



The Roth IRA Alternative A Case Study with Cash Value Life Insurance

Planning Perspective

Life Insurance Products: • Are Not a Deposit of Any Bank • Are Not FDIC Insured
• Are Not Insured by Any Federal Government Agency • Are Not Guaranteed
by Any Bank or Savings Association • May Go Down in Value

AXA Equitable Life Insurance Company
MONY Life Insurance Company of America (MONY)

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The Roth IRA Alternative: A Case Study

A Roth IRA can be a valuable part of a person's overall retirement income strategy, offering an effective means of tax-free accumulation, tax-free distributions and no requirements for Required Minimum Distributions (RMDs).

Perhaps you've already maximized your Roth IRA contributions, or have "missed the boat" on the ability to contribute to a Roth IRA due to your income. If this sounds like you, a cash value life insurance policy may be an appropriate complementary strategy.



Does this sound like you?

- ▶ Not married and earning an income of over \$114,000
- ▶ Married with a joint income of \$181,000 or more
- ▶ Need to financially protect loved ones or a business
- ▶ Have maximized contributions to qualified plans such as 401(k)
- ▶ Not eligible for Roth IRAs or have already contributed the maximum amount allowable to a Roth IRA
- ▶ Looking for a potentially tax-free way to save for retirement that is tax-deferred and potentially tax-free upon distribution

Problem:

Mike and Robin Miller are successful professionals earning over \$200,000 in income annually. They have been looking for additional ways to accumulate money for their retirement since they've already maxed out their contributions to their companies' 401(k) plans. Recently, Robin read an article about Roth IRAs but was disappointed when she saw the contribution maximum of \$5,500 and then read about the income limitations. Their accountant confirms that they are not eligible to contribute to a Roth IRA, but the Millers have an additional \$10,000 they would like to allocate annually towards retirement.

A Possible Solution:

The Millers are interested in learning more about purchasing a cash value life insurance policy for Mike from AXA. Mike likes that the cash value life insurance provides financial protection in the event of his untimely death, and Robin likes that the policy can be tailored for their unique needs.

The Strategy:

The life insurance protection can provide financial security for Robin and their children if Mike were to die prematurely. Moreover, since these policies can potentially build cash value, it can work similarly to a Roth IRA plan.

How the Alternative might compare with the Roth IRA

	Roth IRA	The Roth IRA Supplement
Tax Free Accumulations	YES	YES
Tax Free Distributions	YES	YES
Tax Free Income to Beneficiaries	YES	YES
Requirement for RMDs	NO	NO
Contribution Ceiling	YES	NO
Income Limitation	YES	NO
Earned Income Contributions Requirement	YES	NO
Tax Penalty on Early Distributions	YES	YES
Contributions Deductible?	NO	NO

Alternative Strategy:

The Millers are interested in how a Roth IRA Alternative strategy might look for them assuming they both retire when Mike turns 66. They'd like to have income from the policy for 20 years.

Here is a look at how a life insurance policy with AXA might work as a Roth IRA Alternative. This assumes they continue to contribute \$10,000 to the policy each year until Mike reaches age 66 and they withdraw funds for 20 years to supplement their income.

(Assumes \$10,000 paid in premium each year for 20 years and projects a cash withdrawal available each year of \$32,000 for 20 years.)

Mike's "Alternative" Roth IRA Plan

Age	Cumulative Premiums	Cumulative Withdrawals	Non-Guaranteed Cash Value	Death Benefit
45	\$10,000	\$0	\$0	\$410,000
55	\$100,000	\$0	\$115,000	\$410,000
65	\$200,000	\$0	\$385,000	\$740,000
66	\$0	\$32,000	\$380,000	\$710,000
75	\$0	\$320,000	\$300,000	\$510,000
85	\$0	\$640,000	\$65,000	\$200,000

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 and 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.

Considerations

Please remember Cash Value life insurance does have many other considerations you should review carefully before selecting a life insurance policy, please keep these important points mind and review with your financial professional:

- ▶ If you do not keep paying the premium on a life insurance policy, you will lose substantial money in early years.
- ▶ To be effective, you need to hold the policy until death. A life insurance policy generally takes years to build up a substantial cash value.
- ▶ Tax free distributions will reduce cash value and face amount of the policy. You may need to pay higher premiums in later years to keep the policy from lapsing.
- ▶ You must qualify medically and financially for life insurance, unlike a Roth IRA
- ▶ Generally, there are many additional charges associated with a life insurance policy including but not limited to a front end load, monthly administrative charge, monthly segment charge, cost of insurance charge, additional benefit rider costs and surrender charges.

Under current federal tax rules, you generally may take federal income tax-free withdrawals up to your basis (total premiums paid) in the policy or loans from a life insurance policy that is not a Modified Endowment Contract (MEC). Certain exceptions may apply for partial withdrawals during the policy's first 15 years. If the policy is a MEC, all distributions (withdrawals or loans) are taxed as ordinary income to the extent of gain in the policy, and may also be subject to an additional 10% premature distribution penalty prior to age 59 1/2, unless certain exceptions are applicable. Loans and partial withdrawals will decrease the death benefit and cash value of your life insurance policy and may be subject to policy limitations and income tax. In addition, loans and partial withdrawals may cause certain policy benefits or riders to become unavailable and may increase the chance your policy may lapse. If the policy lapses, is surrendered or becomes a MEC, the loan balance at such time would generally be viewed as distributed and taxable under the general rules for distribution of policy cash values.

The Decision

After comparing the Roth IRA Alternative strategy, the Millers see the similar attributes and recognize the differences as well. They are pleased with the projected results of this approach, but they recognize that like other accumulation vehicles, actual results may vary depending on the actual results of the underlying accumulation vehicle. They appreciate that this strategy also helps them address their personal need for life insurance.

Why AXA?

- ▶ At AXA, we know that one size does not fit all. That is why we have a portfolio of life insurance products specifically designed to work with your unique needs in mind. You can choose from variable universal life or an indexed universal life policy, each with features that are engineered to help meet your goals best.
- ▶ Working with your Financial Professional, we can design a presentation customized just for you — and help you break down your decisions into small, manageable steps. Your Financial Professional can show you how.

To learn more, contact your
Financial Professional or visit
www.axa.com today.

For more information on how *The Roth IRA Alternative* could help you, contact your Financial Professional today.

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