Tax Considerations in Retirement

Sagicor Life

Diversifying your assets among various financial vehicles and asset classes can be a smart way to save for retirement, allowing you to potentially build your nest egg while reducing your current tax liabilities. But have you thought about the impact taxes can have on your income once you begin drawing from your retirement assets?

WHEN IS ASSET GROWTH TAXED?

Taxable, tax-deferred, and tax-free assets all become sources of income when you retire. However, not all investments are taxed the same.

TAXED NOW	TAXED LATER	TAXED NEVER[1,2]
• CDs and Money Markets • Mutual Funds/Managed Investment Accounts • Savings Accounts	• 401(k)/403(b) • Traditional IRAs • Annuities	• Roth IRAs • Cash Value Life Insurance

Diversification can be a part of the solution to help you better manage the tax treatment of your retirement assets, resulting in the potential for higher net income during retirement. But to make the most out of this strategy, it's important to understand how certain assets are taxed.

TAX CONSIDERATIONS OF VARIOUS RETIREMENT ASSETS[3]

Features	Life Insurance	Taxable Investment	401(k)/ Traditional IRA	Roth IRA	Municipal Bonds
Tax-deferred growth	✓		✓	✓	✓
Tax-advantaged distributions	✓	✓		✓	✓
No contribution limits	✓	✓			✓
No additional tax for early withdrawals	✓[2]				
Will not increase tax expenses, Social Security taxation, or Medicare premiums	✓[2]			✓	
Income tax-free[4] death benefit	✓				

1 Roth IRA contributions and life insurance premiums are made on an after-tax basis. Roth IRA earnings and withdrawals are generally tax-free and life insurance death benefits are free from federal income taxes, in most cases.

2 Withdrawals from non-MEC life insurance policies are a tax-free return of basis first. Loans from non-MECs are not taxed as distributions for so long as the contract stays in force. MEC policies are taxed differently.

3 The descriptions and features of the various assets in these tables are for general information purposes and address the most typical circumstances. There are many regulations governing the taxation and operation of all assets mentioned, and you should seek the advice of a tax professional before making any changes to your current or future retirement plans, accounts, or assets.

4 Life insurance death benefits are free from federal income taxes, in most cases.

HAVE QUESTIONS?

For information on Sagicor's Sage Indexed Universal Life product or other products offered by Sagicor, contact your agent today!

CASE STUDY

Ashley, age 40, works for a pharmaceutical company and is married to Mike, who also works full time. They have one child. Ashley wants to save more for retirement and for other future goals, but has maxed out her company's 401(k) contribution limit. She has considered a Roth IRA, but because the couple files jointly, their modified adjusted gross income exceeds the $208,000 threshold[5], and she is unable to contribute.

Goals

With a growing income and concerns regarding market risk and rising tax rates, Ashley's financial objectives are to:

- Save more for retirement
- Replace her income in the event of her death
- Experience tax-advantaged cash value growth
- Have both premium and death benefit flexibility
- Have access to cash value for future needs (pre - 59½), such as her daughter's college education or dream wedding

To better meet her income, retirement, and family protection goals, **Ashley purchases Sagicor's Sage Indexed Universal Life (Sage IUL) policy** with an initial death benefit of $464,486 and an annual premium of $20,000.

Although Ashley has plans to contribute to her policy for 10 years, the Sage IUL provides the flexibility for her to contribute even longer, depending on her needs. The policy also allows her the option to increase premiums at some point in the future to further grow her assets.

With the Sage IUL, Ashley gets a product that can be an important part of an overall asset diversification strategy, along with the opportunity for tax-advantaged accumulation, while providing her family with a valuable insurance benefit.

Value

- Female age 40, Preferred Plus Non-Tobacco
- $20,000 premium/year for 10 years – Global Multi-Index Bonus Strategy
- $464,486 initial death benefit for income and family protection

	Cash Surrender Value	Death Benefit	Chronic Illness[6]
Age 55	$312,234	$702,035	$10,912
Age 65	$241,919	$443,975	$16,568
Age 75	$445,465	$65,684	$19,072

PROJECTED TAX-FREE INCOME DISTRIBUTION[7]
AGE 61 – 70 = $511,290

5 https://www.irs.gov/retirement-plans/amount-of-roth-ira-contributions-that-you-can-make-for-2021

6 Payable as a lump sum, discount factor will be applied. Chronic Illness not available in California.

7 Based on hypothetical illustrated values, actual results may be more or less favorable than those shown. This amount would be available to you each year without tax consequence through loans or withdrawals but would decrease the death benefit.