Whole Life Insurance Strategy that Offers Retirement Edge

As an advisor helping high net worth clients attain their financial goals, you want to present ideas to help them avoid potential pitfalls and future financial challenges. Whole life insurance as a supplemental retirement income strategy is just such a strategy, and here's why.

Traditionally, Americans rely on equity-based investments to save for retirement. These investments offer the potential to enjoy long-term growth and multiple years of market upside while the client continues to work and save. The market downside potential inherent in these investments, however, poses a risk. Withdrawing from retirement accounts during market downturns can significantly reduce their value over the long term. This may ultimately impact the amount of income available during retirement, as well as the amount remaining to leave for loved ones.

This is where whole life insurance comes into play. By incorporating whole life insurance, retirement savers get far more than a valued death benefit. They also could enjoy:

- ***Diversification with guaranteed growth***. Whole life insurance is market neutral; the accumulation of the policy's cash value is guaranteed, regardless of market conditions. Therefore, clients can potentially avoid the need to withdraw income from equity-based retirement investments during economic downturns in retirement.
- ***Access to cash value***. A whole life insurance policy can provide a stable source of income when it's inadvisable to take distributions from equity-based retirement accounts. After meeting any minimum distribution requirements, the client can take distributions, in the form of a loan, from the policy's cash value. This way, investments better positioned to rebound when the market comes back, don't have to be tapped.

- ***Earnings that don't count against Social Security tax***. Unlike most taxable income (and even tax-free municipal bond interest), earnings inside life insurance will not increase the tax liability on Social Security income.
- ***No contribution restraints.*** Clients can contribute as much as they want, as long as the policy qualifies with IRC section 7702A(b) as insurance. Unlike other savings vehicles, there are no minimums or maximums. The availability of death benefit is the only upward limitation.
- ***Cash Dividends.*** When using a participating whole life insurance policy to supplement retirement income, it is generally accepted to have the policy paid-up before retirement. Since all premium obligations have already been satisfied, the entire dividend can serve as income. Dividends, however, are not guaranteed and will vary from year to year.
- ***Asset Protection***. When owned personally, life insurance policy cash values are protected from creditor claims in most states.

If your clients seek a way to create supplemental retirement income while also providing valuable death benefit protection, encourage them to consider the benefits whole life insurance has to offer.

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