Using Life Insurance to Offset Retirement Income Taxes

Income taxes on 401k retirement benefits can dramatically reduce your actual retirement income. The tax free distribution features of indexed universal life to offset these retirement income taxes and thereby increase spendable retirement income by 25% to 35%. The offset account is called an ILIPP (Indexed Life Insurance Private Pension).

Comparision - Male 42, Preferred Health, Retiring at age 65

	401k Plan with a Supplemental ILIPP	**Traditional Taxable 401k**
Life Premium Outside the 401k	$3,900	$0
Tax on Life Insurance Premium at 30%	$1,671	$0
401k Contribution	$20,000	$25,571
Total Cash Flow	**$25,571**	**$25,571**
Income at 65	$80,000	$102,400
Less Tax Due at 25%	-$20,000	-$25,600
Plus ILIPP Supplement - No Taxes	$20,000	$0
Net Spendable Retirement Income	$80,000	$76,800
Advantage	***$3,200***	
Cash at 75		
401k	$1,056,230	$1,348,543
Life Supplement	$157,027	$0
Total Cash at age 75	$1,213,257	$1,348,543
Cash at 85		
401k	$663,946	$844,259
Life Supplement	$146,640	$0
Total Cash at age 85	$810,586	$844,259
Cash at 95		
401k	$24,995	$22,834
Life Supplement	$269,531	$0
Total Cash at age 95	$294,526	$22,834
Advantage	***$271,692***	

** The above values assume an 8% net return on the 401k funds during working years / 5% during payout.

** The above figures are projections and represent what could occur in one specific circumstance. For tax advice on your exact situation please consult your tax advisor. Additionally, the policy values shown above would change for a policy issued at a different: age, amount, health status, time, death benefit, premium amount, and portofolio selection.