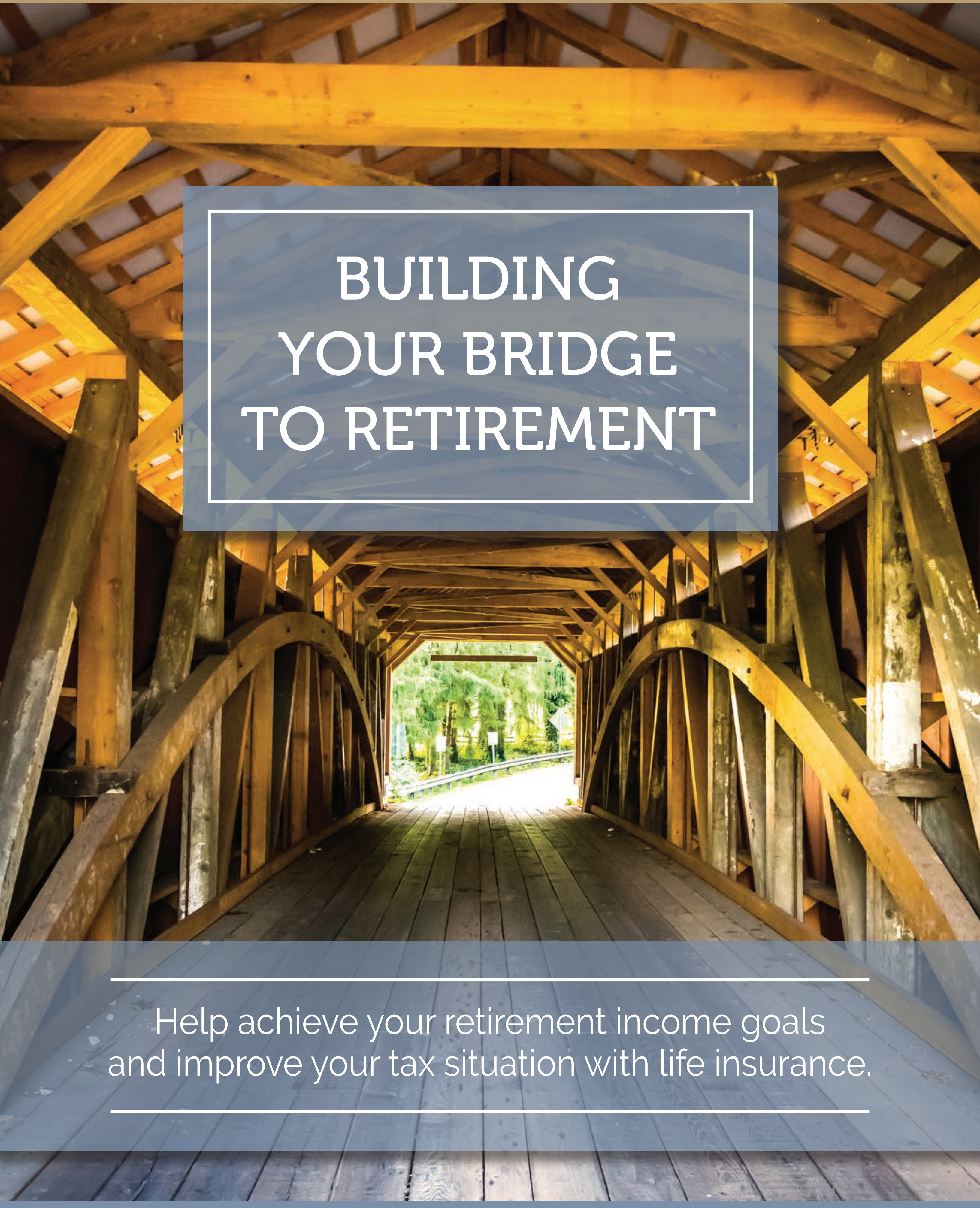


BUILDING YOUR BRIDGE TO RETIREMENT

Help achieve your retirement income goals and improve your tax situation with life insurance.

When you think about life insurance, what comes to mind? Is it your retirement income?

If not, don't worry. You're not alone.

When thinking of life insurance, many people only think of death benefit protection. Certainly, the main purpose of life insurance is to help ease the financial burden for your loved ones if you were to pass away prematurely. The death benefit can help replace your lost income, help your family cover the various taxes that may be due on your assets and, of course, help with funeral and other final expenses.

However, you may be unaware of the meaningful benefits life insurance can provide while you're still living.

Did you know that the multiple tax advantages of life insurance can make it a unique and valuable asset in your overall retirement income strategy? It's true!

A properly structured life insurance policy can provide several tax advantages

- Income tax-free death benefit for your beneficiaries
- Tax-deferred cash value growth potential
- Supplemental retirement income through tax-free policy loans and/or cash value withdrawals[1]

---

[1]Policy loans and withdrawals are not usually subject to income tax unless the policy is classified as a modified endowment contract (MEC) under IRC Section 7702A. Policy loans and withdrawals will reduce available cash values and death benefits and may cause the policy to lapse. Additional premium payments may be required to keep the policy in force. In the event of a lapse, outstanding policy loans in excess of unrecovered cost basis will be subject to ordinary income tax. Tax laws are subject to change; consult a tax professional about your personal situation.

Consider This

One way to help optimize the potential for cash accumulation and the ability for future cash flow within a life insurance contract is to consider a policy with a minimal amount of death benefit. Why? Many expenses in a life insurance policy are directly correlated to the amount of death benefit. For example, the "cost of insurance" (COI) in your policy is based on the difference between the death benefit and your policy's cash value, called the "net amount at risk." The less the net amount at risk, the lower the cost of insurance is in your policy, meaning more of your premiums are available for cash accumulation if this is your goal.

What is a Modified Endowment Contract? (MEC)

The IRS limits the amount of premium that can be paid into a life insurance policy in order to qualify for all of the tax benefits previously mentioned. If the policy exceeds the limits, sometimes referred to as the "seven-pay limits," the policy is classified as a MEC. This can happen if a policy has been funded too quickly in its early years or if the death benefit is reduced too much in the first seven years of the policy. What does it mean for you if your policy is a MEC? First, a MEC is still a life insurance policy. It will still have tax-deferred cash value accumulation and a tax-free death benefit. The taxation impact of owning a MEC is realized only when accessing the cash value. Withdrawals and policy loans are fully taxable as income to the extent that there is a gain in the policy over the amount of net premiums paid. Taxable distributions are also subject to a 10% federal additional tax if the owner is below age 59 ½.

Know all of your retirement income planning options

There are many assets available to help get you to, and through, retirement — each with its own set of benefits and drawbacks. The chart below outlines several retirement income planning opportunities, including their tax characteristics concerning - contribution, accumulation and distribution.

It is important to note that no one asset on its own can provide optimal results in every tax, economic and regulatory environment. As you can see, life insurance can be a valuable supplement to many retirement planning options. A financial professional can help you determine the combination of assets that best suits your needs.

Features	Life insurance [3-4]	Taxable investments	401(k)/Traditional IRA [1]	Roth IRA [1]	Municipal bonds [2]
Income tax-free death benefit	*[5]			*	
Tax-deferred growth	*		*	*	*
Tax-advantaged distributions	*			*	*
No contribution limits	*[6]	*			*
No additional tax for early withdrawals	*	*			*
Tax-free distributions will not increase tax expenses, Social Security taxation or Medicare premiums	*			*	
Required minimum distributions			*		

[1]The ability to contribute or deduct contributions may be limited by adjusted gross income limits. [2]The principal value of bonds will fluctuate with market conditions. Bonds redeemed to maturity may be worth more or less than their original cost. Bond interest paid by a municipality outside the state in which you reside could be subject to state and local income taxes. If you sell a municipal bond at a profit, you could incur capital gains taxes. In some cases, municipal bond interest could be subject to the federal alternative minimum tax. Bonds have the potential to have a tax-free death benefit due to tax-free earnings and step-up basis rules in death. Individuals are encouraged to consult with a qualified professional before making any decisions about their personal situation. [3]Life insurance products contain fees, such as mortality and expense charges, and may contain restrictions, such as surrender charges. [4]Withdrawals and loans from a life insurance contract are subject to special tax rules if the policy is a modified endowment contract (MEC) and will reduce any available cash value and death benefit amounts. [5]If properly structured, proceeds from life insurance are generally income tax free. [6]Life insurance contributions are subject to both federal guideline rules and death benefit amount issued by the insurance carrier.

Diversify

By diversifying your retirement assets based on taxation, you are building in flexibility that may prove useful during your retirement years. For example, if tax rates are high in a given year, you can take income from required sources - such as IRAs and Social Security - to fill your lower tax brackets. If you need additional income, being able to take tax-free loans from your life insurance policy may prevent you from entering into a higher tax bracket.

Bridge

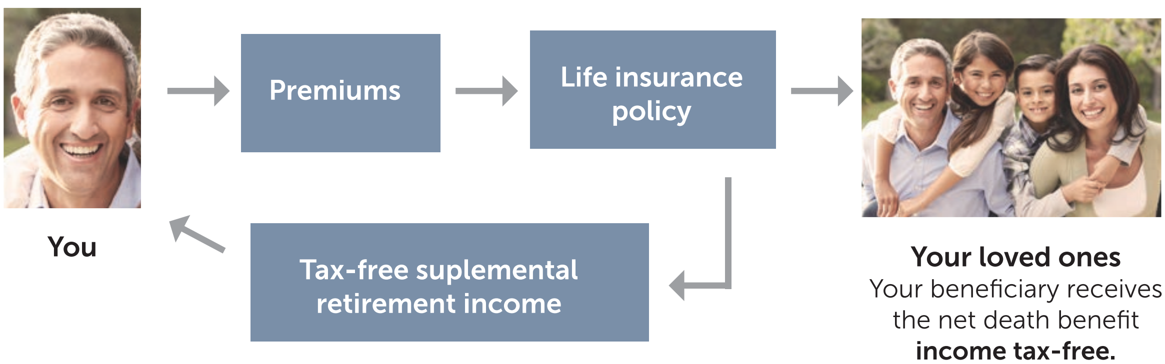
If you are a high-income earner, government-imposed contribution limits and income restrictions may make it difficult for you to sufficiently save for retirement in a tax-efficient manner. As your annual income increases, the percentage of compensation you can potentially replace with your 401(k), Social Security and/or IRA decreases. Bottom line, high earners need additional tax-efficient savings opportunities.

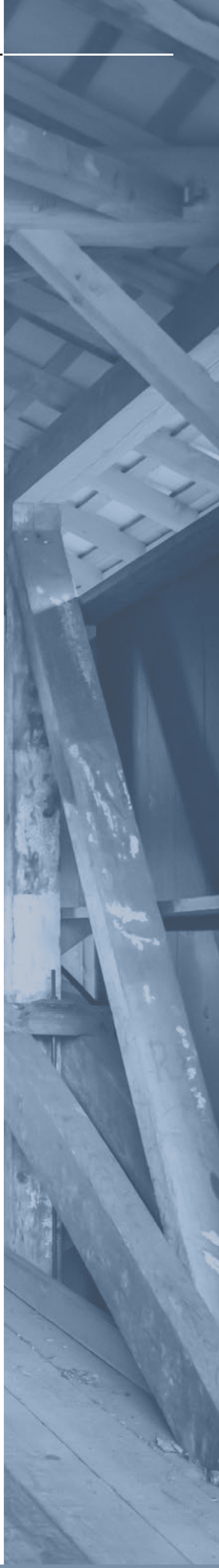
PROTECT

You're putting in the planning and hard work to build your retirement savings, so consider protecting your hard-earned assets with a life insurance death benefit that's income tax-free.

How life insurance as a supplemental retirement income works

When properly structured, life insurance may provide you with income tax-free distributions via policy loans and withdrawals. In addition, any remaining death benefit is paid income tax-free to your beneficiary.





Meet Steve & Linda

Steve and Linda are both 45 years old, married and in good health. They plan on retiring at age 65. Steve works full-time as an executive at an ad agency, and Linda works part-time and also volunteers. Steve has a need for life insurance coverage to ensure that Linda can still live comfortably and enjoy retirement if something should happen to him.

Because of Steve's high income, he finds it challenging to save enough for retirement. His 401(k) and IRA contributions are maxed out, and he makes too much to contribute to a Roth IRA. Knowing the bulk of his retirement income is in tax-deferred assets and will be taxed when he begins to take distributions, he is also looking for tax diversification.

After talking with his financial professional, Steve decides to place additional retirement savings into a life insurance policy annually for the next 20 years. When Steve and Linda are 65 and ready to retire, Steve will have the ability to take income tax-free policy loans to help supplement his retirement income.

The addition of life insurance to Steve and Linda's retirement plan has given them additional protection, flexibility and tax diversification.

The benefits of building life insurance into your retirement strategy

- Income tax-free death benefit for your beneficiaries.
- No defined annual IRS limitation on premiums[1].
- No limit on gross income affecting your ability to contribute premiums.
- Tax-deferred cash value growth potential.
- Supplemental retirement income through tax-free loans and/or withdrawals[2].
- No 10% penalty tax for accessing policy cash values prior to age 59 ½.
- No required minimum distributions (RMDs) for owners.
- Self-completing upon death.

Things to remember when considering life insurance

- Cash values for loans and withdrawals in later years may be more or less than originally planned.
- Minimum premium payment requirements must be met to maintain the policy, provide for cash value growth and avoid lapse if the policy becomes over-loaned.
- Premium payments are not tax deductible.
- Life insurance that surpasses certain premium limits can be classified as a modified endowment contract (MEC). Withdrawals or partial surrenders from a MEC policy are subject to income tax to the extent that the amount distributed exceeds the owner's cost basis in the policy.
- Policy loans and withdrawals may be subject to surrender charges, may reduce the death benefit and cash value and may cause the policy to lapse.
- Permanent life insurance policies require monthly deductions, which include cost of insurance, expense charges and other potential charges. These deductions may reduce the cash value of the policy.
- Life insurance requires medical, and possibly financial, underwriting to determine eligibility.
- Tax laws are subject to change, and you should consult a tax professional.

Life insurance can be a valuable retirement asset for people who...

- Have significant savings or investment in taxable accounts or plans.
- Want to provide their families with a tax-free benefit if they die prematurely.
- Value leaving a financial legacy.
- Want to build cash value for financial flexibility in the future.

[1]Life insurance contributions are subject to both federal guideline rules and death benefit amount issued by the insurance carrier. [2]Policy loans and withdrawals are not usually subject to income tax unless the policy is classified as a modified endowment contract (MEC) under IRC Section 7702A. Policy loans and withdrawals will reduce available cash values and death benefits and may cause the policy to lapse. Additional premium payments may be required to keep the policy in force. In the event of a lapse, outstanding policy loans in excess of unrecovered cost basis will be subject to ordinary income tax. Tax laws are subject to change; consult a tax professional about your personal situation.

Talk to your financial professional today to see if life insurance as a supplemental retirement income source is right for you.

Prepared on behalf of:

MCINTOSH
& ASSOCIATES

122 S. Main St., Suite 2
Freeland, MI 48623

Phone: 989.692.2200
Toll Free: 877.222.8849
Fax: 989.692.2220

wealthmichigan.com

990168C