

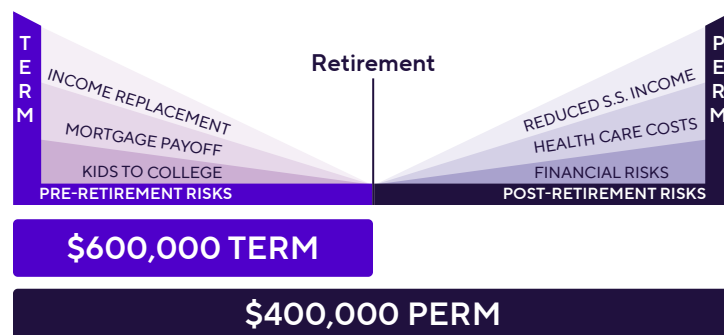
1 Death Benefits are generally excludable from the beneficiary's federal taxable income under most circumstances and under current federal income tax law.

Giving purpose to
permanent life insurance.



IF you die

WHEN you die



Policies issued by **American General Life Insurance Company (AGL)**, Houston, TX except in New York, where issued by **The United States Life Insurance Company in the City of New York (US Life)**.

Many people that consider purchasing life insurance are thinking about the three most significant pre-retirement risks that emerge if a parent or breadwinner dies unexpectedly...

1. Helping pay for their children's college education so they can get a good start on their careers;
2. Paying off the mortgage so the family can remain in the same house; and...
3. Replacing a breadwinner's income so that the family can continue to enjoy the life they're accustomed to.

But notice in the graphic that all three of those risks are shown sloping downward to the right, getting smaller and smaller as retirement approaches: kids graduate college; mortgages get paid-down and paid-off; and when you retire, you have no "work income" that needs to be replaced in the event of an untimely death.

For many people, that's where the life insurance conversation ends. Many people don't recognize an ongoing need for life insurance that continues for the rest of your life.

There are significant risks during retirement. These risks can have a devastating effect on retirement portfolios.

It makes sense to understand these risks, and consider ways to address them, including the use of life insurance.

Let's learn a little more about these retirement risks.



NOT A DEPOSIT | NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY | MAY LOSE VALUE
NO BANK OR CREDIT UNION GUARANTEE | NOT FDIC/NCUA/NCUSIF INSURED

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FINANCIAL RISKS

There are numerous things to consider in this basket of “Financial Risks.” For example:

- Stock Market Corrections occur and they can reduce the value of a retirement portfolio.
- Home Maintenance & Repair expenses can also be significant when you consider replacing furnaces, air conditioners, water heaters, roofs, flooring & windows.
- Low Interest Rates that cause interest-earning investments to produce so little interest income that the retiree needs to begin liquidating principle, which can cause that portion of the portfolio to spiral downwards.
- Increasing Tax Rates — Many people expect tax rates to increase. If that happens, they’ll take larger withdrawals from taxable retirement accounts to pay the higher taxes and still have the money they need to pay their bills.

HEALTH CARE

People generally understand that health care during retirement can be very expensive. Most people realize that the cost of health care continues to increase as we age. But many people don’t realize that the cost goes up for two reasons:

1. **Inflation.** We know that inflation is what causes the cost of things to go up. History has also demonstrated that the cost of health care costs have risen faster than the rate of the overall economy. Since health care is a significant part of retirees’ expenses, the inflation impact on health care costs affects retirees a lot.
2. **Utilization.** It’s generally understood that the longer we live the more health care we need. So, as retirees age, they often need more medical help, more medicines and more doctor visits. The combined impact of both Inflation and Utilization can be significant to a retiree’s bottom line.

REDUCED SOCIAL SECURITY or PENSION INCOME

Without getting into the detailed nuts-and-bolts of Social Security retirement income benefits, you should be aware that, when one spouse dies, the Social Security retirement income benefits going to that household generally reduce by a minimum of 1/3 and up to a maximum of 1/2.

Similarly, to maximize income when both spouses are alive, pension recipients often choose a higher benefit while both spouses are alive, but it reduces to 75%, 2/3 or 50% after the first spouse dies.

For surviving spouses, these reductions in retirement income benefits can be substantial.

THE ROLE OF LIFE INSURANCE

BEFORE AND DURING RETIREMENT

Imagine an elderly couple where the husband has become frail, and his medical expenses have been draining their retirement resources.

Further imagine that the stock market dropped by 20%; their furnace, air conditioner and water heater needed to be replaced; and tax rates increased.

He knows their retirement portfolio is running low. What is his number-one financial concern? He’s concerned that, after he’s gone, his surviving spouse will run out of money during her remaining years of retirement.

But imagine if he had a permanent life insurance policy.

When he dies, his surviving spouse will receive an income-tax-free¹ life insurance death benefit that could be used to restore the value of their portfolio to a level that could sustain her for the rest of her life.

So, when you’re talking to young parents about the risks on the left side of the chart, and they realize that the likelihood of either of them dying before retirement is statistically very low, and that their financial risks are getting smaller over time. They’re thinking that they only need life insurance for **IF they die**. That’s where Term life insurance fits-in.

But when you’re talking about their long-term retirement risks... the risks on the right side of the chart... they’re looking at financial concerns that will exist for the rest of their lives, and can get larger as they age. Term life insurance won’t last long enough to address these risks. On the right side of the chart they need life insurance for **WHEN they die**. That’s where Permanent life insurance is necessary.

So how do you create a blend of “If you die” Term life insurance and “When you die” Permanent Life Insurance?

Ask your client: “How much money would you like your surviving spouse to have after you’re gone to provide them with a comfortable retirement?”

Let’s assume they say: “\$400,000 would be appropriate.”

Then start their life insurance portfolio with a layer of \$400,000 of Permanent life insurance.

To get to the total of \$1 million they need now, they could purchase a \$600,000 Term life insurance policy that lasts until retirement.