Taming a Bear Market with Death Benefit Protection and Guaranteed Market Neutral Growth

We've all heard the adage that there are two things in life you can count on …. death and taxes. At my firm, we market fluctuation to the list. It is the one thing we can say with 100% certainty making it incumbent on us to help clients make decisions which will provide options and flexibility in retirement. After all, taking withdrawals 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 for the family at death.

One smart choice you can help clients make in their 30's and 40's which will provide options and flexibility in retirement involves including whole life insurance in their portfolio.

Death Benefit and Guaranteed Growth

Whole life insurance provides protection for the family while adding a conservative element to a client's overall accumulation strategy. In addition to death benefit protection, whole life policy builds cash value over time that increases each year and never declines in value due to market conditions. The cash value accumulates tax-deferred and may offer a dependable source of tax-favored supplemental retirement income providing flexibility in the event of an economic downturn during your retirement. Flexibility in income sources is particularly important because taking withdrawals from market correlated retirement accounts during economic 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 for the family at death.

The concept of whole life insurance as a financial asset is somewhat new to clients, so it is helpful to show flexibility in action. Conservatively, clients should estimate that their retirement savings should last twenty years. Typically, in a 20-year time span one could reasonably expect four or five years of negative annual returns. Income needs, however, will not likely change during the negative markets giving many retirees no choice other than to tap retirement funds when those assets are undervalued.

Sidelining traditional retirement accounts during market downturns

If the client made a smart choice when he was 45 years old and purchased whole life insurance, he would have an alternative to tapping market-correlated assets, like his IRA. The whole life insurance provides both death benefit protection and an alternate source of retirement income which is not directly impacted by market fluctuations. He could take a distribution from his policy cash value in each of the negative return years, thus avoiding having to withdraw from his IRA. By sidelining the IRA and tapping into this alternative source of income, the client has the luxury of giving the market time to recover, thus maximizing the value from his IRA.

Numbers speak volumes when explaining this concept to clients. For a generic illustration or sales concept pieces, please don't hesitate to contact me at 212.536.6030.