EQUITABLE

Advanced Markets

Preparing to meet changing needs with a life insurance private reserve

Do you need life insurance protection?

Have you maxed out your retirement plan and still consistently have more money you'd like to save?

Are you concerned about being able to access cash without penalty before age 59½?

Are you under age 50?

If this sounds like you, you may want to consider using cash value life insurance as a "private reserve" of cash for your future needs.

See the "Private Reserve" in action

Meet Tom

Successful businessman
35, married with newborn

- Earns $100,000 in income per year
- Needs $500,000 in life insurance protection
- Has maximized his retirement plan contributions
- Has an extra $10,000 per year he'd like to set aside to pay for major life events and purchases

After talking things over with his financial professional, Tom decides to employ the life insurance private reserve strategy from Equitable Financial. He purchases a life insurance policy and pays $10,000 premiums per year for 30 years.

Age	Cumulative premiums	Cash surrender value	Loans taken out of policy before retirement	Distributions during retirement	Net death benefit
35	$10,000	$0	$0	$0	$508,000
45	$100,000	$66,000	**$40,000**	$0	$570,000
55	$200,000	$229,000	**$50,000**	$0	$729,000
65	$300,000	$623,000	$0	$0	$1,123,000
75	$0	$604,000	$0	**$62,000**	$1,052,000
85	$0	$75,000	$0	$62,000	$200,000

In 10 years, Tom has enough cash value built up in the policy to borrow $40,000 (tax-free) to start a business.

In 20 years, Tom borrows $50,000 for a vacation home.

By age 65, Tom has built up significant cash value in the policy based on current non-guaranteed rates. Enough, in fact, to allow him to take $62,000 per year from age 66 to 85. If he's in a 24% tax bracket, that is equivalent to more than $81,000 taxable income per year.

Taking tax-free loans from a life insurance policy

In this example, we showed Tom taking loans from his policy.
Before you do this with your own "Private Reserve," you may want to keep these things in mind:

1 **Flexibility.** You have the flexibility to repay the loans if you want, when you want. In this example, Tom didn't repay his loans; if he repaid the first two loans, he would have had even more cash value available later in life.

2 **Timing.** You need to wait a few years before taking loans. This gives your policy the time to accumulate enough cash value to keep the policy in effect and give you some "cash" to pay for your personal needs. Loans and withdrawals reduce the death benefit and cash values. If you take too much, you may have to pay additional premiums to keep the policy from lapsing and triggering taxes.

3 **Performing.** Your own cash value will potentially grow based on the performance of your policy, which is not guaranteed.

Other considerations with a Private Reserve strategy

- Cash value in life insurance generally takes years to build. You will generally have limited access to the cash surrender values during the first several years of your contract.
- There is usually a surrender charge that will vary by type of policy. These charges usually run 15 years or longer, and will affect the available amount you have to withdraw or borrow from your policy at any given time. There are also cost of insurance and other policy charges that will impact your cash value. Work with your financial professional to understand the timing and limitations based on your overall goals and objectives.
- Your own cash value build up will be determined, in part, by the performance of your policy, which is not guaranteed. When you purchase your policy, you will not know how much cash value you will have to access at any given time.
- Loans and withdrawals will reduce the death benefit and cash values associated with your policy. Excessive loans and withdrawals may require future premium payments in later years to keep the policy from lapsing and triggering income taxation on any unpaid loans.

Count on Equitable Financial for strategies designed to meet your changing needs

As your needs change over time, your life insurance should evolve as well. We offer a portfolio of life insurance products built to meet your needs at every stage of life to help you secure your financial well-being. You can choose from various types of life policies, each offering different ways to potentially grow your cash value. Work with your financial professional to find the best fit for you.

The policy premium and death benefit amounts used for this case are intended only to help demonstrate the planning concept discussed and not to promote a specific product. The values are broadly representative of rates that would apply for a policy of this type and size for the insured's health and the ages noted in the example and are not guaranteed. To determine how this approach might work for you, individual illustrations based on your own individual age and underwriting class, containing both guaranteed charges and guaranteed interest rates, as well as other important information, should be prepared or requested from your financial professional. If guaranteed rates and charges are used in this example, the policy would fail in year 28.

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