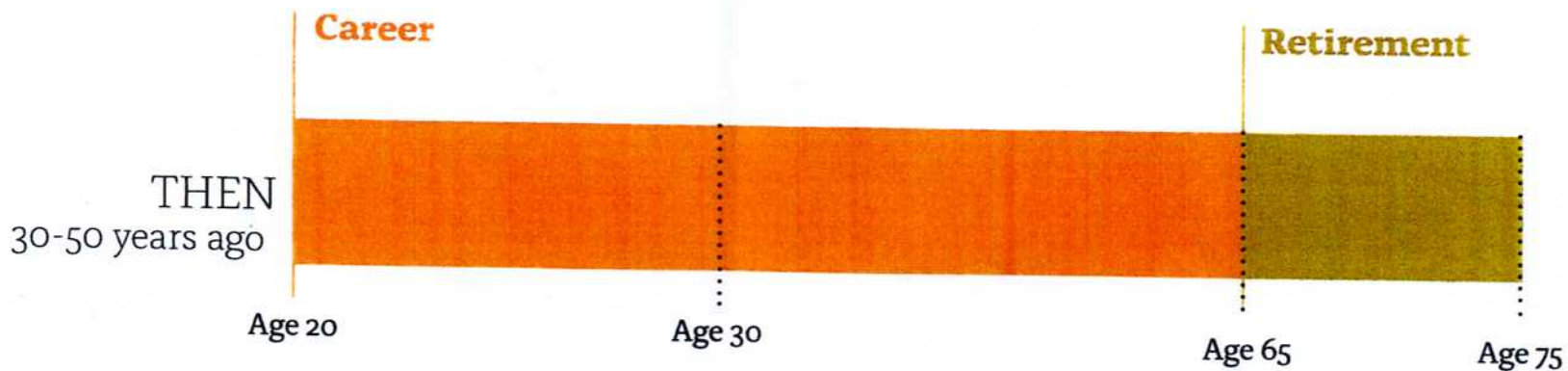


Retirement isn't what it used to be.

Then:

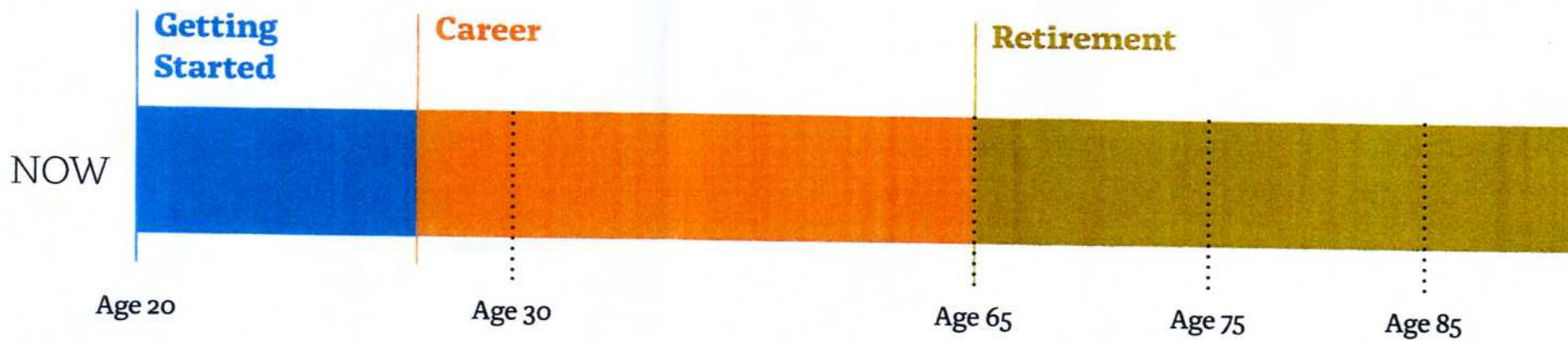
- People generally started working around age 20 and retired when they were 65. Because life expectancy was shorter, the average retirement typically lasted about 10 years.
- That means people often had about 45 years to prepare for 10 years of retirement.



Retirement isn't what it used to be.

Now:

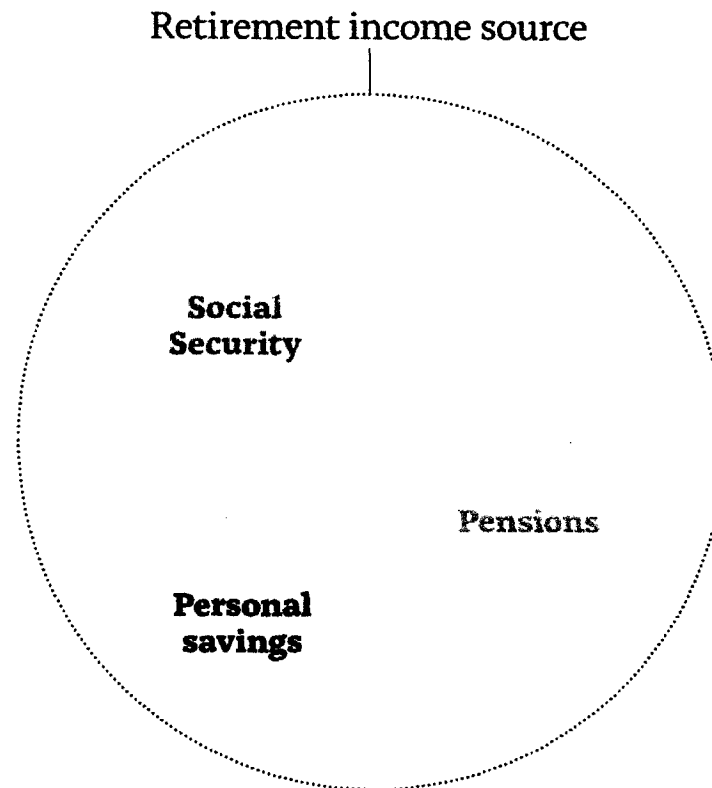
- With medical advancements and healthier lifestyles, people are living longer.
- This means you may enjoy 20 or even 30 years or more in retirement.



Retirement income sources have also changed.

Then:

- Retirees counted on Social Security and company pensions.
- As a result, individuals didn't need as much in personal savings.

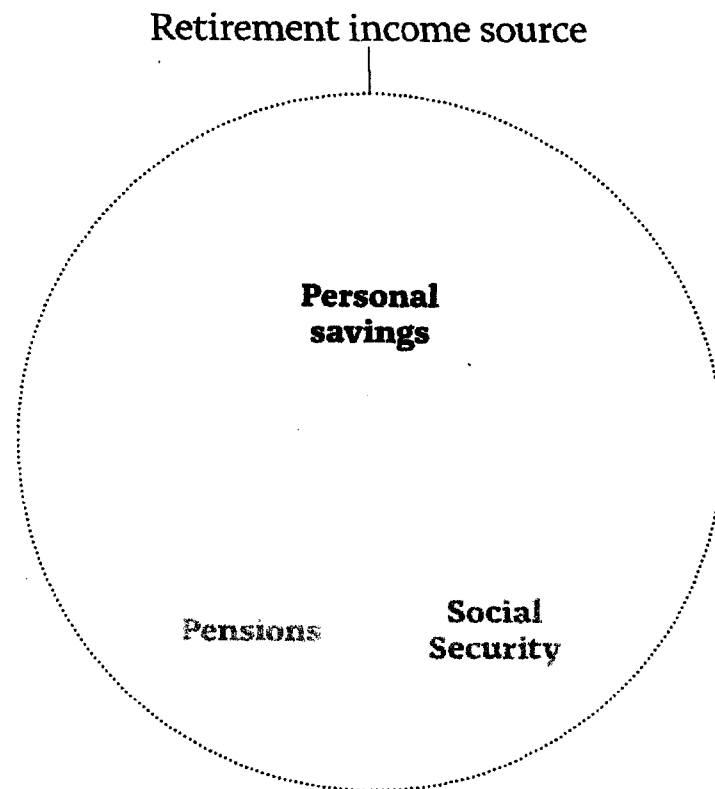


Retirement income sources have also changed.

Now:

- Social Security can't cover most retirees' primary expenses,¹ and faces a potentially uncertain future.
- Fewer companies are offering pension plans, choosing instead to shift the costs to employees with 401(k) plans and other defined contribution plans.

People must increasingly rely on personal savings and assets, so they need to consider how their savings vehicles will be affected by taxes.



¹ Social Security and Medicare Board of Trustees, A Summary of the 2012 Annual Reports, <http://www.ssa.gov/OACT/TRUSM/index.html>

Personal assets are critical.

Most people have more questions than answers when it comes to planning for retirement:

- How much will I need?
- How much will I have?
- How much do I need to save to cover the shortfall?

For personal savings, people want to know:

- Where should I put my money?
- How will I be affected by taxes?

Where is your money?

Gains or growth of your assets fall into three income taxation categories:

- Which bucket do you want most of your money in?
- Where is your money now?
- Would it make sense to redistribute some of it?

Taxable



1099 now

Tax deferred



1099 later

Tax free



1099 never

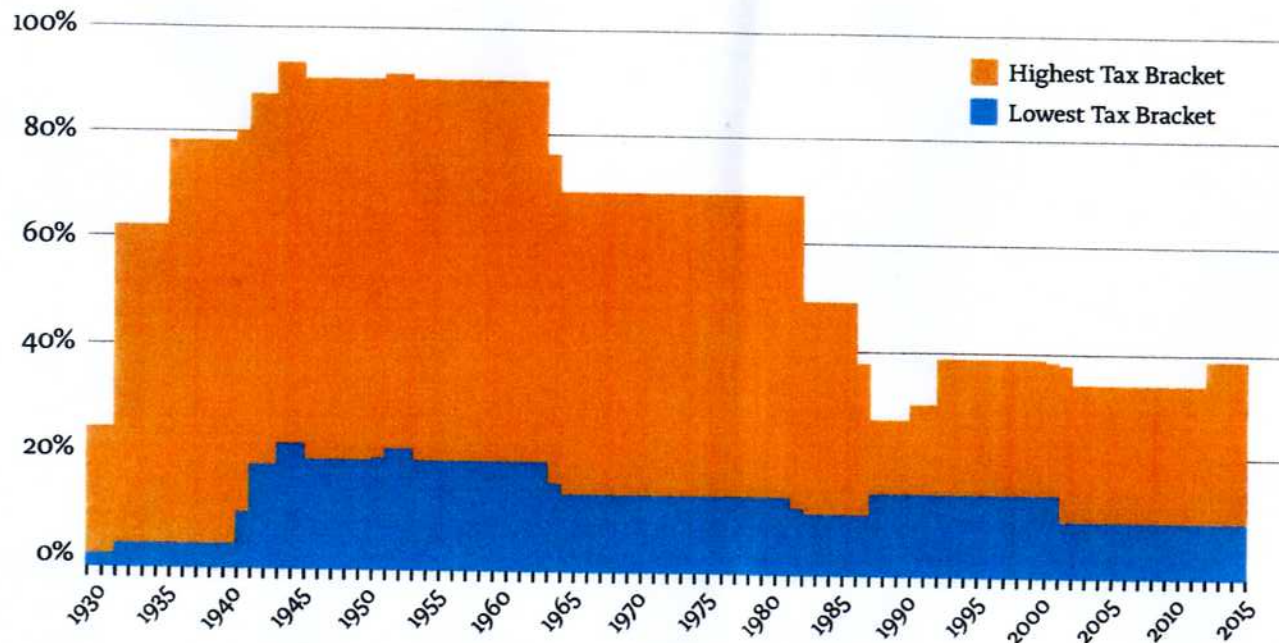
The 'tax perfect' retirement plan.

With proper planning, you can minimize the effect taxes will have on your retirement income. Ideally, you would like to create a retirement plan that includes three key attributes:

- 01. Contributions that are tax deductible.**
- 02. Accumulation that is tax deferred.**
- 03. Distributions that are tax free.**

Where do you think tax rates are going?

- Tax rates are currently at historically low levels, and no one knows where they will be when you retire.
- Tax diversifying your retirement income might be sensible.



The graph above illustrates the high and low marginal tax rates over history. Exemptions, deductions, and state and local taxes are not taken into account when illustrating these marginal tax rates. Your actual tax rates may vary from those shown on the graph. Remember that historical rates are not a guarantee of future rates. Source: www.taxfoundation.org/taxdata/show/151.html

The 'tax perfect' retirement plan.

Right now you can't have all three, but you can include 1 and 2, or 2 and 3 in your retirement planning since different assets have different tax treatments.

	Tax deductible	After tax
1. Contributions		
2. Accumulation	Tax deferred	Tax deferred
3. Distributions	Taxable	Tax free
Financial Vehicles	Traditional IRA	Roth IRA
	401(k) plan	Tax-free municipal bonds ¹
	Pension plan	Cash value life insurance ²
	Profit-sharing plan	
	Keogh plan	

¹ Municipal bonds may be subject to alternative minimum taxes.

² The primary purpose of life insurance is to provide a death benefit. Using a life insurance policy's cash value to supplement retirement income can negatively impact the insurance benefit and cash value, and can possibly contribute to policy lapse. There may be tax implications for policies recognized as modified endowment contracts (MECs) or if you partially surrender the policy for an amount that exceeds the cost basis of the policy. However, certain partial surrenders made within the first 15 years after a policy is issued may be fully or partially taxable. Distributions, including loans, from an MEC are taxable to the extent of the gain in the policy and may also be subject to 10% additional taxes if the owner is under age 59½.

The benefits of tax diversification.

Retirement income of \$100,000

Without Tax Diversification	Tax Diversification Strategy	
\$100,000 401(k)/qualified plans	\$50,000 401(k)/qualified plans	\$50,000 ² cash value life insurance
100% taxable	100% taxable	tax free ³
\$100,000 taxed at 25% ¹	\$50,000 taxed at 15% ¹	\$50,000 taxed at 0% ³
= \$25,000 tax	= \$7,500 tax	= \$0 tax
\$75,000 to spend after taxes	\$92,500 to spend after taxes	

Hypothetical example for illustrative purposes only

¹ Assumed marginal federal income tax bracket under current rates.

² The cash value in a life insurance policy is accessed through policy loans, which accrue interest at the current rate. Partial surrenders and loans will decrease the total death benefit and total cash value. Policy values are in part based on non-guaranteed factors, such as dividends and interest rates, which are subject to change. Therefore, the supplemental retirement income is not guaranteed.

³ If structured properly. Policy loans and partial policy value surrenders will reduce the death benefit of the policy and may cause the life insurance policy to lapse.