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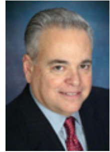

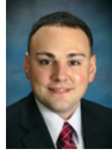

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With life expectancies on the rise, many Americans can expect to live 20 to 30 years in retirement. For many people, the perception of retirement may lead to thoughts of pursuing passions and accomplishing long-standing goals, such as exotic travel or new business pursuits. However, with so many dreams to fulfill and a growing number of retirement years to plan, an early start to retirement planning has never been more crucial. So, regardless of your age, it is important to begin planning today for your future financial independence and that of your loved ones.

As you create your retirement plan, you may find that the inclusion of **permanent life insurance**, also known as **cash value life insurance**, may be beneficial. Permanent life insurance can offer protection to your family during your working years when financial obligations may be greatest. This type of insurance can be valuable in the long term, because the younger you are, the more affordable it may be. In addition, the longer the policy is held, the greater its potential future value may be. Here are some ways in which permanent life insurance may help safeguard your financial outlook in retirement:

1. **Lifestyle benefits.** Building assets to generate sufficient income is a major concern of many people planning for retirement. As life expectancies increase, your existing assets must support you for an unspecified number of years. Permanent life insurance may help ensure that a surviving spouse will be financially sound with tax-free income from the death benefit provided by the policy. Additionally, couples may choose to access the cash values to supplement retirement income or to pursue a lifelong goal. However, any cash value that is not repaid will reduce the policy's death benefit amount.
2. **Burial expenses.** End-of-life medical and burial expenses can be significant. Unfortunately, without life insurance coverage or any pre-planning in place, surviving family members may have to pay these expenses from their own assets. The proceeds of a life insurance policy can be used to help cover these expenses.
3. **Estate protection.** Many people are concerned about the legacies they will leave their heirs. Permanent life insurance can create an instant estate for the named beneficiary. It can also provide funds to help cover the cost of estate taxes. Asset transfers to beneficiaries other than a spouse that exceed the **applicable exclusion amount** ($5.49 million in 2017)

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Continuing Care Retirement Communities: Aging in Place

Do you sometimes think about what your life will be like when you retire? Most people imagine living independently in comfortable and safe surroundings, preferably residing in their own home. With longer life spans and advances in health care, many retirees—if they retire early enough—may have several decades or more to enjoy their "golden years."

Continuing care retirement communities (CCRCs), also known as life-care communities, accommodate active, healthy older adults in a range of living quarters, such as single-family homes, apartments, or condominiums. As residents age and require assistance, they remain at the CCRC, but can enter an assisted living or nursing care facility. Such a community allows residents to remain in one place for the duration of their life, so they can age in place, without worrying about their future care.

The Cost of CCRCs

CCRCs usually require a one-time entrance fee and monthly charges. According to the American Association of Retired Persons (AARP, 2016), the one-time entry fee can range from $100,000 to $1 million, and it pays for care in advance and funds the CCRC's operating costs. Monthly fees can average $3,000 to $5,000 and more depending on your state of health, whether you are renting or buying, how many residents live in the facility, and the type of service contract you choose. Additional fees may be added for such options as for housekeeping, meal service, transportation, and social activities.

Three types of service contracts are usually offered. The **life care**, or **extended contract**, the most expensive, provides unlimited assisted living, medical care, and skilled nursing care. A **modified contract** provides care for a specified length of time, after which the monthly fee increases if you require other services. A **fee-for-service contract** allows you to pay a lower enrollment fee, but you would pay for assisted living and nursing home care, if needed, at the market rate.

Do Your Research

When you are researching facilities, it is important to be sure that the one you pick is financially stable, because you will want to be certain it will provide the housing and support you need 10 or 15 years into the future. Most states offer some level of CCRC regulation, so you should ask to see any licensing and inspection reports, complaint investigations, and audit reports. You should also plan to visit all of the different facilities in the community.

Seek Legal Advice

If you are considering this retirement option, you should get legal advice because of the complexity of CCRC contracts. Once you have worked out a contract, have your attorney look at it, to make sure it accurately reflects your agreement with the community. ■

Stretching IRA Withdrawals

The primary concern of some traditional **Individual Retirement Account (IRA)** holders who are approaching the mandatory distribution age (April 1 of the year *after* the year they reach age 70½) may be stretching their account assets over their lifetime and that of their spouse. Maximizing tax deferral and/or passing these assets to their heirs may be of lesser importance. Others, however, who are fortunate enough to enjoy sufficient retirement income from other sources, may wish to extend the tax deferral as long as possible.

Regulation reform finalized in 2002 makes this task much easier. In response to Americans living longer, healthier lives, the Internal Revenue Service (IRS) increased the life expectancy figures on which **required minimum distributions (RMDs)** are based. As a result, RMD amounts have decreased, and IRA owners are now allowed to withdraw *less* than was necessary under the original distribution rules. For most, RMDs are calculated using a uniform table **(uniform lifetime table),** which assumes a **beneficiary** is fewer than ten years younger than the owner, regardless of the beneficiary's actual age. If the IRA owner has named his or her spouse as the sole beneficiary, and the spouse is ten or more years younger than the owner, a second table **(joint life and last survivor expectancy table)** may be used to calculate the RMD.

Beneficiary Choices

Married individuals quite often name a spouse as the beneficiary of an IRA. If the IRA owner dies prior to, or after, the mandatory minimum

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stretching IRA withdrawals

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withdrawal date, only a surviving spouse can choose to make an inherited IRA his or her own. This would postpone mandatory distributions until April 1 of the year after the year in which he or she reaches age 70½.

In contrast, a nonspousal beneficiary is more limited and must begin taking distributions from an inherited IRA by the end of the year following the year of the owner's death. With the legislative changes, however, the consequences of beneficiary choices are no longer dependent on whether the IRA owner died *before* or *after* starting the required withdrawals, simplifying planning decisions. Unlike the old rules, such distributions no longer must continue to be based on the owner's original life expectancy calculation, but may now be stretched out over the life expectancy of the beneficiary, significantly extending the potential benefits of tax deferral.

What's the Advantage?

These simplified rules should make it easier for some retirees to meet the minimum distribution requirements, thereby avoiding unnecessary penalties, while enabling the greatest possible buildup of their tax-deferred assets. However, IRA owners should be aware that any such buildup could potentially lead to higher estate taxes down the road. If you have an IRA and have reached (or are approaching) age 70½, it may be best to consult a qualified tax and financial professional for assistance with your particular circumstances. ■

Student Loan Debt May Interfere with Retirement Saving

In addition to representing a drain on their short-term finances, workers who are paying off student loans may feel the burden of these debts into their retirement years, the results of an annual survey conducted by human resources consultancy Aon Hewitt indicates.

The survey of more than 2,007 U.S. workers conducted from May 24 to June 3, 2016 found that 28% of respondents currently have an outstanding student loan—and that not all of these workers are young. The findings showed that 44% of the millennials (born 1979-1996), 26% of the Gen Xers (born 1965-1978), and 13% of the baby boomers (born 1946-1964) surveyed have outstanding student loans; and that roughly half of these respondents are making at least $3,000 in loan repayments each year.

The results further suggested that carrying student loan debt can have a long-term impact on workers' financial future: while the survey respondents with student loans reported participating in employer-provided retirement plans at a rate that is only slightly lower than that of workers without loans (71% compared to 77%), more than half (51%) of the respondents with student loans said they are contributing no more than 5% of their pay to the plan. Researchers warned that saving less than 6% of pay can significantly affect retirement readiness, especially if employees are missing out on full company matching contributions.

Moreover, the survey found that employees with outstanding student loans are more pessimistic about their financial wellbeing than those without these debts. Of the respondents with student loans, 51% said that debt is ruining their quality of life, compared to 28% of those without loans; 54% indicated that they spend time at work dealing with financial issues, compared to 47% of those without student loans; 31% said they are worried about paying their bills, whereas only 20% of respondents without loans share this concern; 56% said they are concerned about saving for the future, compared to 41% of those without loans; and just 27% said they are financially comfortable, compared to 43% of those without loans.

Yet relative to the employees surveyed in 2015, a greater share of all of the workers surveyed in 2016 said they feel in control of their financial future (75% compared to 73% in 2015), and even more describe themselves as financially savvy (72% compared to 65% in 2015). Researchers pointed out that these positive perceptions continue to be higher among men than women, and higher among millennials than among other generations. However, despite describing themselves as financially savvy or feeling in control, more respondents in 2016 indicated that financial matters, including the idea of approaching an advisor, intimidate them; and that debt is ruining their quality of life. ■

permanent life insurance: offering benefits at any age

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may be subject to substantial estate tax, and insurance policy proceeds may be used to help pay these taxes. With proper preparation, you and your loved ones can help ensure that family heirlooms and property remain in the family and will not have to be sold quickly to pay estate taxes.

How It Works

Provided that policy premiums are paid on time, a permanent life insurance policy can provide coverage for your entire lifetime. In fact, for certain policies, benefits include premiums that may never increase, benefits that never decrease, and a policy that cannot be canceled regardless of changes in your health.

Permanent life insurance policies offer death benefits that are free of income tax, as well as a tax-deferred cash value component. This means that a portion of premium payments to a permanent life insurance policy is used to build cash value, which can be borrowed, often on a tax free basis, for a variety of uses. Retirees may use cash values to help cover educational expenses for younger generations, supplement retirement income, pay for travel, start a new business venture, or even purchase a second home.

It is important to note that distributions of cash value will have an impact on the policy. Distributions under a policy (including cash dividends and partial/full surrenders) are not subject to taxation up to the amount paid into the policy (cost basis). However, if the policy is a Modified Endowment Contract, policy loans and/or distributions are taxable to the extent of gain and are subject to a 10% tax penalty. Access to cash values through borrowing or partial surrenders can reduce the policy's cash value and death benefit, can increase the chance the policy will lapse, and may result in a tax liability if the policy terminates before the death of the insured.

Many permanent life insurance policies also offer non-guaranteed dividend payments, which can be paid when the insuring company's expenses are lower than originally projected. Dividends can be used for a variety of purposes, including as a source of income or as a means to buy additional coverage or to cover existing premium payments.

Permanent life insurance policies may offer a variety of benefits to you and your family throughout your lifetime. In addition to the knowledge that your designated beneficiary(ies) will receive the proceeds of the policy upon your death, you may also have the ability to access the cash values before that time. A permanent life insurance policy can be an important component of an ongoing, long-term financial strategy at any age.

Note: Guarantees are based upon the claims-paying ability of the policy issuer. Life insurance policies contain exclusions, limitations, reductions of benefits, and terms for keeping them in force. Your financial professional can provide you with costs and complete details.

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