



PROTECTION & SUPPLEMENTAL INCOME:

The Role of Life Insurance in a Retirement Strategy



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Retirement has changed

The state of retirement today is not what it was even just 20 years ago. A convergence of demographic, economic, and social changes threatens the golden years that many have spent their working years dreaming about.

For many Americans, the idea of a pension is a relic of the past, and 63% of Americans are concerned about the government's retirement system being able to pay their benefits when they retire.* As a result, more and more people are discovering that they need to find ways to plan and fund the retirement they want.

As a high-income earner, you need to think holistically about your retirement plan and the products and strategies you can employ to protect your life's work, both today and tomorrow. We can help you do this.

*2025 Global Retirement Pulse Survey, Prudential, October 2025.

The many benefits of life insurance

Life insurance is a flexible tool that offers your family protection, and it can also do much more.

Life insurance provides a death benefit that can help your loved ones live the lives you imagined for them after your death. The death benefit can be used to help them:

- Maintain their current lifestyle.
- Pay off a mortgage.
- Offset state and federal estate taxes.

Living benefits for you, too.

When you retire, you may find that you have less of a need for death benefit protection and a greater need for tax-advantaged income. Certain types of life insurance can provide both:

- A death benefit to protect your family.
- A source of supplemental income that you can access during retirement.



Supplement your retirement with life insurance

If you're like many high-income earners, you've maximized, or are making an effort to maximize, your retirement plan contributions while also diversifying your total financial portfolio. But, even with maximum contributions, you may not be certain that you have enough income to maintain your desired standard of living in retirement. If you're in this situation and have a protection need, a life insurance policy may be the answer.

That's because life insurance with cash value growth potential can help you in three distinct ways:



How can life insurance help you in retirement?

A life insurance policy can be an important component of your holistic retirement plan. It can offer you the chance to diversify sources of income to help manage your tax liability in retirement by offering tax-advantaged growth potential and potentially tax-free income.

¹ Death benefit proceeds are generally received federal income tax-free as provided in Internal Revenue Code Section 101(a).

² TAX-ADVANTAGED ACCESS TO CASH VALUE: You can access your cash value through loans and withdrawals. In general, loans are not currently taxable, and withdrawals are taxable only when you take more money out of the policy than you've paid in premiums. Loans and withdrawals may impact the ultimate death benefit payable to your beneficiaries.



The strategy can offer:

- An opportunity to increase your retirement income if you're already maximizing your contributions to qualified plans.
- Access to accumulated cash values for any reason, including retirement income.
- The ability to add riders to the insurance policy for greater protection and flexibility.
- The chance for small business owners to supplement their existing retirement plans.
- The chance to delay taking your Social Security benefits—potentially increasing your monthly payout.

How the strategy works

Life insurance has the flexibility to help you protect the people you love with the potential to supplement your income in retirement. To create income from a life insurance policy, you first need to choose a policy designed to provide a death benefit and potentially accumulate cash value. Your financial professional can help you decide which may be appropriate for your financial goals and situation.

The steps of the strategy

- 1** You pay premiums that are more than those needed to cover the costs to keep the policy in force. A portion of your premiums will cover the costs associated with the policy while any remaining premium goes toward building potential cash value.
- 2** Over time, the policy has the potential to build cash value, possibly enough to increase the death benefit.
- 3** Once you reach retirement (although you don't need to wait until then), you can access the cash value through loans and withdrawals to provide you with supplemental income when you need it.² Taking loans and withdrawals will reduce the cash value as well as the death benefit.
- 4** At your death, the remaining death benefit will be paid to your beneficiaries.

Important strategy information



- **You should have sufficient liquid assets** to support your current and future income and expenses before implementing this life insurance strategy. Equity in a home should not be considered a liquid asset.
- **If your financial situation changes** and you need to use assets or income for current or future income needs and can no longer make premium payments, your life insurance death benefit may terminate and your desired results may not be achieved. Loans taken will become taxable if the policy is surrendered or lapses.
- **Consult your professional tax and legal advisors** when considering this strategy.

The key to making the strategy work

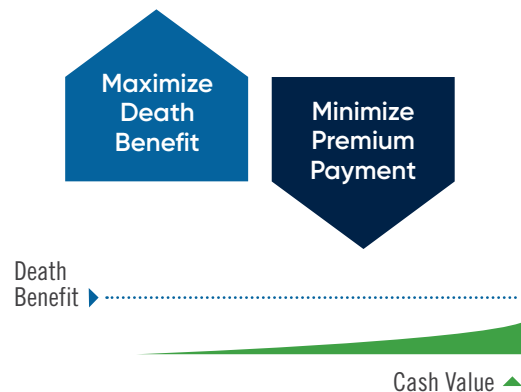
Many people who purchase life insurance select the highest death benefit amount to meet their protection needs and then select a policy that offers the lowest premium amount possible.

But, if you want your life insurance policy to have greater potential cash value that you can access later in life, you may want to reverse that:

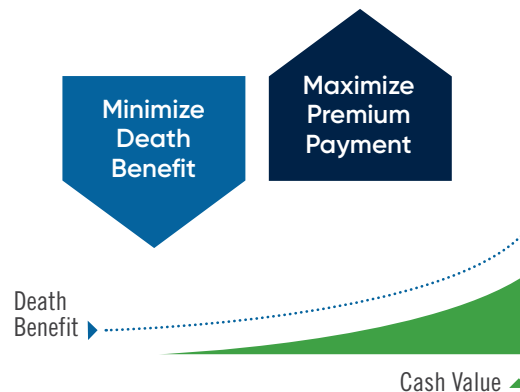
- Choose a lower face amount (while still meeting your protection needs).
- Maximize the premium payments you are making.

This approach—commonly called “overfunding a policy”³—can help your life insurance policy accumulate larger cash values than it typically would by making only the minimum payments required to keep your policy active.

Designing a policy for death benefit protection



Designing a policy for both death benefit protection and cash value accumulation



Work with your financial professional to determine the strategy that will help meet your financial needs.

This chart is for illustrative purposes only and is not predictive of actual returns.

³ Federal tax law limits the amount of premium contributions that can be made to a policy in order for it to retain certain tax advantages. When premium contributions exceed this limit, the policy is classified as a Modified Endowment Contract (MEC). Distributions from MECs (such as loans, withdrawals, and assignments, including distributions made in the two years prior to becoming a MEC) are taxed less favorably than distributions from policies that are not MECs. For distributions from a MEC prior to age 59½, a 10% additional tax may also apply. However, death benefits are still generally received income tax-free pursuant to IRC §101(a). Please consult a tax advisor.

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