Life Insurance as a Retirement Planning Tool for Business Owners of Pass-through Entities

Ninty percent of U.S.-based businesses are taxed as pass-through entities, such as S corporations, partnerships, and sole proprietorships – where the results of operations are passed through and taxed to the individual owner, partners, or shareholders.* Like most successful business owners, pass-through entity owners may already own term insurance or mutual funds. They may be taking full advantage of contributions into 401(k) plans, SEPs or Simple IRA plans. However, unlike owners of C Corporations, deferral of pass-through entity owners' earned income is problematical outside of a qualified plan. Nevertheless, these business owners often are very interested in ways to obtain benefits on a tax-advantaged basis.

Is there a method for the owner of business taxed as a pass-through entity to save money on a tax-advantaged basis; to provide pre-retirement death benefits for their family; and to supplement their retirement income?

Benefits of Permanent Life Insurance

One technique that may be overlooked is using permanent life insurance, paid for with after tax-dollars, as a means to supplement retirement income. This is an efficient financial strategy that provides multiple benefits and helps to:

- *Provide tax-free death benefits to the business owner's surviving spouse or beneficiaries (whether death occurs before or after retirement).*
- *Accumulate money on a tax-advantaged basis.*

See reverse side for important information

* Tax Foundation Special Report No. 227: An Overview of Pass-through Businesses in the United States, dated January 21, 2015

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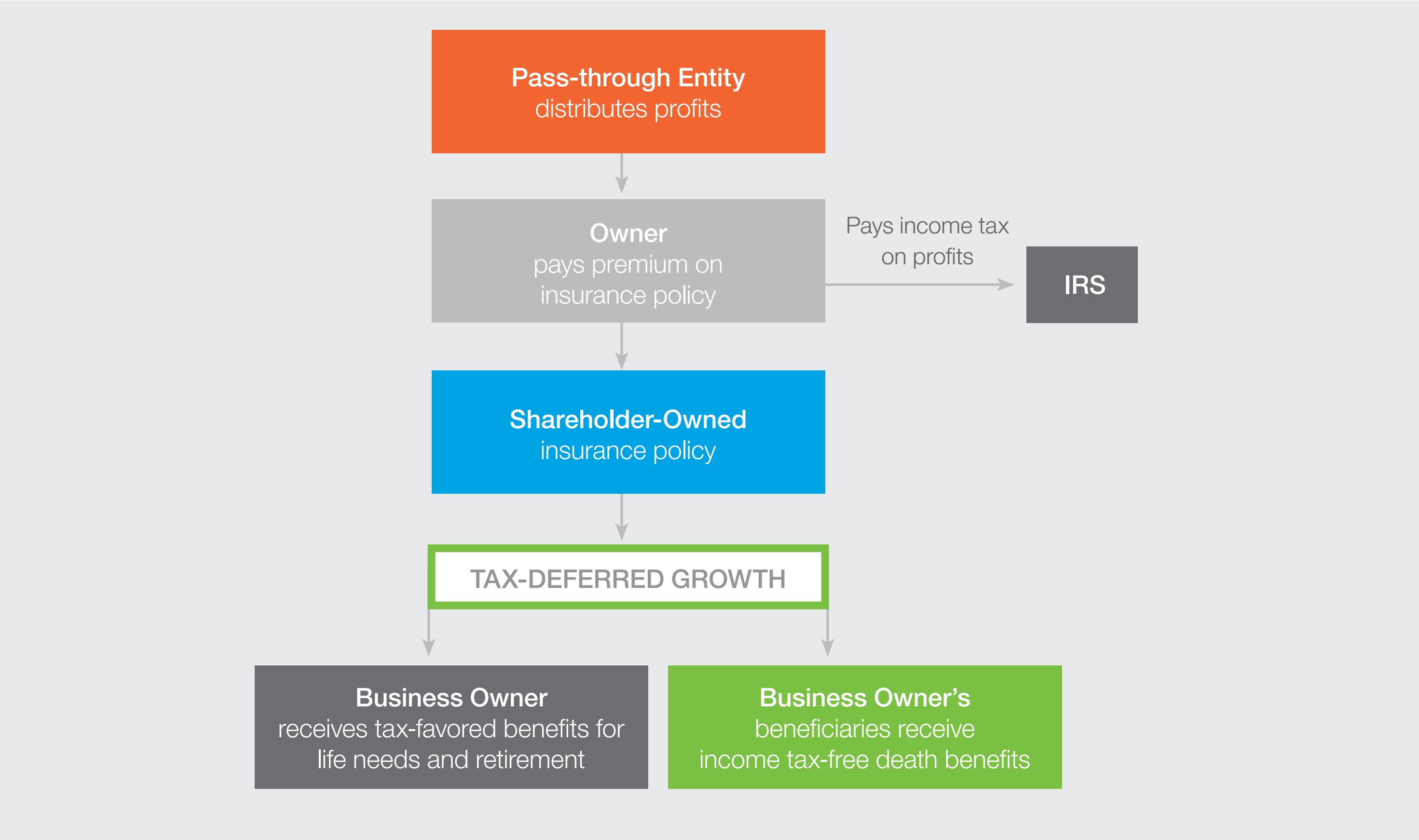
- *Provide access to policy cash values on a tax-advantaged basis in order to fund supplemental retirement income. Current tax laws permit the policyowner to withdraw cash values up to the policyowner's basis or investment in the contract on an income tax-free basis. Additional cash values can be obtained through policy loans to avoid taxable distributions.*[1]
- *Policy death benefits and cash values may be protected from creditors (will vary according to state laws).*

[1] Policy loans and withdrawals will reduce cash value and death benefit. Policy loans are subject to interest charges. This concept will not work with a modified endowment contract. If the policy is determined to be a MEC, loans and withdrawals may be subject to taxes and penalties.

The flexible features of universal life insurance provides the means for this strategy. If the business has a down year, its owner may choose to pay a lower premium or even skip a premium payment entirely. In years when business profits are exceptional, the owner may choose to increase the premium contributions.

How it Works:



For more information, contact your Financial Representative.

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No Bank Guarantee	Not FDIC Insured	May Lose Value

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