

Budget friendly solution for Pre & Post Retirement financial risks

Americans may face several financial risks before retirement. These risks, like income replacement, mortgage payoff and sending kids to college tend to get smaller over time and may be addressed with **term insurance**.

As we get older, a few other risks emerge, like reduced Social Security income when the first spouse dies, health care costs and financial risks. **Permanent insurance** can help to alleviate these risks as long as sufficient premiums are paid to cover costs of insurance and other charges. The chart below illustrates this financial risk spectrum:



The financial risks spectrum (also known as the Butterfly chart) identifies the various financial risks prior to retirement and after/during retirement.

Policy 1:
\$400k IUL for
coverage to
age 100

Policy 2:
\$600k Term for
additional pre-
retirement coverage

This is not an actual case. This is a hypothetical example for illustrative purposes only.

Example: Cost-effective two policy solution

Term policy for pre-retirement, permanent policy for lifetime needs

Scenario: A 37-year-old male needs \$1,000,000 of protection to ensure he has a plan for both his pre and post retirement financial risks.

Solution: Two policy approach provides protection for the both sides of the financial spectrum.

Policy 1: Permanent life insurance policy - To help cover long-term financial exposures, purchase a permanent \$400,000 IUL policy.

Policy 2: Term life insurance policy - Remaining \$600,000 can be covered with a 28-year Term policy. While the term policy is designed to expire at age 65, when his short-term concerns are behind him, the term policy can be converted to a permanent policy any time prior to age 70 to bolster his retirement protection.

Personalized Data: Determine your customized solution

Complete fields below and share with your financial professional.

Name _____ Age _____

Underwriting Class _____ State _____

Pre-retirement Risks
Income Replacement = \$
Mortgage Payoff = \$
Kids to College = \$
Total = \$

Post-retirement Risks
Reduced Social Security Income = \$
Health Care Costs = \$
Financial Risks = \$
Total = \$

Pre-retirement Solution

Post-retirement Solution

Risk Definitions

Income Replacement: current annual income x number of years till retirement.

Reduced Social Security: expected Social Security reduced by 1/3 to 1/2 x years till surviving spouse's death.

Out-of-pocket retirement health care costs: currently estimated at about \$395,000 per couple.¹

Financial Risks: ballpark estimate based on home expenses, anticipated portfolio reductions due to stock market corrections and anticipated additional taxes due to potential tax increases.

¹ Milliman, "Retiree Health Cost Index: The 2024 Cost of Healthcare in Retirement", May 2024"



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