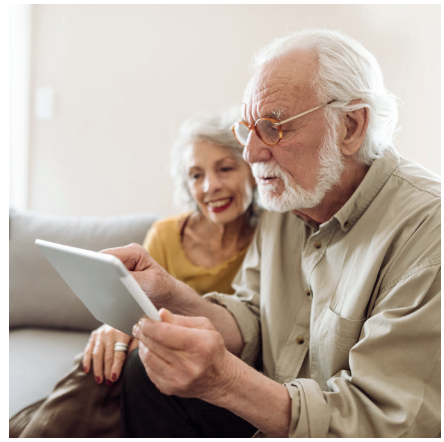
Guardian

Pay Now or Pay Later

While putting away funds for retirement on a pre-tax basis may be an attractive way to invest 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 savings?

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



Roth IRAs and whole life insurance

Similarities	Differences
• Financed with after-tax dollars • Typically tax-free income on qualified withdrawals[2] • No minimum distribution requirements during the owner's lifetime • Income tax-free benefit to heirs after death • Both vehicles can help assure a comfortable financial future • Accessible values can be more or less than IRA contributions or policy premiums paid	• A whole life policy can create a much larger income tax-free death benefit to heirs than a Roth IRA can • Roth contributions are available only to those who meet the modified adjusted gross income requirements, while there are no income limits to purchase life insurance • Contributions to a Roth IRA are limited to relatively small dollar amounts. In fact, for 2019, individuals can contribute $6,000 plus an additional "catch-up" of $1,000, if over age 50 (Source: www.irs.gov) • Roth IRAs may have early surrender penalties if distributions are made before age 59½. With permanent whole life insurance, funds can be withdrawn at any age, with no early withdrawal penalties[3] • IRAs require no annual contributions; you can skip or vary contributions based on available income each year. Whole life insurance requires regular premium payments to stay in force • IRAs can only be funded with earned income, while life insurance can be funded from a wide array of sources • IRAs are usually tied to investment risk of any holdings and underlying investments. Participating whole life insurance is tied to the performance and financial well-being of the issuing insurance company

Tax-free, worry-free retirement

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

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 2019

Federal Income Tax Filing Status			
Single		Married Filing Jointly	
Modified AGI*	Contribution Allowed	Modified AGI*	Contribution Allowed
< $122,000	Full	**< $193,000**	Full
≥ $122,000 but < $137,000	Partial	**≥ $193,000 but < $203,000**	Partial
≥ $137,000	None	**≥ $203,000**	None

Source: www.irs.gov

*Adjusted Gross Income

Whole 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 income purposes, whole 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 is terminally ill.[5]

Did you know?

Life expectancy is estimated by the point at which 50% of a given group of people (same sex, age, health) can be expected to have died, while 50% 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 prescribed 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.

For more information, contact your trusted financial representative today.

The Guardian Life Insurance Company of America

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[1] 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.

[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.

[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 age 59½, any taxable withdrawal may also be subject to a 10% federal tax penalty.

[4] A Waiver of Premium rider waives the obligation for the policyholder to pay further premiums should he or she become totally disabled continuously for at least six months. This rider will incur an additional cost. See policy contract for additional details and requirements.

[5] The cash surrender value, loan value, and death proceeds payable will be reduced by any lien outstanding due to the repayment of an accelerated benefit under this rider. The accelerated benefits in the first year reflect deduction of a one-time $250 administrative fee, indexed at an inflation rate of 3% per year to the rate of acceleration. Please see state-specific EABR Disclosure form (01-ABR-1) for complete details about the rider.

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.