

Life Insurance in Retirement Planning (LIRP) eKit

# Strong Strategy. Simple Process.

Many high-income and high-net-worth individuals may be taxed on a significant portion of their retirement incomes. In addition to that, they are facing risks to their retirement from uncertain markets, rising costs (i.e., inflation), and longer life spans that require greater diversity in your approaches. Life insurance has strong tax benefits and can give affluent client options. It offers:

- Death benefit protection
- Potential to build cash value that can be used to supplement income

The **LIRP strategy** has a policy design that minimizes the death benefit and maximizes the premiums paid<sup>1</sup> to try to accumulate as much cash value as possible. That cash value can be used to supplement retirement income and mitigate retirement risks, on a tax-advantaged basis.

## TAX ADVANTAGES ARE THE CORE OF LIRP

### Income tax-free death benefit

A life insurance policy's death benefit offers a typically income-tax free death benefit.<sup>2</sup>

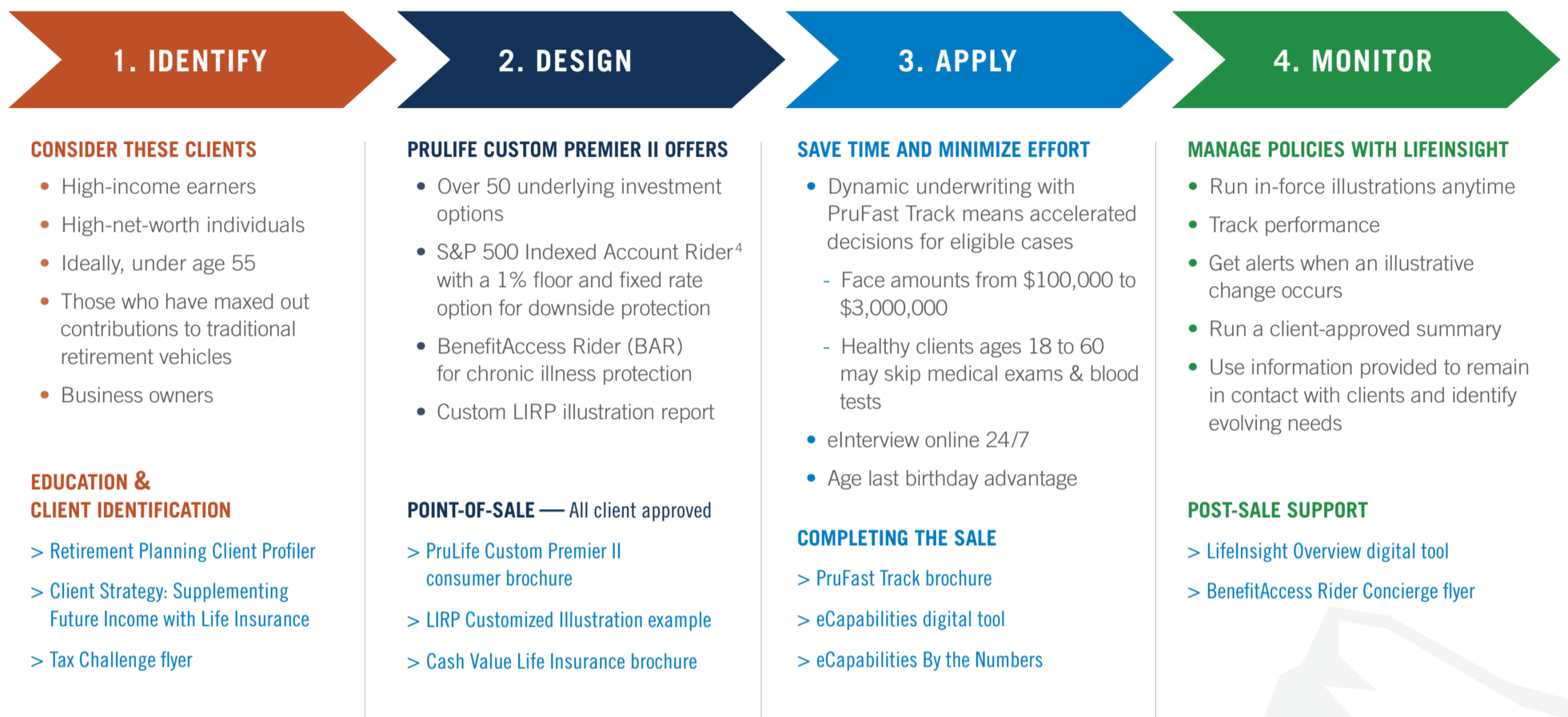
### Tax-deferred cash value

Many life insurance policies offer the potential to accumulate tax-deferred cash value.

### Tax-advantaged loans

These life insurance policies also offer the option of taking tax-advantaged loans from the policy's cash value.<sup>3</sup>

## Use our 4-step turnkey approach with the Prudential Advantage



Choose the simplicity of Life Insurance in Retirement Planning with Prudential. We make doing business easier for you and clients.

**CONTACT YOUR PRUDENTIAL WHOLESALER OR THE NATIONAL SALES DESK. FOR HELP WITH A CASE OR RUNNING AN ILLUSTRATION, CALL 800-800-2738, OPT 1.**

<sup>1</sup> 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 collateral 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 to the extent there is gain in the policy. For distributions from a MEC prior to age 59½, a 10% additional tax penalty may apply to the extent there is gain in the policy. However, death benefits are still generally received income tax-free pursuant to IRC §101(a). The death benefit will be reduced by any withdrawals or loans (plus unpaid interest). Clients should consult a tax advisor.

<sup>2</sup> Death benefit proceeds are generally received federal income tax-free as provided in Internal Revenue Code Section 101(a).

<sup>3</sup> Life insurance policy cash values grow tax-deferred and are potentially income tax-free. Cash values are accessed through withdrawals and policy loans. Withdrawals are generally taxable to the extent they exceed premiums paid into the policy. Any loans that remain unpaid when the policy lapses or is surrendered while the insured is alive will be taxed immediately to the extent of gain in the policy. Unpaid loans and withdrawals will reduce cash values and death benefits.

<sup>4</sup> The Indexed Account Rider is not available in New York for new policies issued on or after 02/14/2022.

<sup>5</sup> Source: Prudential Individual Life Insurance internal study — 08/01/2020 — 08/31/2021.

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