

AGENT CHECKLIST

Using life insurance to supplement retirement income



With the right planning, a supplemental retirement income strategy using life insurance can help your clients meet their needs for financial security and additional income during their retirement years. Use the checklist below as a guide when planning a supplemental retirement strategy.

- Identify current death benefit needs.

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- Identify the client's retirement goals.

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- Discuss supplemental retirement income strategy in detail with the client.

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- Have your client complete the client worksheet (PR-1634).

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- Review client's financial standing and current retirement plans.

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- Be aware of and prepare to work with any other advisors that the client may be working with.

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- Identify client's current life insurance coverage (if any).

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- Review life insurance product options.

Notes:

When Illustrating

- Consider specified death benefit in the event the client might choose to add more premium in the future.
- Show the value of life insurance during the working years and in retirement.
- Discuss and look at the various ways to access the potential cash value.
- Consider using InsMark to aid your presentation.
- Avoid modified endowment contract (MEC) status¹.
- Aim for a minimum non-MEC death benefit: If consistent with the life insurance needs of the client, a lower death benefit may allow the policy to accumulate greater cash value.
- If consistent with the life insurance needs of the client, keep the death benefit low to help produce the highest retirement income. This typically involves using the Guideline Premium Test (GPT) instead of the Cash Value Accumulation Test (CVAT). The initial death benefit is higher under the GPT, but in the later policy years, the death benefit under the CVAT can grow to be much higher as the policy enters the corridor.
- When using the GPT, it may be beneficial to use the increasing death benefit option during the funding years, while changing the death benefit option to level during the income years. If consistent with the life insurance needs of the client, this strategy may allow for higher distribution projections.

For help putting together your supplemental retirement income cases, contact Sales Development at (800) 800-3656, ext. 10411 or email salesupport@nacolah.com



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¹ There is not a specific limit on dollars that can be paid to purchase life insurance, however there are maximum premium limits determined by a specified amount of coverage. A policy will qualify as life insurance if it meets the requirements of IRC Sec 7702, which includes limits on the amount of premium that may be paid into a specified amount of coverage and still qualify as life insurance. Tax consequences may result if withdrawals exceed premiums paid into the policy. There is not a specific limit on dollars that can be paid to purchase life insurance, however there are maximum premium limits determined by a specified amount of coverage. A policy will qualify as life insurance if it meets the requirements of IRC Sec 7702, which includes limits on the amount of premium that may be paid into a specified amount of coverage and still qualify as life insurance. Policy loans from life insurance policies generally are not subject to income tax, provided the contract is not a Modified Endowment Contract, as defined by Section 7702A of the Internal Revenue Code. A policy loan or withdrawal from a life insurance policy that is a Modified Endowment Contract is taxable upon receipt. Policy loans and withdrawals will reduce cash value and death benefit. Policy loans are subject to interest charges. Tax advantages may be subject to modified endowment contract rules, which may cause taxes and penalties. Tax advantages may be subject to the Alternative Minimum Tax, which may cause taxes and penalties.

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