RETIREMENT PLANNING

Life insurance as a retirement supplement

You may recognize the risks market volatility and tax law changes can pose to your retirement portfolio. Diversifying your portfolio in anticipation of these risks is often a wise decision. The use of permanent, cash value life insurance may be an option for you to consider.

Now, later, or never?

Think about your retirement portfolio in terms of the IRS Form 1099 – the informational return that reports various types of income you receive during the year. Will your retirement assets generate a 1099 now, later, or – even better – never? Income from most tax-advantaged retirement plans, including 401(k) plans, pension plans, traditional IRAs, and other retirement savings vehicles such as non-qualified deferred annuities, will generate a 1099 to you in the future at the time of withdrawal or distribution. This makes it difficult to plan, as future tax rates are uncertain.

Income tax diversification

Consider managing your retirement portfolio to include assets that hedge against changes in your tax situation. If most of your retirement assets are in the "1099 Later" category, you might consider supplementing your portfolio with assets in the "1099 Never" category. For example, using after-tax dollars to fund a Roth IRA works towards this planning goal. However, Roth IRAs have income and yearly contribution limits.

Market volatility matters

Tax diversification should not be your only consideration. In the real world, especially in the stock market, it is certain that in some years investment returns will be up and other years down. You can manage some of this risk by building a retirement portfolio with a variety of assets that respond to the market in different ways.

continued

Understanding income tax diversification

Ohio National Financial Services®

A permanent solution

Permanent, cash value life insurance can play a key role in your overall retirement success. In addition to providing an income tax-free death benefit, you have tax-advantaged access[3] to the cash value build-up through loans and surrenders to basis. Unlike a qualified plan, there is no 10 percent penalty tax on distributions prior to age 59½. This cash can be used for any of your lifetime needs, including supplementing retirement income, college tuition bills, or unplanned emergencies. And most permanent life insurance available today can provide you with the potential to build cash value without the risk of falling equity markets. That means permanent life insurance can offer protection and guarantees despite market volatility.

The benefits

- Unlike many tax qualified vehicles, contributions to a life insurance policy are not limited by earnings or capped at certain dollar amounts.
- You can purchase optional riders to enhance the benefits of your life insurance contract, including riders that waive premiums in the event of your qualifying disability or that allow you to accelerate the death benefit during your lifetime for qualifying chronic or terminal illnesses.
- Life insurance offers the potential for creditor protection. If asset protection is a concern to you, consult an attorney as creditor protection laws vary by state.

Additional considerations

- Premium payments for personally owned life insurance policies are not tax deductible.
- Your policy should not be a modified endowment contract ("MEC") to obtain tax-advantaged access to policy cash values. Your financial professional can discuss more details about how to avoid a MEC.
- You must be insurable to purchase life insurance. Depending on your age and/or health, life insurance may not be cost-effective.

You can learn more by requesting our brochures, Diversify Your Retirement Plan with Life Insurance (Form 2410) and Managing Your Retirement Income with Life Insurance (Form 2411). Contact your Ohio National financial professional today.

[1] Assumes no Roth provision.

[2] Assumes life insurance policy is properly structured and is not a modified endowment contract.

[3] Loans and withdrawals, if taken, will reduce the death benefit. Loans and withdrawals from life insurance policies that are classified as modified endowment contracts may be subject to tax at the time that the loan or withdrawal is taken and, if taken prior to age 59½, a 10 percent federal tax penalty may apply. If tax-free loans are taken and the policy lapses, a taxable event may occur.

Life Insurance products are issued by and guarantees are based on claims-paying ability of The Ohio National Life Insurance Company. Product, product features and rider availability vary by state. Issuer not licensed to conduct business in NY.

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