Global Atlantic
FINANCIAL GROUP

Lif Pro

Life Insurance Funded Personal Retirement Option

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ADVANCED MARKETS

Agent Reference Guide

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Life Insurance Funded Personal Retirement Option

Clients are concerned about their current level of retirement savings. They are also worried about the inherent volatility in many of the financial alternatives holding those retirement funds.

In Gallup's April 3-6, 2014, Economy and Personal Finance poll:

59%
of non-retired Americans say they doubt they will have enough money to live comfortably once they retire.

48%
say that their 401(K) and other tax deferred plans will be a major source of retirement income.

21%
say part-time employment will be a major source of retirement income.

Market based retirement accounts

Many clients expect their 401(k), IRA, Keogh or other retirement savings account to be a major source of retirement income. These types of plans can be great retirement savings vehicles but they come with limitations. Contributions are income tax deductible combined with income tax deferred accumulation (401(k) or Traditional IRA); or income tax free distributions are combined with income tax deferred accumulation (Roth IRA) but the plan assets are usually held in market accounts.

The concern with these accounts is the potential volatility and loss that can be exhibited in market based accounts over which the client has no control. Many clients today are wondering if there are alternative accumulation products that can minimize these potential losses and volatility while still allowing upside growth potential.

Social Security

Many clients who have not yet retired expect Social Security to be a major source of retirement income. This expectation brings up another issue. The 2012 Annual Reports from Social Security and Medicare Boards of Trustees states that Social Security's current revenues are greater than its outlays. And as the baby-boom generation continues to age, the outlays will grow substantially faster than revenues. This leads to the projection that in 2033 the Social Security trust funds will be exhausted. Once the trust funds are depleted, the Social Security Administration will no longer have the legal authority to pay full benefits.

Discrimination against high wage earners

These market-based downside risks are also accompanied by government-imposed limitations on the ability to save for retirement in a tax-efficient manner. As the HYPOTHETICAL EXAMPLE chart below illustrates, as the annual income of an individual increases, the percentage of compensation potentially replaced by their 401(k) and social security actually decreases.

Replacement of Annual Compensation with Social Security & 401(k) Benefits

Compensation	$50,000	$100,000	$150,000	$200,000	$250,000
401(k) plan annual contribution (10% of Compensation)[1]	$5,000	10,000	15,000	17,000	17,000
401(k) annual benefits at age 67[2]	18,054	36,108	54,162	59,579	59,579
Social Security Benefits beginning at age 67[3]	19,968	28,488	30,828	30,900	30,900
Total Annual Retirement Income beginning at age 67	38,022	64,596	84,990	90,479	90,479
% of Compensation Replaced by Social Sec and 401(k)	76%	65%	57%	45%	36%

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[1] Assumes the client wants to defer 10% of compensation each year beginning this year. The maximum contribution for 2014 is $17,500. However, if you will attain age 50 before the close of the plan tax year, you will also be eligible to defer an additional $5,500 as a catch-up contribution. The chart does not reflect the use of the catch-up provision.

[2] Benefits from the 401(k) assume: (1) an individual age 45; (2) contributions made for 22 years; (3) 401(k) assets accumulate at 6%; and (4) payout is based on a single life annuity purchased at age 67.

[3] Social Security benefits are based on the Quick Benefit Calculator at www.ssa.gov.

The chart demonstrates the inability of someone making $250,000 per year to replace his/her income to the same percentage (36% vs. 76%) as someone making $50,000 by using a combination of a 401(k) plan and social security. **Bottom line . . .** high income clients need additional tax efficient savings opportunities.

Retirement help

Clients need help saving for retirement. Since Social Security and 401(k) plans will only replace a fraction of their compensation, they must look for ways to save additional retirement funds in a tax-efficient manner. There are a number of financial plans and products that can be used to plan for retirement. The chart below outlines several retirement planning opportunities including their tax characteristics concerning: contribution, accumulation and distribution.

	Annual Limits on Contributions	Pre-Tax Contributions	Tax-Deferred Accumulation	Tax-Preferred Distribution	Income Tax Free Death Benefit
Traditional IRA	Yes	Yes	Yes	No	No
Roth IRA	Yes	No	Yes	Yes	Yes
Qualified Plan (401(k))	Yes	Yes	Yes	No	No
Mutual Funds	No	No	No	No	No
Non Qualified Deferred Annuity	No	No	Yes	No	No
Life Insurance	No	No	Yes	Yes	Yes

Life insurance as a source of retirement income

As illustrated in the chart on the previous page, life insurance is the only financial product offering:

1. tax-deferred accumulation
2. tax-preferred distributions
3. income tax-free death benefit; and
4. no government-imposed income limitations on the ability to participate.

A properly structured life insurance policy not only provides valuable benefits for your client's loved ones in case of death, but it can also be an important source of supplemental retirement income.

Properly Structuring the Policy

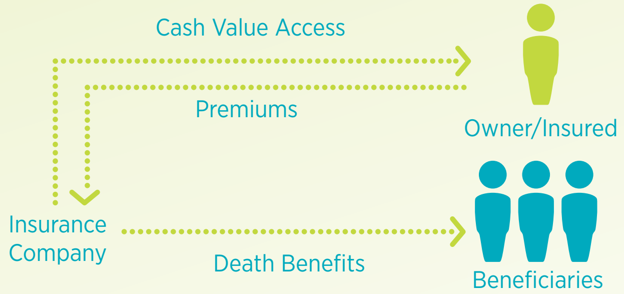
The first step is choosing the correct life insurance policy. Our indexed universal life product portfolio provides upside cash accumulation potential with indexed linked interest crediting options and a guaranteed 2% minimum interest crediting rate.

Once the client has selected their indexed policy, next is illustrating the product:

- You usually begin by selecting the minimum non-MEC ("Modified Endowment Contract") death benefit for the specified premium. Selecting the minimum death benefit reduces the cost of insurance thus increasing the potential for greater cash accumulation inside the policy. However, the strategy still works if the client needs a larger death benefit.
- Depending upon the situation you might run the illustration with an "increasing" death benefit to see if it will accumulate more cash value at the designated retirement age than leaving the death benefit at "level".
- Premiums are usually paid until the client's age when policy cash flow begins (desired retirement age).
- The illustration software can then solve for the maximum policy cash flow over the designated period of time (i.e. 15 or 20 years).

How does it work?

1. Client selects the life insurance policy that best suits their objective (death benefits and cash accumulation).
2. Client applies for the policy as owner and insured.
3. If the objective is to emphasize cash accumulation, then the policy's death benefit is usually established at the lowest possible face amount to minimize costs associated with the policy.[1]
4. Client pays the scheduled premiums for the desired period of time (usually until retirement age).
5. The life insurance policy's cash values can be accessed to provide supplemental retirement income. Accessing the policy's cash value is typically income tax free through withdrawals (limited to basis) and policy loans.[2]
6. The named beneficiaries will receive an income tax free death benefit at client's death.[3]



[1] The policy's death benefit must be set at a high enough amount to avoid being classified as a Modified Endowment Contract ("MEC"). A MEC does not allow tax-preferred distributions.

[2] Any outstanding policy loans in excess of basis are taxable to the policy owner if the policy lapses. IRC Section 72.

[3] IRC Section 101(a)(1) The policy's death benefit must be set at a high enough level to avoid being classified as a Modified Endowment Contract that does not have tax-preferred distributions.

Hypothetical example

Steve is concerned about retirement savings. Steve wants to be able to support himself and Angela (his wife) at their current standard of living during their retirement years. He participates each year in his employer's 401(k) plan at the maximum allowable deferral. Due to the fact that he participates in the employer's plan and that he makes too much income, Steve cannot participate in an IRA or Roth IRA.

Your Suggestion

Purchase an indexed universal life insurance policy that when properly funded accumulates significant cash values that can be accessed to supplement Steve's retirement income. The policy also provides important death benefit protection for his beneficiaries.

Life insurance is the only financial product offering:

1. tax-deferred accumulation
2. tax-preferred distributions
3. income tax-free death benefit
4. no annual limits on contributions based on compensation

How It Works

1. Steve selects an indexed universal life policy providing upside potential through various crediting strategies tied to the stock market index while providing a guaranteed minimum crediting rate thus eliminating cash value loss due to market performance.
2. He then applies for the policy as owner and insured.
3. The policy's death benefit is set to the lowest possible amount to minimize costs associated with the policy.[3]
4. Steve pays the scheduled premiums for the desired period of time (usually until retirement age).
5. The life insurance policy's cash values can be accessed to provide supplemental retirement income. Accessing the policy's cash value is typically income tax free through withdrawals (limited to basis) and policy loans.[4]
6. Steve's named beneficiaries will receive an income tax free death benefit at his death.

Example

Steve (age 45, Premier)
$500/month Premium:
Lifetime Builder IUL
Pay Premiums to age 67 (Steve's anticipated retirement age) 20 years of Income Tax-Free policy distributions

The Result

- Steve has increased his projected annual after-tax retirement income by $23,616 (a pre-tax equivalent of $36,333 assuming a 35% income tax rate) for ages 67 to 87
- The policy will provide valuable income tax free death benefit if something happens to Steve before, during or after retirement

						Guaranteed at 2% (1)			Non-Guaranteed Assumed (1)		
Policy Year	EOY Age	Key	Gross Premium Outlay	Total Cash from Policy* (BOY)	Net Outlay	Account Value	Net Cash Value	Net Death Benefit	Account Value	Net Cash Value	Net Death Benefit
1	46	M	6,000	0	6,000	4,733	1,066	137,387	4,929	1,262	137,583
2	47	M	6,000	0	6,000	9,633	6,210	142,287	10,219	6,796	142,873
3	48	M	6,000	0	6,000	14,601	11,423	147,255	15,895	12,716	148,549
4	49	M	6,000	0	6,000	19,650	16,717	152,304	21,956	19,022	154,610
5	50	M	6,000	0	6,000	24,781	22,092	157,435	28,429	25,740	161,083
21	66	M	6,000	0	6,000	118,201	[illegible]	[illegible]	239,815	239,815	372,469
22	67	M	6,000	0	6,000	124,258	[illegible]	[illegible]	263,020	263,020	395,674
23	68	AL	0	23,616	−23,616	[illegible]	[illegible]	[illegible]	282,079	256,982	370,577
24	69	AL	0	23,616	−23,616	124,627	[illegible]	[illegible]	302,608	250,841	343,906
25	70	AL	0	23,616	−23,616	124,482	[illegible]	[illegible]	324,745	244,635	315,564
41	86	AL	0	23,616	−23,616	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	194,629
42	87	AL	0	23,616	−23,616	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	192,272
43	88	A	0	0	0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	215,293
44	89	A	0	0	0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	240,164
45	90	A	0	0	0	0	0	0	1,340,611	199,940	266,971

Begin Distribution

Distribution through age 87

Increasing death benefit

This hypothetical example is for illustration purposes only and is not indicative of past, nor intended to predict future performance of any Indexed insurance products.

* Lifetime Builder policy may not be approved in all states. Any interest credited to the policy or contract based upon the movement of an index may be subject to caps, asset fees or other limitations. Indexed insurance products are not registered securities or stock market investments and do not directly participate in any stock or equity investments.

Cash Value is a projected, non-guaranteed amount using One Year Point to Point assumption at 6.90%.

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Global Atlantic Financial Group, through its subsidiaries, offers a broad range of retirement, life and reinsurance products designed to help our customers address financial challenges with confidence. A variety of options help Americans customize a strategy to fulfill their protection, accumulation, income, wealth transfer and end-of-life needs.

Global Atlantic was founded at Goldman Sachs in 2004 and separated as an independent company in 2013. Its success is driven by a unique heritage that combines deep product and distribution knowledge with insightful investment and risk management, alongside a strong financial foundation.

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