Trying To Get Ahead May Put You Behind

Many people assume that once you retire and your children have grown you can eliminate life insurance. Just the opposite is true. Life insurance can, and should, play a key role in your overall retirement planning.

Why is it that life insurance is the only form of insurance protection that people think they can drop when they retire? You wouldn't drop your car insurance when the odometer hits 100,000, stop insuring your engagement ring after your silver anniversary, or get rid of your homeowner's insurance once the mortgage is paid off.

Right?

Then why would you drop your life insurance after twenty or thirty years? Millions of Americans mistakenly think they no longer need life insurance, so they drop it just when they stand to benefit the most.

Value for You, During Your Lifetime

Many people view their life insurance as having a single purpose: to protect their family in case they die prematurely. They think that the death benefit of life insurance is only valuable for their beneficiaries.

These people don't realize what vast resources the cash value[1] and death benefit of life insurance can be for themselves while they are still very much alive. In fact, life insurance can and should be a pivotal part of everyone's retirement planning.

Repurposing Your Life Insurance

There is a common misconception that life insurance is valuable only in the event of premature death and only for the surviving beneficiaries. So, consumers far too often opt for twenty- and thirty-year term life insurance (to protect their family "just in case") with the idea that they will drop their insurance someday. The reality is that Term Life offers very little chance of ever paying off since most people live past the beginning of their retirement. Plus, the cost of having owned term insurance is high as it includes all premiums paid in, the lost use of those dollars, and, most damaging, the loss of the death benefit itself.

"But I won't need life insurance when I retire." EXACTLY!

Once the original "need" for life insurance goes away, the policy can be used to accomplish another set of financial objectives.

For example: if life insurance that was originally bought to protect against premature death is no longer needed, it can easily be "re-purposed" to allow the insured the ability to enjoy greater distribution options during retirement. It is a fact that maintaining life insurance throughout retirement can improve retirement cash flow, and allows the insured to essentially become the direct beneficiary of his or her own policy.

Here's how...

The Retirement Dilemma

How long will my retirement last... 10 years, 20 years, or longer? How will my retirement investments perform? What if taxes and health care costs go up? How do I someday provide for my spouse, family, and charities, if I don't know how long I will live?

These and other questions create a perplexing dilemma for all retirees. Because the future is unknown, those in retirement often find themselves hoarding, afraid to spend, effectively becoming locked out of their wealth.

Retirement nest eggs are asset-allocated with hopes that an income stream can be realized. Pensions and IRAs offer reduced income with hopes of preserving the principal for the future. Home equity remains trapped, unable to be used to supplement lifestyle.

As the total cost of living continues to creep in, retirees may experience a reduced lifestyle. Much of this financial dilemma can be avoided by owning life insurance throughout the entire phase of one's retirement.

Life Insurance Helps Improve Retirement Cash Flow

Individuals who drop life insurance coverage often cut back on spending to preserve assets for the next generation. When you own life insurance for your entire lifetime, you are secure in knowing your heirs will be taken care of after you die.

That knowledge, in and of itself, can transform the way you live your retirement life. The presence of life insurance liberates you to spend and enjoy assets more readily during your lifetime.

> Most people don't realize that life insurance can be a pivotal retirement planning tool.

Expanded Income Opportunities

Life insurance helps improve cash flow in retirement by opening doors to financial strategies that otherwise might be considered inadvisable, like making cash value distributions,[2] spending down retirement nest eggs, buying an annuity, or even entering into a reverse mortgage for your home.

Cash Value Distributions

Life insurance can be an effective place to build and store wealth. Cash value inside a policy grows on an attractive, tax-deferred basis.[3]

At retirement, this cash value can be accessed to supplement your retirement income needs. Unlike other popular financial products, distributions from life insurance may be income tax free. The ability to access cash value while also maintaining important life insurance coverage creates an attractive combination for retired individuals.

Asset Spend Down

Imagine that you knew you would be receiving a large bonus from your employer in a few months. With this financial promise in hand, you would be free to spend money today, before actually receiving the bonus.

This deferred financial certainty might allow you to take that vacation, buy that car, deplete your saving account, borrow on your credit card, or make other similar decisions now, before the bonus is actually received.

That is the exact nature of life insurance for retirees. If life insurance is properly arranged, a retiree may be free to spend down a piece of the principal inside their retirement accounts to better enjoy life today, knowing that at their death their life insurance will re-establish those account balances for their heirs.

Guaranteed Lifetime Income

Many in retirement struggle to safely convert their asset pool into a reliable income stream. As markets go up and down, regular withdrawals from an account may deplete retirement assets too fast. There is a constant fear of running out of retirement income.

A fixed annuity may be an attractive solution, as it can create guaranteed retirement cash flow, but the tradeoff is that the money ends when the annuitant dies. The good news is that this adverse legacy outcome can be easily avoided if the retiree also has adequate life insurance.

In this case, increased retirement income can be enjoyed without the fear of running out. Then, life insurance that was perhaps purchased years earlier can be received by the heirs on an income tax free basis.

Maximizing Retirement Dollars

Qualified retirement plan assets, such as 401(k) and IRAs, play a significant role for many retirees. The challenge is to develop a game plan that will result in that wealth producing lifetime income, no matter how long retirement lasts.

If life insurance is properly coordinated with these retirement dollars, a retiree can enjoy improved cash flow each year, take less investment risk each year, and simultaneously satisfy important legacy objectives.

Reverse Mortgage

Paying off a home mortgage is a desirable retirement goal for many. However, a home without a mortgage does not necessarily produce income during retirement. For people who have elected to retain life insurance throughout the entirety of their lives, a reverse mortgage[4] can provide income safely and consistently.

In a reverse mortgage scenario, a mortgage company pays you each month in exchange for ownership of your house. At death, heirs have the option to repay the reverse mortgage company, or give ownership of the house to the lender. For those without permanent life insurance, this debt could be a deal breaker.

Permanent life insurance solves this problem. Insurance death benefits are paid free of income tax to beneficiaries, who can use the funds to repay the reverse mortgage. The house stays in the family, taxes are minimized, and the policy owner had lifetime income throughout retirement. Everyone wins.

Unlock Your Wealth: Tap into Your Full Financial Potential

Arriving at retirement without life insurance limits the access and enjoyment a person may realize from their retirement nest egg. The absence of life insurance may force one to accept inappropriate investment risk, become vulnerable to taxes and other cost of living factors, and never realize important legacy objectives.

Because of the guaranteed[5] delivery of income tax free money at a person's ultimate death, retirement is the best time to own life insurance. Not just to care for others, but to receive optimal value from your hard-earned savings.

[1] Cash value in whole life insurance may include dividends. Dividends are not guaranteed. They are declared annually by Guardian's board of Directors.

[2] Policy benefits are reduced by any outstanding loan or loan interest and/or withdrawals. Dividends, if any, are affected by policy loans and loan interest. Withdrawals above the cost basis may result in taxable ordinary income. If the policy lapses, or is surrendered, any loans considered gain in the policy may be subject to ordinary income taxes. If the policy is a Modified Endowment Contract (MEC), loans are treated like withdrawals, but as gain first, subject to ordinary income taxes. If the policy owner is under 59 1/2 any taxable withdrawal is also subject to a 10% tax penalty.

[3] Guardian, its subsidiaries, agents, and employees do not provide tax, legal, or accounting advice. Consult your tax, legal, or accounting professional regarding your individual situation.

[4] Guardian does not issue reverse mortgages. Reverse mortgages may not be used for the purchase of securities or insurance products. You should consult with a reverse mortgage professional about all aspects of a reverse mortgage

[5] Life insurance guarantees are subject to the timely payment of all required premiums and the claims paying ability of the issuing insurance company. Annuity guarantees are subject to the claims paying ability of the issuing insurance company. Annuity income may be subject to partial or total taxation.

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