



An educational guide for individuals

 Guardian®

Get ready to retire on your terms

**Social Security Maximization
with Life Insurance Strategy**

Planning for retirement shouldn't be just about money.

Most people give a lot of thought to when they'll retire. In all likelihood, you'll need time to prepare for it financially. But you may not want to delay retirement solely due to financial concerns. Chances are, you have a lot of plans for your life once you determine to put aside your working career.

There is one important thing to consider before you decide. For many workers today, Social Security will be an important source of retirement income. However, you may already know that the younger you are when you start collecting your monthly benefit, the smaller each check will be for the rest of your life. And if you're considering retiring early — for example, at age 62 — and plan to start collecting Social Security at that time, you might be concerned about that lower monthly benefit.



Take a closer look at the numbers

The following chart shows the monthly and annual retirement benefits for a hypothetical worker making \$142,800 annually — at retirement ages ranging from 62 to 70:

Age benefits begin	Benefit amount per month	Benefit amount per year
62	2,416	28,992
63	2,607	31,284
64	2,806	33,672
65	3,059	36,708
66	3,316	39,792
67	3,579	42,948
68	3,888	46,656
69	4,200	50,400
70	4,490	53,880

The data in the above chart was created by using the Social Security Quick Calculator at <https://www.ssa.gov/oact/quickcalc/index.html>, assuming a date of birth of January 1, 1962, and annual earnings of \$142,800. Benefit payout assumed to start on January 1, 2024. The Social Security Administration has not approved, endorsed, or authorized this chart. Contact the Social Security Administration for complete details regarding eligibility for your benefits.

Perhaps you're also concerned about having enough income to maintain your standard of living in retirement. Or, you could be worried about running out of retirement savings during your lifetime. While these are legitimate concerns, money doesn't have to be the only reason you choose the retirement date that you do.

Why? Because there's a strategy you may be able to implement today that can give you more flexibility when it comes to your retirement income. It's called Social Security Maximization with Life Insurance. The concept is simple. Individuals who adopt this strategy use a permanent life insurance policy to provide them with a source of supplemental retirement income through the use of loans and withdrawals against the policy's cash value.¹ In the event the supplemental income is not needed, the life insurance provides protection for the insured's loved ones through the policy's income tax-free death benefit.²

How the Social Security Maximization with Life Insurance Strategy works

- You purchase a life insurance policy and “overfund” it by paying the maximum amount of paid-up additions without turning your policy into a Modified Endowment Contract (MEC).³
- You elect to take your Social Security benefit at age 62 (or whenever you like).
- At age 70, you take loans/withdrawals from the life insurance policy to make up the difference between the benefit you would have received had you waited until age 70, and the benefit you are currently receiving.
- At your death, your beneficiaries will receive your policy’s death benefit income tax-free.

The Social Security Maximization with Life Insurance Strategy in action: A case study

Take a look at how a Guardian client can use the Social Security Maximization with Life Insurance Strategy to create an alternate source of income in retirement.

Alicia Holtz is 45 years old and starting to think seriously about retirement. She has always contributed to her 401(k) plan and knows that Social Security will be a significant factor in her future retirement income, even though she is making the maximum contributions to her 401(k) each year. She has heard that if she delays taking her Social Security benefits until age 70, she’ll receive significantly more money. But she’d ideally like to retire at age 62.

To find out if her assumptions were correct, she visited the Social Security Administration (SSA) website and used the Quick Calculator to see how her benefits would be impacted by taking them at age 62 versus age 70. She discovered that if she retired earlier — at age 62 — she would receive a monthly benefit of \$2,416, or about \$28,992 a year, but if she waited until age 70, she’d receive a monthly benefit of \$4,490, which is \$53,880 annually. So, taking the benefit later would result in additional annual income of \$24,888. With these facts in hand, Alicia is seeking more flexibility at retirement to be able to take Social Security early, but not lose out on the additional income she would have had if she had waited until age 70 to begin collecting benefits.

Questions for you to consider

- Would you like to collect your Social Security benefits before reaching your full retirement age — but are concerned about the lower monthly benefit payment that would result?
- Are you concerned about maintaining your standard of living in retirement?
- Are you worried about running out of money in retirement?
- Would you like to have access to cash in retirement through an alternate asset for times when the market is “down” (and you want to minimize your retirement savings withdrawals)?



The Social Security Maximization with Life Insurance Strategy in action: A case study (continued)

Her Guardian financial professional suggests using life insurance to give Alicia that flexibility. Under this approach, Alicia can purchase a hypothetical life insurance policy, and overfund it with paid-up additions so that the policy will no longer require premium payments to stay in force by age 62. Then, using the Social Security Maximization with Life Insurance approach, at age 70, Alicia will start taking loans and withdrawals against the policy of about \$24,888 annually to achieve the benefit she would have received had she waited until then to begin collecting her monthly Social Security benefit.

By implementing this strategy, the life insurance can provide Alicia with potential retirement income to make up the difference between the amount she'll receive if she retires early, and the amount she would have gotten if she had waited until age 70.

Policy Year	Age Start of Year	Current Scenario			With Life Insurance					
		If Taking Earlier Benefit to Life Exp.	If Taking Later Benefit to Life Exp.	Difference in Benefit Needed	Cum. Net After-Tax Outlay	Net Cash Value	Life Insurance Costs	Early Advantage	Combined Advantage	Net Death Benefit
18	62	28,992	0	0	198,881	264,760	-65,879	28,992	94,871	589,580
20	64	28,992	0	0	198,881	290,409	-91,528	28,992	120,520	601,826
25	69	28,992	0	0	198,881	365,566	-166,685	28,992	195,677	643,931
30	74	28,992	53,880	24,888	74,441	315,263	-240,822	0	240,822	498,868
35	79	28,992	53,880	24,888	-49,999	249,400	-299,399	0	299,399	375,668
40	84	28,992	53,880	24,888	-174,439	158,630	-333,069	0	333,069	255,594

The example shown here is based on a hypothetical policy not available for sale from Guardian. This hypothetical illustration is intended to show, in general terms, how a typical participating whole life insurance policy might work. This illustration reflects a Male/Female Blend, Age 45, Preferred NT, blend of Whole Life 99 and Whole Life 95 and Guardian's 2023 dividend scale. A full illustration, showing both guaranteed* and non-guaranteed values, must be provided by a Guardian financial professional to an individual applying for a Guardian whole life insurance policy. For any illustration of a Guardian whole life product, the values depending on dividends can be more or less than those shown.

* All whole life insurance policy guarantees are subject to the timely payment of all required premiums and the claims-paying ability of the issuing insurance company. Policy loans and withdrawals affect the guarantees by reducing the policy's death benefit and cash values.

Special considerations

Important tips to keep in mind

- The timing of the receipt of Social Security benefits is a complex subject. The best date to take benefits will vary, based on a number of factors. These materials do not cover all the options you can and should consider, but only address making up a shortfall should you elect to initiate your Social Security benefits before reaching full retirement age.
- Care should be taken to ensure that your life insurance policy does not become a Modified Endowment Contract.
- If you own your life insurance policy, the death proceeds are includable in your estate for estate tax purposes.

The taxability of financial vehicles used for retirement income

- It's key to consider the taxability of any financial instruments that you may use for retirement income purposes. You may wish to consult your tax advisor for more information.



The advantages of the Social Security Maximization with Life Insurance Strategy

- You are able to begin collecting monthly Social Security benefits when you wish, while still having a higher potential amount of income in retirement.
- During your lifetime:
 - Your policy's cash value will grow tax-deferred.⁴
 - You'll have a tax-efficient source for supplemental retirement income, if needed:
 - Distributions taken from a life insurance policy that is not a Modified Endowment Contract (MEC) typically receive favorable tax treatment.
 - Withdrawals and loans are income tax-efficient up to the sum of the premiums paid. Loans in excess of the premiums paid are not taxable while your policy is in force.
- Upon your death, your beneficiaries will generally receive your policy's death benefit income tax-free.

Could the Social Security Maximization with Life Insurance Strategy give you more financial flexibility in retirement?

Taking the right steps today could give you more choice when it comes to your retirement.

Contact a Guardian financial professional to learn more about the benefits of implementing this approach today.

¹ Supplemental income from a whole life policy comes from loans and withdrawals. Normally, cash values accumulate over the long term. Some whole life policies do not have cash values in the first two years of the policy and don't pay a dividend until the policy's third year. Talk to your financial representative and refer to your individual whole life policy illustration for more information. Policy benefits are reduced by any outstanding loan or loan interest and/or withdrawals. Dividends, if any, are affected by policy loans and loan interest. Withdrawals above the cost basis may result in taxable ordinary income. If the policy lapses, or is surrendered, any outstanding loans considered gain in the policy may be subject to ordinary income taxes. If the policy is a Modified Endowment Contract (MEC), loans are treated like withdrawals, but as gain first, subject to ordinary income taxes. If the policy owner is under age 59½, any taxable withdrawal may also be subject to a 10% federal tax penalty.

² Guardian, its subsidiaries, agents, and employees do not provide tax, legal, or accounting advice. Consult your tax, legal, or accounting professional regarding your individual situation.

³ Paid-up additions are purchases of additional insurance (death benefit) that have a cash value. These purchases are made with dividends and/or a rider that allows the policyholder to pay an additional premium over and above the base premium. This creates the growth of death benefit and cash values in a participating whole life policy. Adding large amounts of paid-up additions may create a Modified Endowment Contract. A Modified Endowment Contract (MEC) is a type of life insurance contract that is subject to first-in-first-out (FIFO) ordinary income tax treatment, similar to distributions from an annuity. The distribution may also be subject to a 10% federal tax penalty on the gain portion of the policy if the owner is under age 59½. The death benefit is generally income tax-free. The paid-up additions rider incurs an additional cost.

⁴ Dividends are not guaranteed. They are declared annually by Guardian's Board of Directors.

All scenarios and names mentioned herein are purely fictional and have been created solely for educational purposes. Any resemblance to existing situations, persons, or fictional characters is coincidental. The information presented should not be used as the basis for any specific investment advice.

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