# Pay Now or Pay Later
## Roth IRAs

### TAX-FREE, WORRY-FREE RETIREMENT

Roth IRAs and permanent life insurance are similar in some ways. But they each also have noticeable differences.

While putting away funds for retirement on a pre-tax basis may be an attractive investment now, you might want to think ahead. What could you be paying in taxes to the U.S. Government in 10, 15, or 20 years when you're ready to start taking withdrawals from your retirement fund?

It is uncertain if tax rates may rise in the future due to demographics, long-term commitments, economic contingencies or unforeseen events.[1] So you may want to consider two alternatives to pre-tax retirement plans and programs — a Roth IRA and a permanent life insurance policy.

## Roth IRAs and Permanent Life Insurance

| Similarities | Differences |
|---|---|
| • Financed with after-tax dollars<br>• Typically tax-free income on qualified withdrawals[2]<br>• No minimum distribution requirements during owner's lifetime<br>• Income tax-free benefit to heirs after death<br>• Both vehicles can help assure a comfortable financial future | • A permanent life policy can confer a much larger, income tax-free death benefit to heirs than a Roth IRA<br>• Roth contributions are available only to those who meet the modified adjusted gross income requirements<br>• Contributions to a Roth IRA are limited to relatively small dollar amounts. In fact, for 2015 individuals can contribute $5,500 plus an additional "catch-up" of $1,000, if over age 50. (Source: www.irs.gov).<br>• Life insurance is available to every income level<br>• Permanent life insurance premiums are based on various factors including: age, health, and whether or not someone smokes<br>• A permanent life insurance policy may have less cash value in early years than premiums paid into the policy<br>• Costs in a life insurance policy include cost of insurance and company expenses, especially in the early years, while costs in a Roth IRA include ongoing account maintenance and investment fees. |

[1] Guardian, its subsidiaries, agents or employees do not give tax or federal advice. You should consult your tax or legal advisor regarding your individual situation.

[2] Assumes the life insurance policy is not a Modified Endowment Contract, and Roth IRA owner is over age 59½ and established the IRA at least 5 years before.

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## Roth Eligibility

A Roth IRA provides an attractive combination of benefits — growth of investment earnings and tax-free, penalty-free withdrawals, if requirements and guidelines are met.

| Roth IRA Eligibility Limits for 2015 | | | |
|---|---|---|---|
| Single | | Married Filing Jointly | |
| Modified AGI | Contribution Allowed | Modified AGI | Contribution Allowed |
| Less than $116,000 | Full | Less than $183,000 | Full |
| $116,000 to $130,999 | Partial | $183,000 to $192,999 | Partial |
| $131,000 or more | None | $193,000 or more | None |

Source: www.irs.gov

## Permanent Life Insurance and The Guardian Advantage

If you are not eligible for Roth contributions (due to higher income) or simply want to consider another after-tax supplement for retirement, permanent life insurance is a good alternative with similar relative advantages. Here are some additional reasons why you might want to consider the permanent life insurance option.

- Death benefit payable will usually exceed the policy's net cash value
- No tax or penalty on distributions from policy at any age[3]
- Loans are generally not considered distributions and are not recognized as income while the policy is in force[3]
- Policy can be pledged as collateral for a loan
- With a Waiver of Premium Rider in force, policy funding may be self-completing if insured becomes totally disabled[4]
- With an Enhanced Accelerated Benefit Rider, amounts in excess of the policy's cash value may be payable if the insured is certified to have a permanent chronic illness or terminally ill.[4, 5]

## Did You Know?

Life expectancy is estimated by the point at which 50 percent of a given group of people (same sex, age, health) can be expected to have died, while 50 percent are still alive. When we say that Life Expectancy for a woman, age 45, who doesn't smoke is currently about 40 more years that means that half of these women can expect to live beyond this age. If individuals spend all of their savings within the proscribed life expectancy limits, there's a 50% chance they may run out of money.

**Guardian's broad portfolio of solid financial products provides a wide range of retirement planning and wealth replacement offerings for any income level. It may be time to reconsider your financial strategy.**

**You can help leverage assets through life insurance to grow, protect and preserve wealth for you and your heirs. Whether you select a before-tax or after-tax vehicle, the important point is to start today.**

[3] 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 59 ½, any taxable withdrawal may also be subject to a 10% federal tax penalty.

[4] Riders may incur additional costs. Rider benefits may not be available in all states.

[5] Please see state-specific EABR Disclosure form (01-ABR-1) for complete details about the rider.

**For more information, contact your local Guardian representative today.**

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