



The Roth IRA Alternative: Tax Free Income Using Cash Value Life Insurance

Perhaps clients have looked into contributing to a Roth IRA.

After all, a Roth IRA can be a valuable part of their overall retirement income strategy, offering:

- Tax-free accumulation
- Tax-free distributions
- No Required Minimum Distributions (RMDs)

PROBLEM: But they don't qualify...

- Clients may have maximized their Roth IRA contributions (the maximum is \$6,000/year) or their income may be too high to be eligible.
- They have maxed out their 401(k) contributions and want to save more for retirement, but are not sure how.

SOLUTION: Clients may consider life insurance as a Roth IRA alternative.

For clients with a need for life insurance protection and want to save additional money for retirement, but don't qualify for a Roth IRA, a cash value life insurance policy may be the right strategy.

As you can see, cash value life insurance has many of the same benefits as a Roth IRA.

	Roth IRA	Cash value life insurance as a Roth IRA alternative
Tax-Free Accumulations	Yes	Yes
Tax-Free Distributions	Yes	Yes
Tax-Free Income to Beneficiaries	Yes	Yes
Requirement for RMDs	No	No
Contribution Ceiling	Yes	No
Income Limitation	Yes	No
Earned Income Contributions Requirement	Yes	No
Tax Penalty on Early Distributions	Yes	No
Contributions Deductible?	No	No



See the Roth IRA Alternative in action.

Meet Mike and Robin Miller.

- Both age 45
- Successful professionals earning more than \$203,000 in joint income per year
- Need life insurance protection
- Maxed out their 401(k)s
- Don't qualify for a Roth IRA, due to their income level
- Have an additional \$10,000 per year they'd like to save for retirement

The Plan.

- They purchase a cash value life insurance policy and fund it for 20 years (total \$200,000).

The Benefits.

- They may take \$30,000 per year in income for 20 years (total \$600,000) and still maintain some life insurance benefit under current rates.

Age	Cumulative premiums	Cumulative income	Non-guaranteed cash value	Life insurance benefit
45	\$10,000	\$0	\$0	\$266,400
55	\$100,000	\$0	\$115,000	\$375,400
65	\$200,000	\$0	\$360,000	\$618,300
66	\$0	\$30,000	\$354,000	\$425,000
75	\$0	\$300,000	\$269,754	\$296,440
85	\$0	\$600,000	\$80,000	\$113,000

For more information on how the Roth IRA Alternative could help clients, contact Southport Compass today.

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