CASE STUDY: Retirement Income Life Insurance

Faith - Family - Finance

Concept:

Life Insurance for Tax-Free Retirement Income is a strategy where an individual funds a cash value life insurance policy, such as an IUL or Whole Life, to build wealth that can be accessed later through tax-free policy loans or withdrawals. It allows for supplemental retirement income while still providing life insurance protection.

Key Facts

Here are some critical issues that the client in the case study faced before the proper solutions were in place.

$0
Life Insurance

$250K
Annual Income

$0
Roth Retirement Accounts

AGE = 35
Age of Client

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CHALLENGE

Ronnie, age 35, has too much annual income to contribute to a Roth IRA and he doesn't want to deal with the steps of doing Roth Conversions. But Ronnie still wants to achieve a tax-free retirement. Luckily, Ronnie is in great health and able to contribute a substantial monthly amount to achieve this goal.

SOLUTION

The solution for this situation is to get a Life Insurance policy for Ronnie that allocates most of his life insurance premiums towards the cash value of his policy, in combination with an aggressive growing index. When Ronnie reaches the retirement age of 65 then we will have tax-free retirement income until age 100. Through this policy, Ronnie will have achieved a pseudo-Roth retirement account that doesn't have contribution limits based on his income level.

$360K
Total Premium Payments

$61K
Annual Retirement Income

$1K
Monthly Payment

BENEFITS

1 **Tax-Free Retirement Income until Age 100**

This solution provides Ronnie with an annual retirement income $61,704 of tax-free money from the age of 66 to age 100., which is a total of $2.16M for the 35 years.

2 **Death Benefit for an Early Passing**

If Ronnie passes at any point of having this policy, then Ronnie's beneficiaries will receive the current or remaining death benefit amount.

3 **Tax-Free Growth without the Risk**

This solution provide an aggressive growth in the cash value tied to the S&P 500 index with the cash value and index floored at 0%. This solution was with TransAmerica.