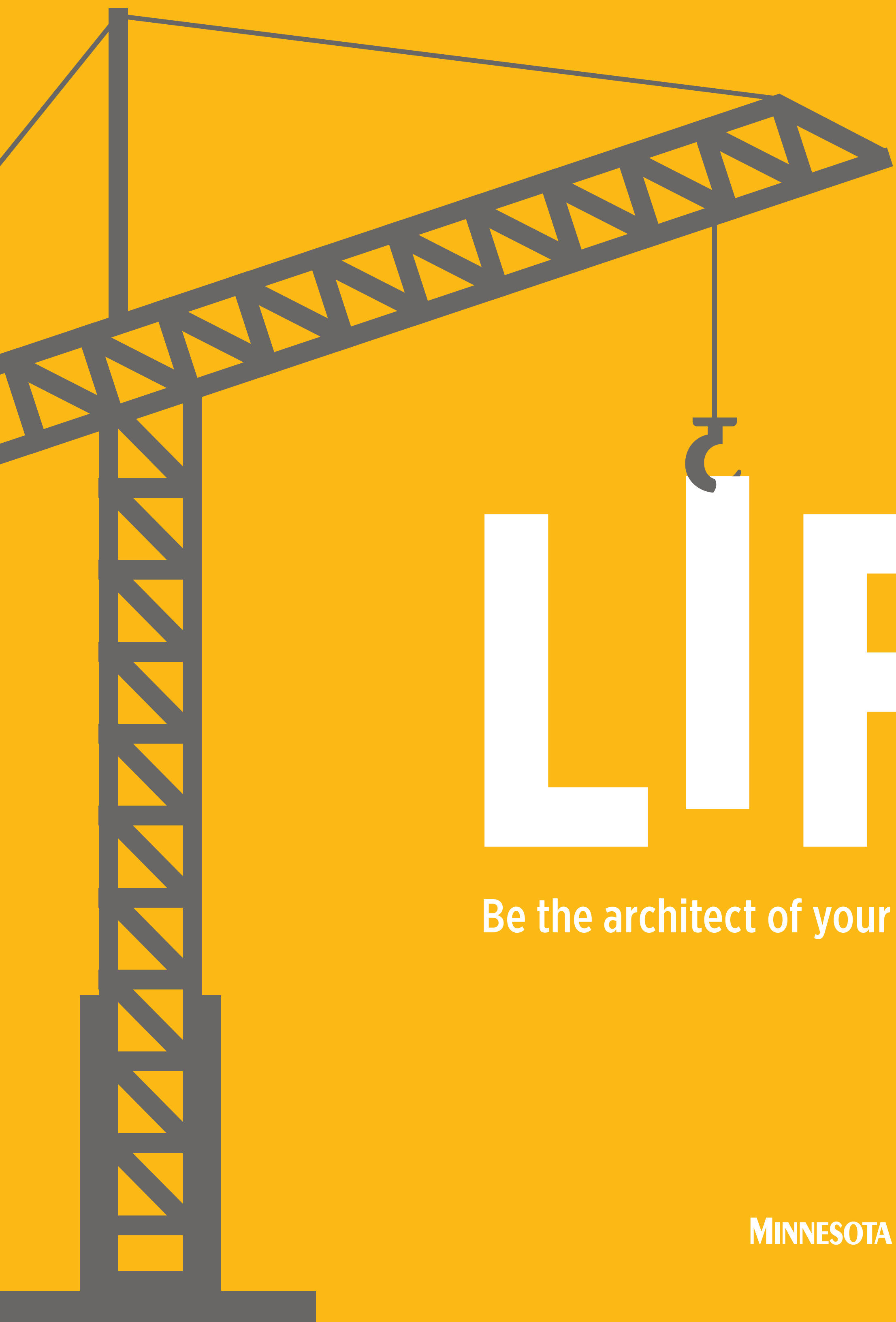
Life Insurance as a Financial Tool



LIFT

Be the architect of your financial future

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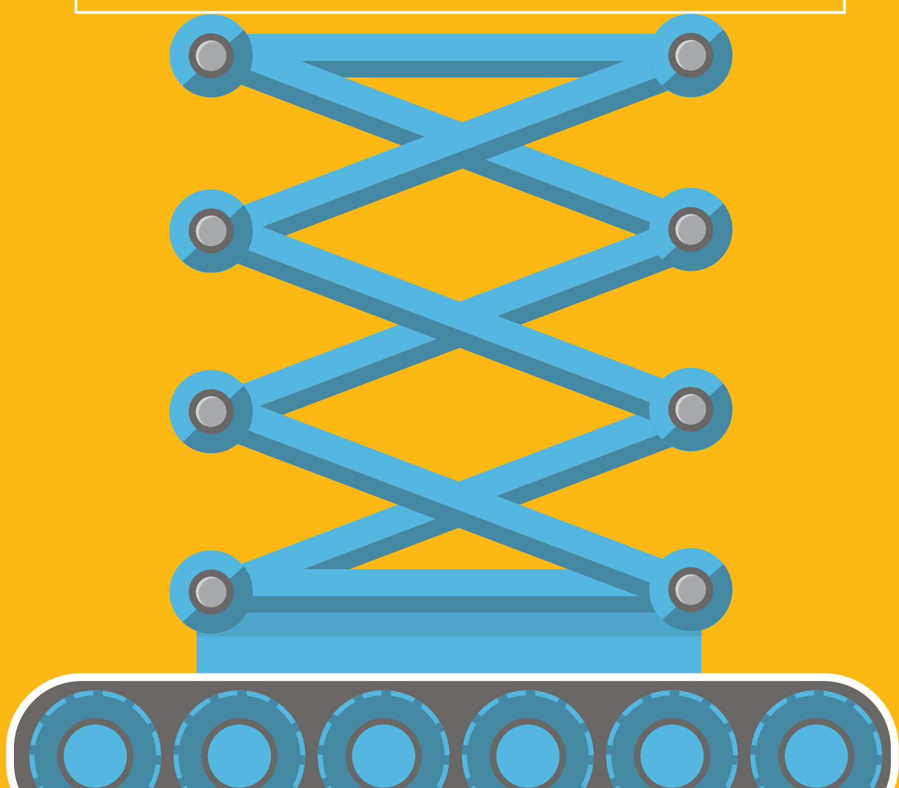
LIFT helps you

- Provide lifetime protection for your loved ones
- Optimize your retirement income
- Maximize your estate

WHAT'S INSIDE



Your retirement concerns

As you prepare for retirement, you have four major concerns:

1. Ensuring that your family's future is protected in your absence.
2. Protecting the value of your assets.
3. Retiring comfortably.
4. Efficiently passing the value of your estate to your family.

You likely have already accumulated assets to help address these concerns. These assets are your financial tools and can be sorted into three categories:

Capital assets: assets with a tax basis

Examples include investments, real estate or a business

Retirement assets: designed specifically for retirement income

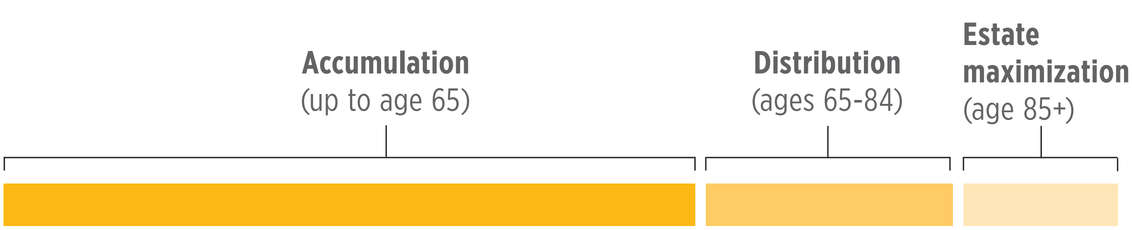
Examples include qualified retirement plans, IRAs and annuities

Tax-preferred assets: receive tax-preferential treatment

Examples include Roth IRAs and life insurance policies

With your financial advisor's help, consider the value of these types of tools. Their tax characteristics can effectively raise or lower your average tax rate depending on how they are used.

This guide outlines how these tools work and their value in the following phases of your life:



Accumulation years (up to age 65)

In this major phase of your life, you wish to improve your current lifestyle, protect your family and your assets from the unexpected, and accumulate assets for your retirement.

What could you do to accumulate wealth?

Capital assets	Retirement income assets	Tax-preferred assets
Purchase a home Fund a college education Start a business Invest in stocks and bonds	Contribute to retirement plans from employment Build retirement assets through: • Retirement plans • Traditional IRAs • Annuities	Purchase and fund a cash value life insurance policy Invest in a Roth IRA

Seeking the ultimate accumulation tool

In a perfect world, the ultimate accumulation tool would allow you to:

1. Reduce your income taxes today through tax-deductible contributions.
2. Provide greater growth potential by deferring taxes.
3. Offer a source of funds for unexpected emergencies and purchase opportunities with a tax-free Opportunity Reserve.

Unfortunately, the ultimate accumulation tool doesn't exist. Existing accumulation tools lack at least one of these benefits:

Benefit	Capital assets	Retirement income assets	Tax-preferred assets
Tax-deductible contributions	No	**Yes**	No
Tax-deferred growth	**Yes**	**Yes**	**Yes**
Tax-advantaged Opportunity Reserve	No (capital gains tax rate applies)	No (ordinary income taxes apply and possible penalties for early withdrawals)	**Yes**

The ability to contribute or deduct contributions may be limited by adjusted gross income limits for both traditional and Roth IRAs. For a Roth IRA, earnings withdrawn prior to reaching age 59½ and/or not meeting the five-year holding period may be subject to a 10 percent penalty in addition to income tax. After-tax contribution amounts are generally returned income tax-free; however, for Roth conversions, if converted amounts are not held for the five-year period, distributions may be subject to a 10 percent penalty. Investors' anticipated tax bracket in retirement will determine whether or not a Roth IRA versus a traditional IRA will provide more money in retirement. Generally, investors who are in a higher tax bracket at retirement relative to their current tax bracket while making contributions to a Roth IRA benefit more than an investor who is in a lower tax bracket at retirement.

An annuity is a long-term, tax-deferred investment vehicle designed for retirement. Earnings are taxable as ordinary income when distributed, and if withdrawn before age 59½, may be subject to a 10 percent federal tax penalty. If the annuity will fund an IRA or other tax-qualified plan, the tax-deferral feature offers no additional value. Not FDIC/NCUA insured. Not bank guaranteed. Not insured by any Federal Government Agency. There are charges and expenses associated with annuities, such as deferred sales charges for early withdrawals. Upon annuitization, a portion of principal is included in the annuity payout and is not subject to income taxes.

Give your assets a LIFT

You may not have considered life insurance as a financial tool, but in many ways it's more than just a death benefit. Life insurance can provide your family with an instant asset that will help them keep their dreams and aspirations alive.

How life insurance works

While the primary purpose of life insurance is to provide a death benefit for your family, some policies also offer cash value accumulation. Permanent, cash value life insurance differs from capital assets and retirement income assets in three key attributes:

1. Death benefit (primary reason for life insurance)

An in-force, permanent life insurance policy can provide a tax-free death benefit to the beneficiaries of your policy, replacing your lost income and paying off debt. In addition, the death benefit proceeds pass directly to beneficiaries and avoid the delay of the estate administration process.

2. Premium payments

By making premium payments, you are actually purchasing a death benefit. The insurance company deducts charges from your premium payments for mortality (to fund the death benefit) and other expenses. The remaining amounts build cash value tax-deferred and is the accumulation portion of the life insurance policy.

3. Cash value

The third key attribute in this financial tool is cash value. Well-funded, permanent life insurance policies offer:

- Tax-deferred cash value growth.
- Tax-preferred distributions.[1]
- No age restrictions, unlike other financial tools:
  - **Before age 59½:** no penalties for accessing the cash value.[1]
  - **At age 62:** no effect on your Social Security benefits by accessing the cash value for supplemental retirement income.
  - **At age 65:** no effect on your Medicare Part B premiums by accessing the cash value for supplemental retirement income.
  - **At age 70½:** no required minimum distributions (which apply to retirement assets).

Individuals who understand this aspect of permanent life insurance can use cash value for emergencies, as an Opportunity Reserve or for supplemental retirement income.

[1] As long as your policy maintains its tax-preferred status and is not a modified endowment contract. Withdrawals and loans from a life insurance contract are subject to special tax rules if the policy is a Modified Endowment Contract (MEC).

Retirement years (ages 65-84)

In retirement, you will want to sustain your current lifestyle, continue protecting your family and begin using your accumulated assets for a comfortable retirement.

What could you do to fund your retirement?

Capital assets	Retirement income	Tax-preferred assets
Downsize my home Transition out of my business Sell my investments	Take distributions from my retirement assets	Take withdrawals and loans from my life insurance policy Take distributions from my Roth IRA

Policy loans and withdrawals may create an adverse tax result in the event of a lapse or policy surrender, and will reduce both the cash value and death benefit.

Filling your retirement income gap

Will you have enough income in retirement to live as you wish? If not, **you may have a retirement income gap.** Your retirement income gap can be defined simply as the difference between what you will receive in distributions from your retirement assets, and the amount of income you desire for a comfortable retirement.

You will fund this gap with assets from your financial toolboxes. In order to optimize your retirement income and maintain assets with diverse tax characteristics, you could benefit from using assets from each type of tool.

Desired retirement income

Required retirement income	Retirement income gap
Income you are obligated to receive (Required minimum distributions, pension income, Social Security payments, etc.)	Additional income needed to enjoy the retirement you want

Seeking the ultimate retirement tool

Similar to the ultimate accumulation tool, the ultimate retirement tool would have several key characteristics:

1. Tax-deductible contributions.
2. Tax-deferred accumulation.
3. Tax-free distributions.

But once again, none of the available retirement income tools have all of these beneficial tax treatments:

Benefit	Capital assets	Retirement income assets	Tax-preferred assets
Tax-deductible contributions	No	**Yes**	No
Tax-deferred accumulation	**Yes**	**Yes**	**Yes**
Tax-advantaged distributions	No (capital gains tax rate applies)	No (ordinary income taxes apply)	**Yes**

Creating a tax-favorable retirement distribution strategy

By creating a tax-diversified asset mix and using a tax-preferred tool, you will have the ability to design a tax-favorable distribution strategy during your retirement years. The object is to assess the tax treatment of your assets in order to lower your average tax rate. Rather than take distributions from your 401(k) or IRA in order to fill your retirement income gap, you can take:

- Withdrawals or loans from your policy on a tax-free basis.
- Distributions from a Roth IRA and effectively lower your average tax rate.

Estate maximization years (age 85 and after)

Deep into your retirement, you will hopefully have enough assets to pass along to your children and grandchildren. The object here is minimizing taxes and maximizing your assets.

What will you do to transfer your legacy to those you love?

Capital assets	Retirement income	Tax-preferred assets
Sell my home Transition out of my business Sell my investments	Beneficiaries receive balance of retirement assets	Beneficiaries receive death benefit from life insurance policy Beneficiaries receive balance of Roth IRA

Your estate plan, which outlines your intentions for these assets, needs to be reviewed in order to make sure it will accomplish your desires.

Seeking the ultimate legacy transfer tool

The ultimate legacy transfer tool would ensure a tax-efficient estate plan by:

1. Avoiding the probate process.
2. Receiving a step-up in income-tax basis upon transfer to heirs.
3. Transferring assets free of estate taxes.

Unfortunately, the ultimate legacy tool doesn't exist. Even at your death, taxes will negatively impact your estate:

Benefit	Capital assets	Retirement income assets	Tax-preferred assets
Avoid probate process	Possibly[2]	**Yes**	**Yes**
Step-up in basis	**Yes**	No	**Yes**
Free from estate taxes	No	No	Possibly[3]

Since the death benefit from a life insurance policy is paid income tax-free and avoids the estate administration process, it can be an appropriate estate planning tool:

- To replace the value of assets donated to a charity.
- As a way to help equalize an estate between children who are and are not inheriting a family business.
- As a source to pay estate and income taxes (especially if owned by an irrevocable life insurance trust).

[2] Yes, if titled as Joint Tenancy with Right of Survivorship (JTWROS) or Transfer on Death (TOD). Individual ownership and tenancy in common ownership must pass through probate.

[3] Yes, if transferred into an Irrevocable Life Insurance Trust (ILIT). Individually owned life insurance policies will be included in the owner's estate.

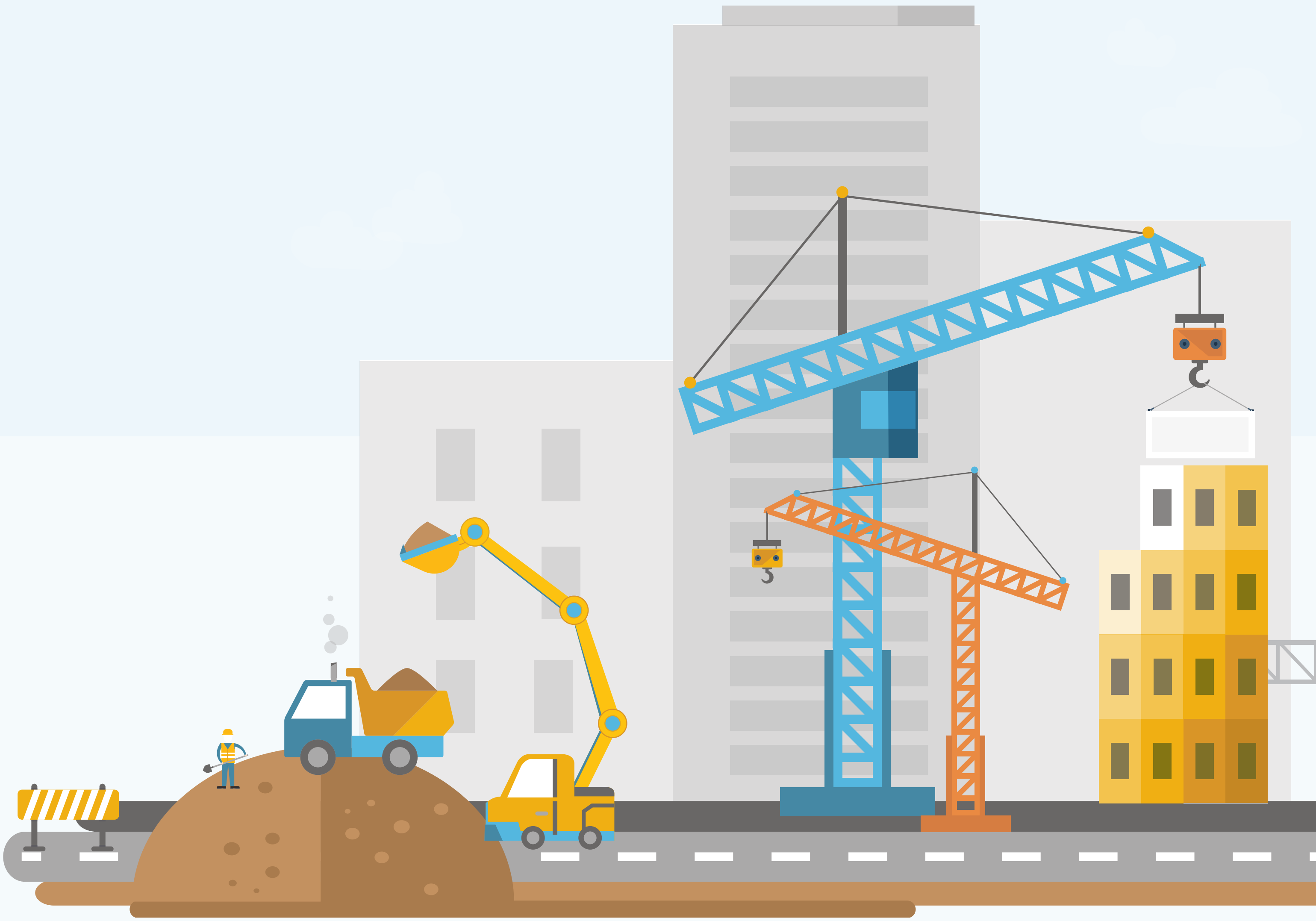
Whether you're in the accumulation, retirement or estate maximization phase of your life, you can benefit from financial tools that help minimize taxes and maximize your assets.

Contact your financial professional to learn how permanent, cash value life insurance can be a useful building block in helping create a secure financial future for yourself and your family.

Partnering with you to protect your family

Life insurance plays an important role in many strategies. Policies from Minnesota Life and Securian Life, a New York authorized insurer, are not only backed by experience and financial strength – they're backed by a company that believes in treating policyholders like partners. We understand the importance of treating our loyal policyholders well, and we demonstrate our commitment to them by offering new agreements and policy features year after year.

Whether you're purchasing a new policy or making changes to one you currently own, choose a policy backed by a company that shows how much it cares about you.



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For more information about the rating agencies and to see where our ratings rank relative to others, visit securian.com/ratings.

[4] In all states except New York. In New York, policies are issued by Securian Life Insurance Company, a New York authorized insurer. Product availability and features may vary by state. Each insurer is solely responsible for the financial obligations under the policies or contracts it issues.

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Life insurance products contain fees, such as mortality and expense charges, and may contain restrictions, such as surrender periods. Depending upon actual policy experience, the Owner may need to increase premium payments to keep the policy in force. Please keep in mind that the primary reason to purchase a life insurance product is the death benefit.

Other than contribution limits or tax treatment, several other factors should be considered before purchasing any of these products. These include investment objectives, costs and expenses, liquidity, safety, fluctuation of principal or return, credit rates, rider availability, surrender periods and other product/investment characteristics.

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