Life Insurance as a Financial Tool

Individual Life Insurance

Insurance products issued by:
Minnesota Life Insurance Company
Securian Life Insurance Company

Consider pre-funding your retirement taxes

Qualified retirement plans can help you reduce taxes today since you can deduct your contributions on your tax return. And your taxes stay lower as your account grows since the annual growth is not taxable.

However, taxation in retirement can be one of your largest expenses. That's because your retirement distributions are taxable at ordinary income tax rates. And there are limitations on how much money you can put toward your qualified plan each year.

Funding an asset like life insurance is one option to pre-fund your future taxes in your working years.

LIFT up your retirement

Using Life Insurance as a Financial Tool (LIFT) may provide you the accessible cash you need down the road to cover the taxes on your retirement distributions.

Since life insurance has a different tax structure than qualified plans, it can be a valuable financial tool that can help you:

- Ensure your family is protected
- Protect the value of your assets
- Help fund emergencies
- Provide a tax-free "opportunity reserve" — a ready source of cash for life's opportunities by withdrawing policy cash values up to the amount you paid in
- Pre-fund your retirement taxes and lower your effective tax rate in retirement
- Efficiently pass your estate value to loved ones

Learn more

Is using Life Insurance as a Financial Tool (LIFT) right for you and your family? Contact your financial professional today to find out.

3 types of assets — how are yours taxed?

There are three main categories of assets based on how they're taxed: capital, retirement income and tax-advantaged assets.

	Capital assets	Retirement income assets	Tax-advantaged assets
Asset types	• Stocks and bonds • Real estate or other property • Business	• Qualified plans • Individual retirement accounts (IRAs) • Annuities	• Life insurance • Tax-advantaged municipal bonds • Roth IRAs
Tax-deductible contributions	No	Yes	No
Tax-deferred growth	Yes	Yes	Yes
Tax-free opportunity reserve	No (capital gains tax rate applies)	No (ordinary income taxes apply and possible penalties for early withdrawals)	Yes

If you have a need for life insurance, using the benefits of cash value life insurance to help fund your taxes in retirement could be a strategy that's right for you.

By using an asset that does not incur taxes on your distribution, you can use the funds to pay toward the taxes generated by your qualified plan — and potentially net the full qualified plan value, rather than a percentage based on the tax rate.

Here’s how it works

1

In addition to your retirement plan, you fund a life insurance policy to help protect your family in case you die.

2

Should you die before retirement, your heirs will receive the life insurance death benefit income tax-free, as well as your remaining qualified plan assets. (If the owner and insured are different, the death benefit will be paid upon the death of the insured.)

3

During retirement, for each distribution you receive from your retirement plan, take an amount equal to the tax on that distribution from your insurance policy’s cash value.

Policy cash values may be accessed tax-free through withdrawals up to the amount you paid in, or loans against the remaining cash value. These can be used to pay the tax on your distributions.

By using the cash value in your policy, you will have effectively paid the tax on your qualified plan distributions. And by buying life insurance now, you can begin funding those tax obligations and take advantage of potential tax-deferred growth in the policy over the years.

Please keep in mind that the primary reason to purchase a life insurance product is the death benefit.

Life insurance products contain charges, such as Cost of Insurance Charge, Cash Extra Charge, and Additional Agreements Charge (which we refer to as mortality charges), and Premium Charge, Monthly Policy Charge, Policy Issue Charge, Transaction Charge, Index Segment Charge, and Surrender Charge (which we refer to as expense charges). These charges may increase over time, and these policies may contain restrictions, such as surrender periods. Policyholders could lose money in these products.

Policy loans and withdrawals may create an adverse tax result in the event of lapse or policy surrender, and will reduce both the surrender value and death benefit. Withdrawals may be subject to taxation within the first 15 years of the contract. You should consult your tax advisor when considering taking a policy loan or withdrawal.

Other than contribution limits or tax treatment, several other factors should be considered before purchasing any of these products. These include investment objectives, costs and expenses, liquidity, safety, fluctuation of principal or return, credit rates, rider availability, surrender periods and other product/investment characteristics.

This information is a general discussion of the relevant federal tax laws provided to promote ideas that may benefit a taxpayer. It is not intended for, nor can it be used by any taxpayer for the purpose of avoiding federal tax penalties. Taxpayers should seek the advice of their own advisors regarding any tax and legal issues specific to their situation.

This is a general communication for informational and educational purposes. The information is not designed, or intended, to be applicable to any person's individual circumstances. It should not be considered investment advice, nor does it constitute a recommendation that anyone engage in (or refrain from) a particular course of action. If you are seeking investment advice or recommendations, please contact your financial professional.

Insurance products are issued by Minnesota Life Insurance Company in all states except New York. In New York, products are issued by Securian Life Insurance Company, a New York authorized insurer. Minnesota Life is not an authorized New York insurer and does not do insurance business in New York. Both companies are headquartered in St. Paul, MN. Product availability and features may vary by state. Each insurer is solely responsible for the financial obligations under the policies or contracts it issues.

Securian Financial is the marketing name for Securian Financial Group, Inc., and its subsidiaries. Minnesota Life Insurance Company and Securian Life Insurance Company are subsidiaries of Securian Financial Group, Inc.

securian FINANCIAL®

INSURANCE
INVESTMENTS
RETIREMENT

securian.com

400 Robert Street North, St. Paul, MN 55101-2098

F82833-32 Rev 4-2023 DOFU 4-2023
2797662