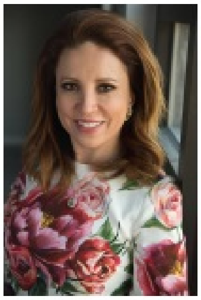
CROWN WEALTH STRATEGIES



Hello,

Please see the following information below. We're so excited to see the PDA at 12% and would love to chat with you about the opportunities it brings

Sincerely,

Lizzie Dipp Metzger

Premium Deposit Account Special Rate: Effective Rate

Long-term life insurance helps protect those who matter most to you and offers the opportunity to accumulate tax-advantaged assets. The Premium Deposit Account, offered with some New York Life insurance products, is a convenient way to pre-pay some of your life insurance premiums with a single payment. Money in the PDA earns a guaranteed interest rate. The interest earned then goes toward paying your premiums, thereby lowering your out-of-pocket cost.

For a limited time, the Premium Deposit Account rate is

12% for the first year, and **6.0%** each year thereafter on four or more life insurance premiums funded through a Premium Deposit Account*

The special 12% rate is only available for PDA arrangements when you pay the first year premium upfront and fully prefund at least four years of future premiums.

While the first-year rate is attractive it is important to understand the actual effective rate you will earn over the entire duration of the arrangement. The following chart shows the rate you can expect to earn towards a premium discount under different duration scenarios:

PDA Duration (# of years in the Premium Deposit Account)	Annual Effective Rate (12% year 1 + 6.0% each year thereafter)
4	8.45%
5	8.06%
6	7.78%
7	7.57%
8	7.41%
9	7.28%
10	7.18%
11	7.09%
12	7.02%
13	6.96%
14	6.90%

These effective rates represent:

- A blend of the 12% and 6.0% rates
- Compounded interest
- The number of years the PDA is funded
- The current balance in the PDA

The rates above relate only to the PDA Account. They do not represent the performance of any life insurance policy, whose performance will depend on factors unique to that policy and the client.

* Premium Deposit Account (PDA) rates vary over time, but once the PDA Agreement is accepted, the PDA rate is fixed for the life of the Agreement. Interest earned on the Premium Deposit Account will be taxable. There may be early withdrawal fees if you withdraw funds from your PDA. A penalty may apply if the Premium Deposit Account is surrendered. Any interest earned on the PDA will be taxable and, subject to requirements, will be reported to you on IRS Form 1099-INT.

How to Create a Life Insurance Retirement Plan


GETTY IMAGES

By: Jeremi Davidson
Editor: Jordan Chussler

Americans are increasingly wary of their ability to sufficiently save for retirement. But no matter what your age is, it's never too early or too late to start preparing. Among the numerous options available to you, a life insurance retirement plan (LIRP) is another that's worth your consideration.

This type of retirement plan doesn't replace a traditional retirement account like a 401(k) or IRA, but it has a cash value component that you can access, if necessary, in order to provide you with retirement income. Investing in an LIRP also ensures your beneficiaries receive a death benefit payout when you die, which can help put your mind at ease as you age and prepare yourself and your family for the future.

Read on to learn how to create a life insurance retirement plan and discover its benefits and drawbacks.

What is an LIRP (life insurance retirement plan)?

An LIRP is a permanent life insurance product with a cash value. The plan combines traditional life insurance with a retirement savings component and provides a way to accumulate money over time while offering tax advantages. As with any permanent life insurance — whether whole, universal or variable — when you pass away, the policy offers your beneficiaries a death benefit. You can also access or borrow against the policy's tax-deferred cash value throughout your life to reduce your taxable income in retirement.

How does a life insurance retirement plan work?

Using your life insurance for retirement is relatively straightforward. You'll begin by overfunding your life insurance policy to increase its cash value of your LIRP account. This step gives you more money in the account than necessary and helps build significant value over time because your insurer can invest it.

Once you stop working, you can begin taking out loans against your life insurance retirement policy. Your plan might cap the amount you can borrow at 80% or 90% of its total cash value, but it will still be a significant amount of money if you adequately fund the account. You'll then repay your loan using the policy. Many retirees will repay what they owe using their death benefits, but you can also repay the money with funds from your other retirement accounts.

How to create a life insurance retirement plan in 10 steps

Although buying a life insurance policy for retirement is simple, you'll want to break the task down into phases to ensure you handle everything appropriately. Since an LIRP is a way to supplement your retirement, you shouldn't leave anything to chance.
Here are 10 steps to follow when building a plan that meets your needs.

1. Determine how much income you'll need during retirement

Foremost, determine how much money you'll need when you retire. According to the IRS, you could require up to 80% of your current income to comfortably retire. Be mindful that an LIRP isn't intended to be your sole source of retirement income. However, by combining it with your other retirement accounts and doing some simple math, you can compare retirement income needs with what you stand to earn from all of your financial products.

Using a retirement or LIRP calculator can help you understand how much this source of income will pay out in the future. Remember that the life insurance policy type you select will influence the risk you take on and your potential payout.

2. Learn about the different life insurance options available

Your LIRP will involve a permanent life insurance policy, which can fall into three categories: whole life insurance, universal life insurance or variable life insurance. The option you select will determine the risk that life insurance retirement companies will take on when investing your funds from the policy.

Whole life insurance requires you to pay a specific monthly premium for a guaranteed death benefit, making it a lower-risk option. Universal life insurance is riskier because your payout depends on interest rates. You can adjust your premium payments throughout the policy, though, giving you more flexibility. Variable life policies invest your money in bonds, mutual funds and stocks enabling your policy to grow quickly, but it's also the riskiest of the three options because it's subject to market conditions.

Understanding how these permanent life insurance plans work can help you decide on one that best suits you. The result is a policy you can use in retirement while still having a death benefit for your beneficiaries.

3. Submit an application with a reputable life insurance company

Once you have an idea of where your LIRP investment fits into your overall retirement plan and which policy best suits your needs, you can apply with the insurance company of your choice. Selecting a reputable insurer to handle your life insurance coverage is vital because it minimizes the chances of you experiencing problems accessing your money in the future.

The best life insurance retirement plan you'll encounter will be available via an insurer with the necessary licensing to operate in your state. This license is critical because it ensures your state's insurance regulation department will intervene if an issue arises. A reputable insurer should also have an established track record of strong financial performance, making it more likely it'll still be operating when you get to retirement age.

Your insurer should also offer quality customer service and make you feel comfortable with the process. Your life insurance and LIRP are crucial to your future and your beneficiaries' futures, so you'll want an insurance company that answers your questions and confirms you understand the entire process before you purchase a policy.

4. Start funding your LIRP

You should begin funding your LIRP as soon as possible to give your investments more time to grow. You'll have to pay a minimum amount every month to keep the policy active, but your premiums depend on the plan you select and your death benefit amount.

It's important to note that if the amount you pay into the policy exceeds the net level premiums over the plan's first seven years, the government can declare your LIRP a modified endowment contract and take away your tax advantages. In order to avoid this, speak to your life insurance representative so understand how much you can contribute to the plan while maintaining its tax benefits.

5. Understand the cash value component of your life insurance policy

The process of searching for life insurance for beginners involves gathering a considerable amount of information that will ultimately help you decide which policy is best for you. Importantly, you'll learn about a policy's cash value component and how you can access it. Your plan's cash value is separate from the death benefit and accumulates over time, allowing you to borrow directly from your insurance policy, use it as collateral for another loan or employ it to fund your death benefit without paying additional premiums.

6. Take advantage of tax benefits

The main reason to use an LIRP for retirement income is the tax benefit it provides. The growth of your LIRP account is tax-deferred, so the IRS will only charge tax once the policy pays out upon your death. However, before that time, you can access money from your policy through a loan. Although you won't have to pay tax on that loan, there will be interest charges. Those interest charges are often less than you would've paid in taxes, though, especially since you'll likely end up in a lower income tax bracket during retirement.

7. Explore life insurance riders and policy enhancements

In addition to death benefits, LIRPs can include insurance riders and policy enhancements that can provide policyholders with support if they run into challenges while they're still alive. For example, you can add riders to help pay for extended hospital stays or long-term care. Your riders can also provide disability income. These enhancements ensure you and your family are ready for whatever life throws at you.

8. Review and update your life insurance retirement plan as needed

You might be wondering how much life insurance you need. Each individual has their own insurance needs, but those can change over time. As a result, you'll want to update your life insurance plan as you age. Whether you're using a 401(k), an IRA or both, once you max out your contributions to your other retirement accounts, you might have more money to fund your LIRP. Carefully examine whether your life insurance retirement goals work in your best interest and make changes to your funding habits as necessary.

9. Think about estate planning

Using your life insurance for tax-free retirement income is ideal, but an LIRP can also assist with estate planning, which is advisable to ensure your assets reach the right people when you die or become incapacitated. Estate planning can involve writing a will, creating trusts (including a life insurance trust), granting power of attorney and designating beneficiaries. You can also use tax minimization strategies to help your heirs avoid significant tax burdens.

10. Seek help from a financial advisor

A financial advisor can offer guidance and expertise as you determine the right insurance products for retirement. They can also offer advice on your other retirement accounts to help you maximize your income while minimizing your tax burden after you stop working.

For example, if you consistently max out your annual IRA and 401(k) contributions, a financial advisor might recommend utilizing an LIRP to increase your available funds upon retirement. This step can also move you into a lower tax bracket when you retire because you'll borrow money from your life insurance policy, which doesn't count as income.

Every situation is different, so seeking firsthand advice from a professional is a good place to start. Following these steps will get your LIRP up and running. Once you establish your policy, all you have to do is continue paying your monthly premiums to keep it active, enabling you to reap the benefits once you retire.

Benefits of using life insurance for retirement income

The main benefit of an LIRP is the tax savings it can provide. The money you receive from an LIRP is tax-free because it's a loan, not a withdrawal, which the IRS doesn't consider to be taxable income. You can also use the money you borrow from your LIRP to manage your other retirement accounts. For example, accessing these funds tax-free could reduce the amount you need to withdraw from a traditional IRA or 401(k), which would otherwise require you to pay income tax. The result is a combination of tax-free earnings and investment-based gains for your retirement.

Potential drawbacks of life insurance retirement plans

One possible issue with using an LIRP for retirement income is the interest you'll pay on the funds borrowed from the policy's cash value. Insurance companies charge interest on any cash you access, thereby reducing your available funds over time. Accordingly, you'll have to leave some cash in the account to cover this interest, meaning you can't access

> This type of retirement plan doesn't replace a traditional retirement account like a 401(k) or IRA, but it has a cash value component that you can access, if necessary, in order to provide you with retirement income.

all your money in retirement. This could potentially hinder your retirement plans, so it's worthwhile exploring them further before establishing an LIRP.

What happens to employer life insurance after retirement?

If you have life insurance through your employer, you might hesitate to retire because you could lose your policy. These group life insurance plans are typically provided by a company as a benefit and usually terminate when you no longer work for that employer. However, it might be possible to keep your group policy active. Some employers allow you to convert your group policy into an individual one and maintain coverage. In this scenario, you'll have to begin paying premiums yourself, so it's wise to determine if the expenses are worth the reward.

In some instances, employers will offer insurance after you retire, too. For example, the U.S. military provides retirement life insurance to veterans at a low cost, and you can convert it to a civilian program later if necessary.

Summary of Money's how to create a life insurance retirement plan

An LIRP is a life insurance policy with a guaranteed death benefit, cash value and retirement savings. By overfunding your policy, you'll be able to build funds you can borrow against in the future, offering tax-free income in retirement. However, you'll also have to consider the implications of loan interest that will result from producing retirement income this way. Creating an LIRP requires some learning and work on your part, but you can streamline the process by following some simple steps. It also makes sense to determine the benefits and drawbacks of these policies as they aren't a fit for everyone's life insurance or retirement savings plans.

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