AdvancedSales

EMBRACING TAX DIVERSIFICATION

The Power of Choice

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NO ONE CAN PREDICT WHERE TAX RATES ARE GOING

U.S. TAX RATES HAVE FLUCTUATED DRAMATICALLY OVER THE YEARS, AND WE HAVE VERY LITTLE CONTROL OVER THE RATES WE PAY FROM ONE YEAR TO THE NEXT.

This uncertainty can create problems when planning for retirement. Especially if you're worried about outliving your income. Stretching every dollar is important. Unexpected expenses can be catastrophic.

And the possibility of higher tax rates can seriously impact the potential income you'll receive from your tax-deferred retirement assets.

The problem is you don't know where tax rates are going. And it does no good to simply cross your fingers and hope for the best.

By implementing a tax diversification strategy, now, you'll have the future flexibility to not only control your taxation, but to take advantage of it!

WHAT IS TAX DIVERSIFICATION?

Tax diversification gives you the ability to control your taxation by using multiple assets that have varying methods of taxation. The strategy plays two key roles in retirement planning.

HEDGING AGAINST FUTURE TAX RATE VOLATILITY

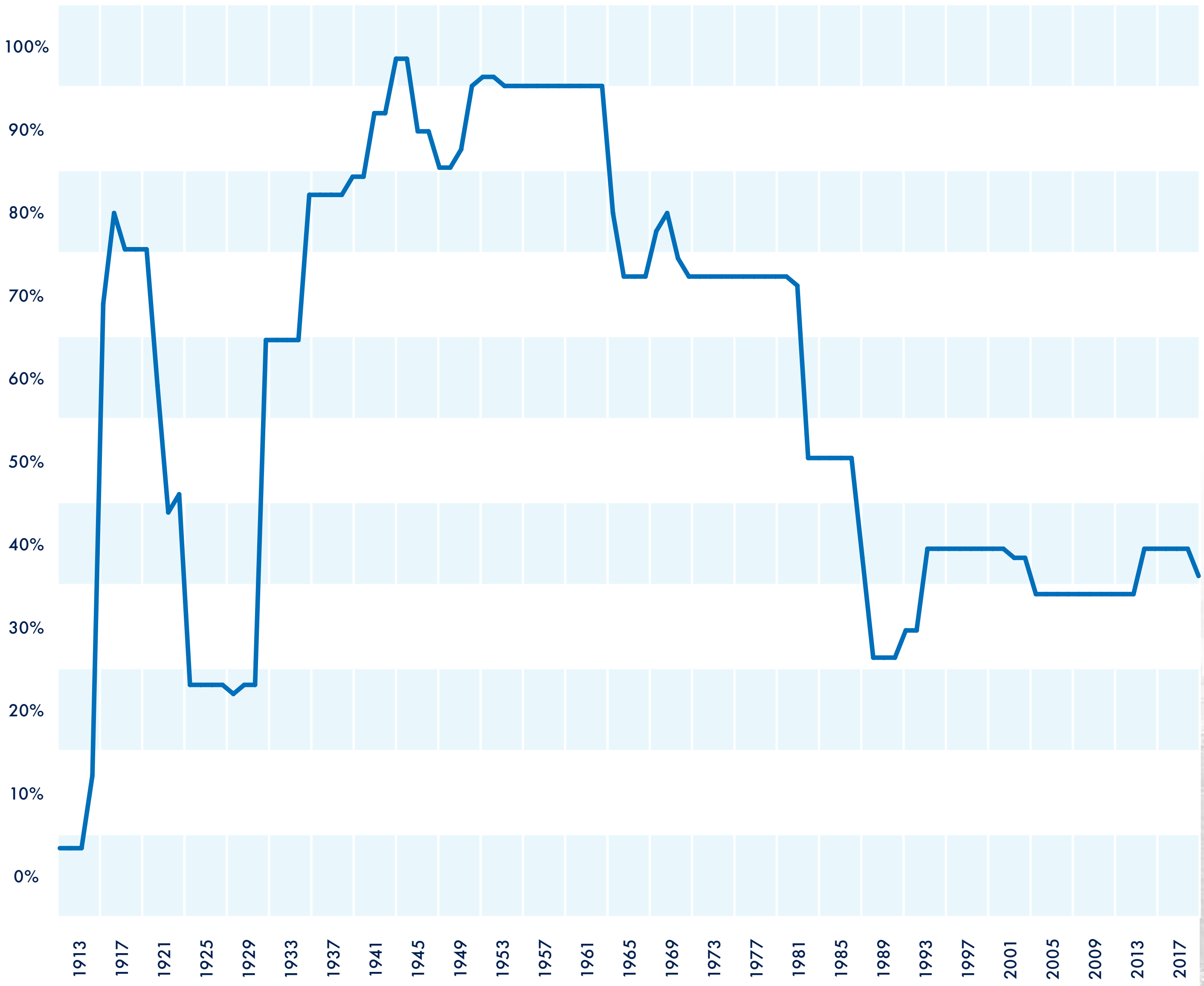
Since you have little or no control over future tax rates, it may make sense to protect your future stream of income by hedging against the potential for rising tax rates and mitigating the amount of tax that is due during high rate years.

TAKING ADVANTAGE OF FUTURE TAX RATE DECREASES

Just as tax diversification can protect your assets from higher future tax rates, it also gives you the Power of Choice, which can be a significant advantage when selecting which assets to use in achieving your annual income stream. Having the freedom to choose assets based on the current tax landscape gives you greater control over the taxes you'll pay.

QoL Max Accumulator+ is an index universal life insurance policy designed to maximize your tax-advantaged accumulation while providing life insurance benefits to your loved ones.

It can be used to help diversify tax exposure as you save and plan for the future.



TAX RATES HAVE VARIED WIDELY OVER TIME.

Source: https://bradfordtaxinstitute.com/Free_Resources/Federal-Income-Tax-Rates.aspx

HERE'S HOW A TAX DIVERSIFICATION STRATEGY MIGHT WORK

WHILE RETIREMENT SAVINGS ACCOUNT BALANCES ARE AT ALL TIME HIGHS,[1] HAVING ALL YOUR EGGS IN ONE BASKET ELIMINATES THE POWER OF CHOICE! 401(K) WITHDRAWALS ARE TAXED AS ORDINARY INCOME.[2] AND FUTURE TAX RATES ARE UNCERTAIN.

THE PROBLEM

ADAM AND LILLI NEED HELP DIVERSIFYING THEIR RETIREMENT

Their retirement plan consists only of Social Security and their 401(k) plans. They've maximized their contributions and have saved a tidy sum. But their 401(k) distributions are subject to income tax. If tax rates go up in the future, they will have to withdraw more funds to pay the tax or live on less income. Neither choice is attractive.

At retirement, assuming a 20 percent tax rate, an annual 401(k) distribution of $100,000 would result in a sizeable tax bill of $20,000,[2] introducing tax rate volatility into their lives at a most inopportune time. Having only a 401(k) strategy provides little relief.

INCREASING TAX RATES REQUIRE LARGER DISTRIBUTIONS FOR THE SAME NET AMOUNT

20% TAX	25% TAX	30% TAX
401(K): $100,000 WITHDRAWAL	401(K): $106,667 WITHDRAWAL	401(K): $114,286 WITHDRAWAL
INCOME TAX: $20,000	INCOME TAX: $26,667	INCOME TAX: $34,286
$80,000 NET DISTRIBUTION	$80,000 NET DISTRIBUTION	$80,000 NET DISTRIBUTION

As the chart indicates, a taxes increase, so to do the required withdrawals for the same net distribution.

Their financial professional suggests tax diversification as an option, and Adam and Lilli decide that having some tax-free sources of cash flow can work to their advantage.

THE SOLUTION

QOL MAX ACCUMULATOR+ CAN PROVIDE BOTH IMMEDIATE PROTECTION AND FUTURE TAX DIVERSIFICATION

Working with their financial professional, Adam and Lilli could decide to implement a cash value life insurance strategy using QoL Max Accumulator+, which not only will provide for their family in the event of an untimely death, but also will provide numerous protections while they're alive.

QOL MAX ACCU MLUATOR+ COULD HELP THEM MEET TWO KEY OBJECTIVES:

1. Life insurance protection for their family
2. The power to choose their income source in retirement

THE RESULTS

ADAM AND LILLI ARE IN GREATER CONTROL OF THEIR FUTURE

Immediately upon approval, they're protected against untimely death. At retirement, they have the flexibility to withdraw cashflow from their policy. Having the power to choose which asset to draw from reduces the impact of tax rate volatility on their future retirement.

Should tax rates rise in the future, Adam and Lilli can reduce their dependence on their 401(k) assets by withdrawing cashflow from their QoL Max Accumulator+ [6]. Should tax rates go down, they can opt to withdraw from their 401(k), taking full advantage of their Power of Choice.

TAX DIVERSIFICATION ALTERNATIVE IN RISING RATE ENVIRONMENT

TOTAL TAX RATES INCREASE FROM 20% TO 25%

401(K): $80,000 WITHDRAWAL	+	QOL MAX ACCUMULATOR+ IUL $20,000 WITHDRAWAL[4]	=	$100,000 TOTAL WITHDRAWAL[4]
INCOME TAX: $20,000	+	INCOME TAX: $0	=	TOTAL INCOME TAX: $20,000
$60,000 NET DISTRIBUTION	+	$20,000 NET DISTRIBUTION	=	$80,000 TOTAL NET DISTRIBUTION

With tax diversification, the chart indicates even with a 5% increase in tax rate, no increase in withdrawals is necessary for the same discretionary cash-flow.

TAX DIVERSIFICATION ALTERNATIVE IN LOWER RATE ENVIRONMENT

TOTAL TAX RATES DECREASE FROM 20% TO 15%

401(K): $94,118 WITHDRAWAL	+	QOL MAX ACCUMULATOR+ IUL $0 WITHDRAWAL[4]	=	$94,1180 TOTAL WITHDRAWAL[4]
INCOME TAX: $14,118	+	INCOME TAX: $0	=	TOTAL INCOME TAX: $14,118
$80,000 NET DISTRIBUTION	+	$0 NET DISTRIBUTION	=	$80,000 TOTAL NET DISTRIBUTION

With tax diversification, the chart indicates a 5% decrease in tax rate; more assets are left in the 401k and the IUL to keep growing while receiving the same discretionary cash-flow.

WHAT'S TAXABLE, WHAT'S NOT AND WHEN?

KNOWING HOW ASSETS ARE TAXED CAN HELP YOU PLAN AROUND THE UNCERTAINTY AND VOLATILITY OF TAX RATES. DIVERSIFYING YOUR TAXATION ACROSS MULTIPLE ASSET TYPES HELPS PROTECT YOUR FUTURE FROM TAX RATE VOLATILITY.

NOT SUBJECT TO DIVIDENDS, INTEREST OR CAPITAL GAINS DISTRIBUTIONS TAX

INCOME-TAX-FREE CASH FLOW

CASH FLOW DOES NOT INCREASE TAX BRACKET

WILL NOT INCREASE SOCIAL SECURITY TAXATION OR MEDICARE PREMIUMS

NOT SUBJECT TO 10% PENALTY ON PRE-RETIREMENT DISTRIBUTION

NOT SUBJECT TO REQUIRED MINIMUM DISTRIBUTIONS (RMDS) AFTER AGE 70-1/2

PROTECTED FROM MARKET CORRECTIONS

FEDERAL INCOME TAX-FREE SURVIVOR BENEFIT

CHRONIC , CRITICAL AND TERMINAL ILLNESS PROTECTION[4]

As you can see, there are unique opportunities inside Index Universal life insurance that cannot be obtained elsewhere. Consider adding IUL to your overall plan to provide additional protections and opportunities

TAXABLE NOW TAXES ARE DUE UPON THE GAIN OF THESE ASSETS WHEN THE ASSSETS ARE SOLD			TAX-DEFERRED TAXES ARE DUE WHEN THE FUNDS ARE WITHDRAWN FROM THE ASSET			TAX-FREE FUNDED WITH AFTER-TAX DOLLARS ALLOWING FOR INCOME TAX-FREE CASH FLOW	
STOCKS, BONDS, MUTUAL FUNDS	CDS	SAVINGS ACCOUNTS	QUALIFIED PLANS (401K AND 403BK)	ANNUITIES	TRADITIONAL IRA (ANNUITY)	ROTH IRA	INDEX UNIVERSAL LIFE INSURANCE
			●	●	●	●	●
						●	●[6]
						●	●
						●	●
●	●	●				●	●
●	●	●				●	●
	●	●		●			●[3]
							●
							●

Cash value life insurance policies are subject to Modified Endowment Contract rules that discourage overfunding based on face amount, insured's age and other factors. Cash value life insurance also contains additional mortality charges that will increase the expense of this product. Distributions in excess of total premiums paid are taxable unless taken as loans (which are subject to interest charges). This grid assumes that policies will be issued as non-MEC. For MEC Taxation rules consult with a licensed tax advisor. For additional information consult a policy illustration.

QOL MAX ACCUMULATOR+ IS AN INDEX UNIVERSAL LIFE INSURANCE POLICY DESIGNED TO MAXIMIZE TAX-ADVANTAGED ACCUMULATION WHILE PROVIDING LIFE INSURANCE BENEFITS TO LOVED ONES.

1. http://fortune.com/2017/08/03/americans-record-highs-401k-balances/

2. Withdrawals are subject to federal tax and may be subject to state income taxes. A 10% federal early withdrawal tax penalty may apply if taken before age 59 1/2.

3. Cash values inside Index Universal Life policies are not subject to index losses due to point-to-point index crediting.

4. Accelerated Benefit Riders are optional components to life insurance policies and may incur an additional policy fee. Please consult a licensed tax advisor for details on accelerated death benefit taxation.

5. This is a not an actual case. It is a hypothetical representation for illustrative purposes, only. The individual 401(k) plan and life insurance policy withdrawals are aggregated in the illustration for convenience. It is not a comprehensive analysis of the subject matter and you should work with a tax professional before making changes to your circumstances.

6. Withdrawals in excess of total premiums paid are taxable unless taken as loans (which are subject to interest charges).

The descriptions and features of the various assets in these tables are for general information purposes and address the most typical circumstances. There are many regulations governing the taxation and operation of all assets mentioned and you should seek the advice of a tax professional before making any changes to your current or future retirement plans, accounts or assets.

NOT A DEPOSIT

NOT INSURED BY ANY GOVERNMENT AGENCY

MAY LOSE VALUE

NO BANK OR CREDIT UNION GUARANTEE

NOT FDIC/NCUA/ NCUSIF INSURED

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