Life Insurance in Retirement: The Power of Promise

The most powerful economic benefit of whole life insurance is the promise of capital to be delivered at a specific moment in the future, i.e., at the death of the insured.

This promise helps increase the stability of your financial strategy, and delivers practical and psychological benefits.

When individuals first buy life insurance, they may see this promise of capital primarily as a way to replace income in the event of an early or unexpected death. But what about when life goes according to plan, and you're able to work, save, and retire?

Common knowledge might say life insurance is no longer needed once you've stopped working. But uncommon wisdom sees ways that whole life insurance's future promise of capital can also help alleviate or resolve some of the big financial challenges in retirement.

Consider this...

While you may be able to determine the start of your retirement, you can't determine the end of your life. The uncertainty of how long you will live poses some difficult questions for your retirement finances: How much can you spend without jeopardizing your financial well-being? How much must be held in reserve in case you live longer than expected, or need to provide for surviving family members, or wish to leave a financial legacy?

These uncertainties often make retirees hesitant to spend. They may adopt an earnings-only income strategy to conserve principal. Or, if they decide to spend down their retirement savings, their spending may be very conservative, knowing they must still maintain a sizable financial reserve. In these strategies, savings and investments must not only provide current income, but also serve as insurance against the future uncertainties of retirement.

Spending for today and hoarding for tomorrow can be eased, because the certainty of a life insurance benefit opens the door to any number of income-enhancing retirement strategies, while helping to reduce many uncertainties.

With whole life insurance, you may be able to...

- Accelerate spend-down rates of other assets to increase monthly income...and still have collateral in reserve, no matter how long you live.
- Make more conservative asset allocation decisions...because you don't need to chase higher returns to maintain income.[1]
- Draw supplemental income from cash values...on a tax-favored basis.[2, 3]
- Select the largest pension payment...while still providing a survivor income.[4]
- Access the insurance benefit to offset long-term care expenses – before you die...to help preserve the "legacy assets" in your estate.
- Help ensure legacy objectives will be funded...instead of receiving the estate's leftovers.

All of these strategies either become possible or may work better because of the promise of whole life insurance to deliver capital at a specific future moment. When you understand the financial synergy that can occur because of the promise of a whole life insurance benefit, you may discover that owning life insurance in retirement can be a valuable decision.

[1] All investments contain risk and may lose value

[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] Policy benefits are reduced by any outstanding loan or loan interest and/or withdrawals. Dividends, if any, are a˛ected 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 59 ½, any taxable withdrawal may also be subject to a 10% federal tax penalty.

[4] Pension maximization is a financial strategy that has the potential to increase retirement income by combining the benefits of permanent life insurance with aspects of a defined benefit pension plan, particularly in cases where the pension participant may choose between a Life Only benefit and a Joint and Survivor benefit which pays a benefit for as long as the plan participant or surviving spouse lives.

Pub8737

2023-160398 Exp. 08/25