

The Roth IRA Alternative

At the age of 42, **Jeremy Gray** has begun to think about retirement. He is considering a Roth IRA. He likes the idea that the cash value of a Roth IRA accumulates income tax deferred, and when he retires the income will be tax free.

When Jeremy approached his insurance agent about setting up the Roth IRA, the agent suggested that he also consider the Roth IRA Alternative ... life insurance.

■ Situation: Jeremy can either purchase a Roth IRA or a life insurance policy to accumulate funds for retirement.

Here is how the two compare:

Feature	Roth IRA	Life Insurance
NON-DEDUCTIBLE CONTRIBUTION	Yes	Yes
TAX-DEFERRED GROWTH	Yes	Yes
TAX-FREE DISTRIBUTIONS	Yes	Yes (if non-MEC)
DEFER DISTRIBUTIONS UNTIL DEATH	Yes	Yes
INCOME TAX FREE TO BENEFICIARIES	Yes	Yes
UNLIMITED CONTRIBUTION LIMITATIONS	No	Yes, subject to guideline premium limitations
EARLY DISTRIBUTIONS WITHOUT TAX PENALTIES	No	Yes (if non-MEC)
IMMEDIATE ESTATE CREATION UPON PREMATURE DEATH	No	Yes
COMPENSATION REQUIREMENTS	Yes	No
INCOME LIMITATIONS	Yes	No

■ Using Life Insurance

In Jeremy's situation, he could purchase a Lifetime Builder Series II Indexed Universal Life policy. An annual premium of \$5,000 would provide an initial death benefit of \$303,627. As illustrated, the projected policy loan amount of \$14,626 from age 65 to 100 would still leave the policy's death benefit well maintained.

- \$5,000 is worth \$5,000 in a Roth IRA as an ultimate benefit.
- \$5,000 is worth \$303,627 as an ultimate benefit from the policy date.

“Where can you find a better value? Life insurance is flexible and offers more than most clients realize.”

■ Solution: Lifetime Builder Series II

Male, age 42, preferred, non-tobacco, \$5,000 annual premium until age 65
\$303,627 initial face amount

End of Year	Age	Annual Outlay	Loan Balance	Non-Guaranteed Cash Surrender Value	Non-Guaranteed Death Benefit
1	43	\$5,000	\$0	\$0	\$303,627
10	52	\$5,000	\$0	\$48,307	\$303,627
20	62	\$5,000	\$0	\$168,279	\$303,627
23	65	\$5,000	\$0	\$225,191	\$303,627
24	66	-\$14,626	\$15,643	\$226,577	\$287,984
30	72	-\$14,626	\$135,176	\$242,334	\$283,860
40	82	-\$14,626	\$480,359	\$317,147	\$357,022
50	92	-\$14,626	\$1,156,337	\$497,963	\$547,592
58	100	-\$14,626	\$2,139,881	\$857,392	\$855,274

Potential cash value available for use as needs arise

At age 100, the policy has more than \$800,000 of projected cash value and death benefit

At age 66, the illustration projects a maximum annual variable loan of \$14,626, which Jeremy could take each year to supplement his retirement income at age 100. If Jeremy lives to age 100, this creates a potential cash flow of \$511,918 versus \$115,000 in premiums paid.

This chart shows projected non-guaranteed values. Not valid without full basic illustration.

- **Conclusion:** After reviewing his options, Jeremy chose the life insurance policy over the Roth IRA. He liked the fact that life insurance had no income limits. However, what ultimately won Jeremy over was the liquidity and flexibility of life insurance. Except in certain instances, withdrawals from Roth IRAs are generally restricted until after age 59½, while the cash value of a life insurance policy can be withdrawn, borrowed against or used as collateral for a loan at any time.