The Road to Retirement
Retirement Planning and the Role of Life Insurance
The Road To Retirement
Your success on the road can be made smoother by preparing and knowing your options.

Social Security
Will Social Security Be Enough?
» According to the Social Security Administration, Social Security is the largest source of income for most elderly Americans today, but it was never intended to be your only source of income when you retire.1

» In 1945, the ratio of workers paying taxes to the people receiving benefits was 41.9:1. In 2010, the ratio fell to 3.2:1. It is expected that this ratio will drop even further in the future.2

» The average worker who retired at 65 in 2009 got 40 percent of pre-retirement earnings—$16,700 a year. Those numbers are projected to fall by 2030. For the average worker who receives retirement benefits at age 65, social security income will likely fall to 36 percent of pre-retirement earnings.3

Pension
Are Pensions Disappearing?
» In 2007, 40% of workers aged 50 to 59 had neither a defined benefit nor defined contribution plan. The number increased to 55% for workers aged 30 to 39.4

» In the 15 years from 1992 to 2007 the number of workers with a defined benefit plan decreased dramatically as follows:5
  » age 30-39, from 21% to 6%;
  » age 40-49, from 23% to 9%
  » age 50-59, from 26% to 11%.

» From October 2007 to January 2009, defined contribution plans lost $1 trillion dollars in market value.6

Defined contribution: a retirement plan where a certain amount or percentage of money is set aside by a company for the benefit of the employee. There are restrictions on how and when funds can be withdrawn. A common example of this type of plan is a 401(k) plan

Defined benefit: a retirement plan where a company pays a retiring employee a fixed amount of money each year, normally based on a percentage of salary and years of employment.
No matter the course taken, the truth is that most retirees will need more funds in retirement than they think. And counting on the government or corporate sponsored plans can lead to disappointment.

Prepare today to help ensure your retirement will be enough. On the Road to Retirement the lanes you choose can affect how and when you arrive.

Windfall
What Are Your Chances?

» In 2006, AARP found that only 19% of baby boomers surveyed reported receiving an inheritance and only 15% expected to get one.7

» According to a 2007 article from MarketWatch, the median inheritance was only $37,700.8

» The odds of winning the Powerball: 1 in 195,249,054.00.9

Savings
Are You Saving Enough?

» 77% say they always try to save; however, 63% say they don’t save enough.10

» An unexpected expense can have a negative effect on savings. In fact, in 2006, 34% of adults said they had an unexpected expense in the prior year that seriously set them back financially.10

» Less than half of workers (46 percent) report they and/or their spouse have tried to calculate how much money they will need to have saved by the time they retire.11

Life’s a journey, not a destination.
Retirement is both.
Protection

An unexpected loss does not have to create a financial burden.

How would you like a vehicle that can help:

» Protect your family against the financial loss resulting from the death of the breadwinner
» Protect your future by accumulating cash value that can supplement your income in retirement

A permanent cash value life insurance policy provides:

» A Federal Income Tax-free Death Benefit
» Tax Advantaged Loans and Cash Withdrawals*
» Tax Deferred Growth

* Distributions such as loans and withdrawals can only be made if the policy has been in force long enough to accumulate sufficient value. Loans and withdrawals will reduce the policy value and death benefit. Loans are subject to interest charges. If a policy lapses while a loan is outstanding, adverse tax consequences may result. Policy loans are generally not taxable when taken and cash withdrawals are not taxable until they exceed basis in the policy. However, if the policy is treated as a modified endowment contract (MEC) by IRC Sec. 7702A, withdrawals and loans are taxable when taken to the extent of gain in the contract and may also be subject to a 10% federal income tax penalty if taken prior to age 59½. Cash distributions associated with benefit reductions, including reductions caused by withdrawals during the first 15 years, may be taxable. Please consult your tax advisor regarding your particular situation.
Income Taxes

It’s not how much you earn, but how much you keep.

High National Deficits

» For all but three of the last 40 years the Federal Government has run a deficit.¹²
» The Federal Budget Deficit in 2009 was more than three times the previous post-World War II record. ¹²
» It’s projected that the federal budget deficit would total $7.1 trillion over the 2010—2019 decade. ¹³

The Congressional Budget Office estimated a federal budget deficit in 2009 of nearly $1.6 trillion or 11.2 percent of Gross Domestic Product (GDP). GDP is the output of goods and services produced by labor and property located in the United States. Some researchers suggest that 2% of GDP is a healthier deficit level. To reach that level, these researchers believe income tax rates would have to rise by nearly 50%. ¹³

Suggested Income Tax Rate Changes
(Married Filing Jointly)

<table>
<thead>
<tr>
<th>If Taxable Income Is:</th>
<th>Current Rates</th>
<th>Rates Required in 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - $16,750</td>
<td>10.0</td>
<td>14.9</td>
</tr>
<tr>
<td>$16,750 - $68,000</td>
<td>15.0</td>
<td>22.3</td>
</tr>
<tr>
<td>$68,000 - $137,300</td>
<td>25.0</td>
<td>37.2</td>
</tr>
<tr>
<td>$137,300 - $209,250</td>
<td>28.0</td>
<td>41.7</td>
</tr>
<tr>
<td>$209,250 - $373,650</td>
<td>33.0</td>
<td>49.1</td>
</tr>
<tr>
<td>$373,650 - and over</td>
<td>35.0</td>
<td>52.1</td>
</tr>
</tbody>
</table>

Whether or not tax rates increase in the future, consider how taxes might affect your monthly retirement income.
Inflation
It’s not how much you earn, but what it buys.

From postage stamps to the cost of buying a home, prices generally rise over the long term and the value of money decreases. This is the effect of inflation. The longer it takes to reach retirement, the greater impact inflation can have on your buying power. Because of this, you may need to consider the effects of inflation and how to outpace it.

This chart shows how long it takes to accumulate $1,000,000 and how an average inflation rate of 3.1% compounded annually would impact the value of $1,000,000 over the period it takes to save it.

<table>
<thead>
<tr>
<th>Monthly Investment</th>
<th>Rate of Return</th>
<th>Years to Reach $1,000,000</th>
<th>Before Inflation</th>
<th>Value of $1,000,000 After Inflation</th>
</tr>
</thead>
<tbody>
<tr>
<td>$100</td>
<td>1.25%</td>
<td>196 years</td>
<td>$1,000,000</td>
<td>$2,519</td>
</tr>
<tr>
<td>$100</td>
<td>7.50%</td>
<td>57 years</td>
<td>$1,000,000</td>
<td>$175,491</td>
</tr>
<tr>
<td>$100</td>
<td>12.0%</td>
<td>41 years</td>
<td>$1,000,000</td>
<td>$286,019</td>
</tr>
<tr>
<td>$500</td>
<td>1.25%</td>
<td>91 years</td>
<td>$1,000,000</td>
<td>$62,153</td>
</tr>
<tr>
<td>$500</td>
<td>7.50%</td>
<td>36 years</td>
<td>$1,000,000</td>
<td>$333,187</td>
</tr>
<tr>
<td>$500</td>
<td>12.0%</td>
<td>27 years</td>
<td>$1,000,000</td>
<td>$447,405</td>
</tr>
</tbody>
</table>

These hypothetical scenarios are based on an assumed rate of return compounded annually. These examples are for illustrative purposes only and are not meant to represent a real investment. The results do not take into account any taxes, fees and charges associated with investments. If they did, the results would be lower. It is unlikely that any one rate of return will be sustainable over a long period of time. A common measure of inflation in the U.S. is the Consumer Price Index (CPI), which has a long-term average of 3.1% annually, from 1925 through 2009, as reported by the Federal Reserve Bank of Minneapolis.

Ensuring your retirement outpaces inflation may be key to living the retirement you have dreamed of.
Life Insurance Can Help Steer You Around Roadblocks

How much of your retirement income will you keep?

» Access your accumulated cash value through tax-advantaged policy loans and cash withdrawals. As long as there is sufficient cash value and you stay within the IRS guidelines, withdrawals and loans may be taken without federal income tax liability. See page 3 (*) for important information.

» Transfer between cash value accounts, as your objectives change, tax-free.

How much buying power will your retirement income have?

» Certain types of permanent life insurance allow you to allocate net premium to accounts that can help you fight inflation.

» Enhance cash value accumulation potential with tax-deferred earnings.

How much money will your family need to make ends meet if you were to die unexpectedly?

» Protect your loved ones with a federal income tax-free death benefit.

» Protection that is there when you need it. Certain life insurance policies include an inherent no-lapse guarantee feature.

(No lapse guarantee feature assures the policy will remain in force during the no-lapse guarantee period as long as the minimum required premiums are paid.)

Start Planning Your Road To Retirement TODAY!
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