

IT'S YOUR LIFE

Keeping Your Options Open

Like most business owners, you are concerned primarily with running your day-to-day operations and growing your business—oftentimes, planning for your retirement may be secondary. According to a 2009 study of small business owners, less than half (47 percent) of the business owners surveyed had a way to save for retirement that was set up through their business. Twenty-eight percent were not saving at all!

For those looking for a simple, yet effective, source of supplemental retirement income, an excellent option may be a permanent life insurance policy. The cash value in the policy accumulates on a tax-deferred basis during your working years, and can be withdrawn tax-free during your retirement years (in the form of policy loans and withdrawals). Unlike qualified retirement plans, such as a 401(k) or IRA, the contributions are not pre-tax. However, the policy does offer you significant flexibility.

- In addition to the ability to avoid income tax on policy loans or withdrawals, there are no limits on when money can be taken. Money may be loaned from the policy, or you may take withdrawals from the cash value as soon as such values exist.

Unlike most retirement plans, which impose early withdrawal penalties until age 59½, values in permanent life insurance are accessible to you without waiting. Further, with a life insurance policy, withdrawals or loans are not required after age 70½ if they are not needed.

- The income tax-free death benefit can provide a ready source of funds for surviving family members to meet their income needs in the event of the business owner's death.
- Although premiums are paid with after-tax dollars, these dollars may be deductible to the company as compensation for C corporation owner-employees (and non-owner key employees).

Keep in mind each individual's financial needs are unique. Borrowing from a life insurance policy or surrendering coverage to access a policy's cash value may not make sense for everyone. On the other hand, a permanent life insurance policy can protect your family and offer you options.

Source: LIMRA Small Business Owners: 2009

This article is for general information and risk prevention recommendations only and should not be considered legal, coverage, financial, tax, or medical advice. The information may be subject to regulations and restrictions in your state. There is no guarantee following these recommendations will help reduce or eliminate losses. The information is accurate as of its publication date and is subject to change. Qualified counsel should be sought regarding questions specific to your circumstances. All rights reserved.



Federated Mutual Insurance Company • Federated Service Insurance Company* • Federated Life Insurance Company
Owatonna, Minnesota 55060 | Phone 507.455.5200 | www.federatedinsurance.com

*Not licensed in the states of NH, NJ, and VT. © 2015 Federated Mutual Insurance Company