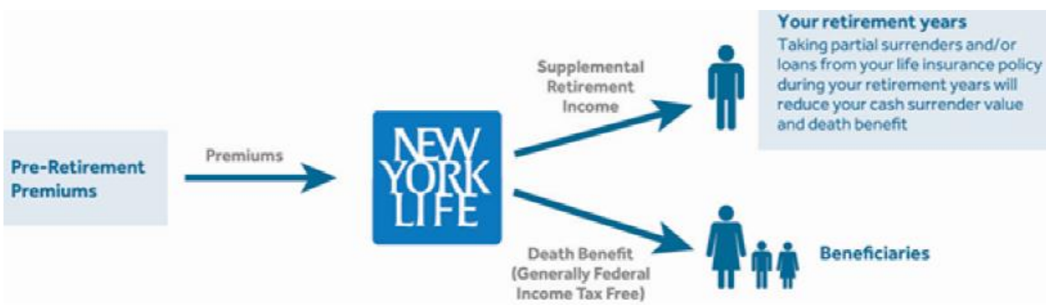
Supplemental Life Insurance for Retirement Planning (SLIRP): Frequently asked questions.

What is it?

- SLIRP is a concept that is illustrated to clients by NY Life agents to show how a life insurance policy can be used to generate *a tax-deferred cash flow during retirement* to supplement traditional retirement income sources.

How does it work?

- Premiums are paid into a **permanent** life insurance policy and will provide a death benefit as well as cash value accumulation, provided the policy remains in force.
- If structured correctly, the policy's cash value can be used to generate tax-deferred or tax-free cash flow during retirement



Which products are eligible for the SLIRP technique?

- Whole Life(AD 87 and after), Custom Whole Life, SWL (AD 89 and after), Variable Life.
- Whole Life policies must either be fully paid-up or on Premium Offset to be eligible for SLIRP and illustrate the SLIRP concept.
  - Any change to the policy's POP status will result in automatic termination of the arrangement.
- CWL policies must be fully paid-up

How is cash value accessed during retirement?

- **Withdrawal:** Cash surrender value can be withdrawn income tax-free up to the owner's cost basis in the policy, provided the policy is not classified as a *modified endowment contract.*
  - Cost basis is generally the total premiums paid less any withdrawals.
  - Withdrawals will reduce the total death benefit and total cash value.
  - There are two ways to make a withdrawal on a permanent policy:
    - Dividend or OPP cash value surrender.
    - Base face amount reduction. ***(cont. next page)***

- **Loan:** The owner(s) may choose to take loans against the cash surrender value, with interest calculated at the current rate.
  - If the policy is structured correctly, loans are generally income tax-free.
    - There may be tax implications for policies recognized as a modified endowment contract (MEC) or if there is a loan that exceeds the cost basis of the policy.
  - Unpaid interest is added to the loan principal and will also accrue interest.
  - Outstanding loans at the time of the insured's death will reduce the total death benefit received by beneficiaries.

What options do I have for accessing cash value depending on the product?

- **Life Policies:**
  - Option 1: Dividends Only
- **CWL Policies:**
  - Option 1: Dividends only
  - Option 2: Loans only
  - Option 3: basis (dividends) then loans

What forms do I need and where do I send them?

- Forms can be found in the forms library by searching for periodic payments
- Forms can be faxed to AWF 1-800-278-4117 or emailed to DSCAWFSUPPORT or CSCAWFSUPPORT
- Requests must be received at least five business days prior to the initial periodic payment date.
- In addition to the forms below an **illustration** showing that the policy will be sustained while paying both the premium and disbursing the funds requested must be submitted (if on Premium Offset).

- The form required will vary depending on product type, MEC status and distribution type:

Form Name	Form Number
CWL/CSWL - Option 2 Election of Periodic Payment Funded by Loans (for Non MEC)	**22802**
Election of Periodic Payment for Dividends for Non Modified Endowment Contracts [Option 1 for life policies]	**22800**
CWL/CSWL - Option 1 and 3 Election of Periodic Payment from Dividends (for Non MEC)	**22798**
Election of Periodic Payment from Dividends for Modified Endowment Contracts (MEC) [Option 1 for life policies]	**22799**
CWL/CSWL - Option 1 and 3 Election of Periodic Payment from Dividends (for MEC)	**22797**
CWL/CSWL-Option 2 Election of Periodic Payment Funded by Loans (for MEC)	**22801**

What are the tax implications?

- **Withdrawals** up to the owner's basis in the policy are generally received income tax free.
- **Loans** taken against policy cash value are income tax free as long as the policy is kept in force.
- **Taxable Gain:** If the policy lapses or is surrendered during the insured's life, income tax would be due on any gain in the policy.
- **Modified endowment contracts (MEC)**: Distributions, including loans, on policies considered MECs are taxable to the extent of the gain.
    - In addition, if the policyholder is under age 59 ½, or not an individual (trusts or corporations), policy distributions are subject to an additional 10% tax penalty on gains. ***(cont. next page)***
- **1035 Exchanges:** A 1035 Exchange is generally tax-free; however, any outstanding loan is paid off as part of the transaction. If the policy has a gain, the lessor of the gain or the loan payoff will be taxable when the policy is exchanged.
- **Gift Tax:** If the policy is owned outright, the payment of premiums would not be considered a gift. Rules differ for policies owned by a Trust.
- **Estate Tax:** If the policy is owned outright upon the death of the insured, proceeds may be included in the owner's taxable estate.

Who do I contact for questions regarding:

- **Forms and Processing**
    - *Loans and Withdrawals department:*
        - EXT #: 889-0119
- **Inforce Illustrations:**
    - *Inforce Illustrations Team*
        - inforce@nyl.com
        - 212-576-7728
- **SLIRP Illustration Training Decks:**
    - Annotated SLIRP Illustration
    - NYLIFE Illustration Materials
- **Sales Concepts:**
    - *Life Sales Desk:*
        - 1-800-NYLIFE8, Option 2, Sub option 4
        - Tax Diversify Sales Concepts
        - Taxes And Your Retirement
- **Marketing Materials:**
        - 1-800-NYLIFE8, Option 2, Sub option 1
        - SLIRP