

life insurance-  
an asset with

# Advantages



## ASSET

A resource having economic value that an individual, corporation or country owns or controls with the expectation that it will provide future benefit.

*Investopedia.com*

Traditionally, life insurance has been thought of as a necessary expense needed to protect a family's financial future, but it has the potential to offer far more when you consider its advantages as an asset.

### Life insurance can:

- Leverage a limited number of premium payments into a sizable death benefit to protect your family in the event you die prematurely.
- Provide access to cash value which could be utilized to supplement retirement income or help fund a child's education.
- Transfer wealth created over a lifetime with an income tax free death benefit. The life insurance death benefit even has the potential to be estate tax free if properly owned and structured.

**For these reasons, life insurance is more than just a necessary expense — it is an important asset to own within your portfolio.**

### The benefits of a permanent life insurance policy include:

- Income tax free death benefit paid to beneficiary
- Tax-deferred growth of policy cash values
- No contribution limits due to income
- Potential for income tax-free withdrawals and policy loans<sup>1</sup>
- No 10% penalty tax on cash value distributions prior to age 59½<sup>2</sup>

### A note about life insurance distributions:

Tax-free distributions assume that the life insurance policy is properly funded, is not a Modified Endowment Contract (MEC), and distributions are made up to the cost basis and policy loans thereafter. Distributions may need to be reduced, stopped and/ or premium payments may need to be resumed if the policy does not perform as expected or to avoid a policy lapse. Should the policy lapse or be surrendered prior to the death of the insured, there may be tax consequences.

<sup>1</sup> Loans and withdrawals will decrease the cash value and death benefit.

<sup>2</sup> For a MEC policy, income taxes are due upon withdrawal, and, if withdrawn before age 59½, a 10% Federal income tax penalty tax may apply.

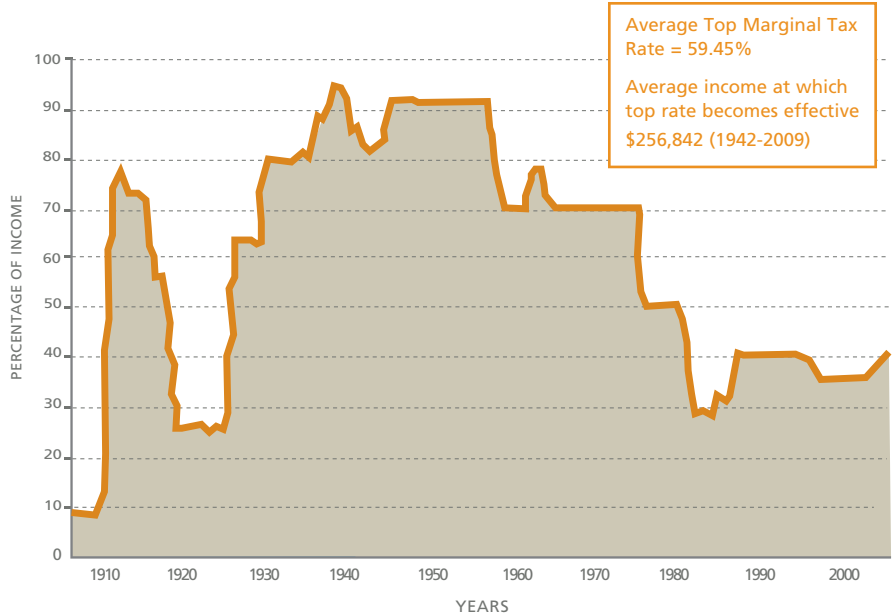
consider  
income taxes when  
funding your

# Portfolio

Taxes can have a significant impact on how much of your savings you ultimately get to use to enhance your lifestyle.

Taxes can also have an impact on how much of any remaining assets are received by your beneficiaries. In the last thirty years, U.S. income taxes have been comparatively low. The top Marginal Tax Rate for the highest income earners is currently 35%, but the average top rate over the last one hundred years has been nearly 60%.

U.S. FEDERAL MARGINAL INCOME TAX RATES



Internal Revenue Service, Statistics of Income Bulletin



Even though the future of income taxes is unpredictable, it would be reasonable to assume they will continue to evolve over time, experiencing high and low periods. You can help protect retirement assets from being diminished by taxes by allocating savings to assets that permit tax-free distributions. This action has the potential to enhance your retirement income because your savings will be sheltered from income tax, regardless of the rates in effect at the time you need income.



# 4 assets with tax-advantages

- Roth IRAs
- Roth 401(k)s
- Municipal Bonds
- Cash Value Life Insurance

Contributions to Roth IRAs are limited to those with income below certain levels and Roth 401(k)s have very limited availability, only 19% of plans in 2009 offered this option.<sup>3</sup> For families who need life insurance's death benefit protection, cash value policies may provide the ability to protect one's family today as well as the potential to supplement retirement income tomorrow.<sup>4</sup>

## GENERAL OVERVIEW OF FEDERAL TAX FEATURES

Feature	Life Insurance	Qualified Plan/ Traditional IRA	Deferred Annuities	Roth IRA/ Roth 401K	Municipal Bonds
Funding/Contribution Limits	NO <sup>5</sup>	YES	NO	YES	NO
Potential Income Tax-Deferred Accumulations	YES	YES	YES	YES	TAX EXEMPT <sup>7</sup>
Income Tax-Advantaged Withdrawals/Loans	YES	NO	NO	YES	TAX EXEMPT <sup>7</sup>
Income Tax-Free Insurance Death Benefit	YES <sup>6</sup>	N/A	NO	N/A	N/A
Penalty Tax for Early Withdrawal	Only if MEC <sup>4</sup>	YES	YES	YES	NO
Cost of Insurance Charges <sup>8</sup>	YES	NO	YES	NO	NO

The table above provides a general overview of certain Federal tax features of the listed asset options. These highlighted features do not present a complete picture of applicable Federal tax rules. Federal tax law is highly specific and depends on individual facts and circumstances. Please make sure to consult your personal tax and legal professionals in your particular situation before purchasing any financial product.

<sup>3</sup> Drinker Biddle & Reath LLP, Grant Thornton LLP and Plan Sponsor Advisors. Retirement Plan Survey, 2009.

<sup>4</sup> Distributions from a life insurance policy are loans and withdrawals. Certain withdrawals may be subject to income tax in the first fifteen years depending on criteria set forth in Internal Revenue Code 7702(f)(7)(B). After fifteen years, assuming the policy is not a Modified Endowment Contract (MEC), withdrawals up to the policy's tax basis are not taxable. Policy loans are not taxable provided that the policy remains in force until the insured dies. Policy loans may have interest charges. Unfavorable performance of variable life insurance product subaccounts may necessitate the payment of additional premium. Should the policy lapse or be surrendered prior to the death of the insured, there may be tax consequences. Loans and withdrawals will decrease the cash value and death benefit.

<sup>5</sup> Life insurance premiums are not limited above certain income guidelines. Generally, there is not a specific limit on dollars allocated to purchase life insurance, however there are maximum premium limits determined by a specified policy face amount according to the Internal Revenue Code. The face amount of coverage each carrier will underwrite will also differ.

<sup>6</sup> For Federal income tax purposes, life insurance death benefits generally pay income tax-free to beneficiaries. In certain situations, however, life insurance death benefits may be partially or wholly taxable. Please consult your professional tax advisor for information regarding your particular facts and circumstances.

<sup>7</sup> AMT may apply.

<sup>8</sup> Life insurance and annuities have cost of insurance charges associated with providing a death benefit that do not apply to other products. Each of the financial vehicles listed above will have various fees and charges.

taking a  
closer look at

# Cash Value



## MEET JACK

Jack Martin is 35 and owns his own landscaping company. He has recently divorced and needs to make sure his two children are provided for financially, should he suffer an untimely death. He has decided to purchase life insurance to meet this need.

Jack has always reinvested almost all of his profits back into the company and now he feels the need to catch up on preparing for retirement. He has a SIMPLE IRA in which he invests the allowable maximum each year and feels comfortable he has an additional \$10,000 per year that he can devote to insurance premiums and added savings.

Jack's financial professional shows him an illustration for a MetLife Whole Life policy. Assuming Jack qualifies for a preferred, non-smoker rating and pays \$10,000 premium each year until age 100, the guaranteed death benefit on the policy would be \$909,506<sup>9</sup>. The death benefit has the potential to increase with higher crediting rates or dividend payments that are non-guaranteed features of the policy.

Jack's financial professional explains that the cash value grows slowly in the early years of the policy, but can grow into a significant source of funds for supplemental income by the time he retires. Then he shows Jack what the policy's cash value may mean to him at age 55, 65, 75 or 85 depending on his future income needs.

Based on the policy's non-guaranteed dividends, Jack would earn slightly more than a 4% rate of return on premiums paid if he waits until retirement age to take any loans or withdrawals from the policy. However, *If* Jack initiated a moderate supplemental income stream from the cash value using withdrawals and loans—being careful not to lapse the policy—he may realize this income on a tax-free basis.<sup>10</sup> A significantly higher rate of return would be necessary to distribute an equivalent amount of income from a taxable account, due to capital gains or ordinary income taxes.

*If* Jack does not need additional income during his retirement, he can either continue paying premiums, allowing the cash value and death benefit to increase, or he could allow future dividend payments to reduce his premium outlay and keep the death benefit relatively stable.

Jack really likes the flexibility of this life insurance product and moves forward with his application for the policy.

MetLife Whole Life Policy Cash Value			
AGE	Guaranteed Cash Value	Assuming Current Dividend Crediting Rates	
		Cash Value	Yield
55	\$214,643	\$310,721	4.03%
65	\$373,807	\$644,438	4.56%
75	\$543,885	\$1,153,122	4.62%
85	\$697,591	\$1,879,646	4.52%

For Illustrative Purposes Only. Please request a full product illustration from your financial representative for more details.

Assumptions: 35 year old male, preferred, non-smoker, \$10,000 premium paid annually through age 100, Federal income tax rate = 35%

Current crediting rates and dividend scale are not guaranteed and are likely to be changed by Metropolitan Life Insurance Company over time. Your policy's actual non-guaranteed values and benefits will be more or less favorable than those shown.

<sup>9</sup> Guarantees are based on the claims paying ability and financial strength of the issuing company.

<sup>10</sup> Tax-free distributions assume that the life insurance policy is properly structured, is not a Modified Endowment Contract (MEC) and distributions are made up to the cost basis and policy loans thereafter. Should the policy lapse or be surrendered prior to the death of the insured, there may be tax consequences. Loans and withdrawals will decrease the cash value and death benefit.

life insurance as  
a value added  
asset in your

# Portfolio

While the policy's death benefit is the primary reason for purchasing life insurance, it is important to know that the policy you choose may provide more value to your family than just a death benefit.

Protecting income for your loved ones is valuable in itself, but permanent life insurance can easily transition to providing supplemental retirement income should you enjoy a long and healthy retirement.<sup>11</sup> Finally, it can transfer any remaining death benefit to your beneficiaries in the form of an income tax free legacy.

The flexibility to help you protect, accumulate and transfer wealth can make life insurance a significant value within your portfolio. When attempting to prepare financially for the future **IFs** in life, it is important to include assets that can change and grow with you. A diverse mix of products may better enable your portfolio to adapt to future accumulation, protection and transfer needs. Life insurance deserves to be considered as an integral asset within your portfolio.

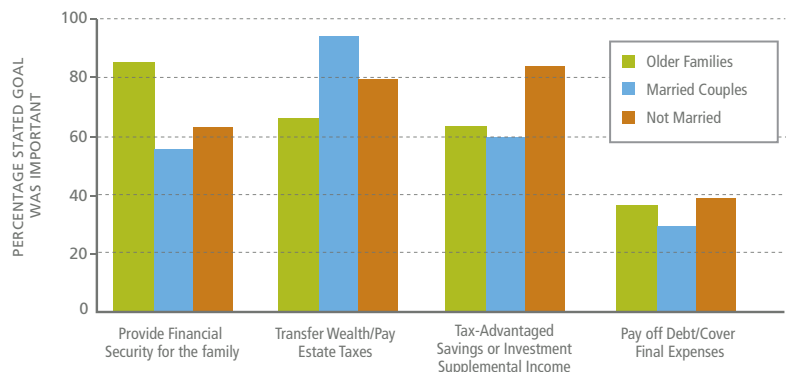
For more information  
about MetLife's life  
insurance products,  
please contact your  
financial professional.



## why life insurance?

Many people who buy life insurance do so because they know it can add value to their financial portfolio as a means of supplementing a number of different financial goals in addition to providing death benefit protection.

COMMON GOALS FOR BUYING LIFE INSURANCE



LIMRA, *How and Why People Buy High Face Life*, August 2008.

<sup>11</sup> Not all products provide guaranteed cash value accumulation. Investments in variable life insurance are subject to market risk including loss of principal.





**Portfolio Cont.**

Owner Type Insured Corporate Trust Trust Name \_\_\_\_\_ Other Individual

Contract State \_\_\_\_\_ Face Amount Options Solve Amount \$ \_\_\_\_\_

Premium Options Solve Amount \$ \_\_\_\_\_ Pay Premiums Until Age \_\_\_\_\_ Year \_\_\_\_\_

Cash Value Goal \$ \_\_\_\_\_ At Age \_\_\_\_\_ 1035 Exchange Amount \$ \_\_\_\_\_ Basis \$ \_\_\_\_\_

Loan \$ \_\_\_\_\_

Is the Existing Policy a MEC? Yes or No

Death Benefit Option A — Level B — Increasing Switch from B to A (Optimally Solved) or Switch Year \_\_\_\_\_

Riders Long-Term Care \_\_\_\_\_ Cash Value Plus Rider \_\_\_\_\_

Disability Waiver \_\_\_\_\_ Children's Term Insurance

Return of Premium Death Benefit Rider \_\_\_\_\_ %

No Lapse Guarantee Age ( \_\_\_\_\_ ) Option to Purchase Additional Insurance \$ \_\_\_\_\_ Age \_\_\_\_\_

**Comments:**

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