

LIF PRO



Life Insurance Funded Personal Retirement Option

CLIENT REFERENCE GUIDE

Life Insurance Funded Personal Retirement Option

When you are ready for retirement . . .
will retirement be ready for you?

You are likely concerned about developments in the financial services industry and the increased volatility in the financial markets that has ensued. Your retirement fund sources may now be worth a fraction of what they were one year ago. If you have been wondering if you will have sufficient funds with which to retire . . . you are not alone. Having enough retirement income is one of the primary concerns facing Americans today.

In Gallup's April 6–9 (2008) Economy and Personal Finance poll:

- **63%** of Americans say they are worried they will not have enough money for retirement
- **55%** say they are afraid they will not be able to maintain the standard of living they now enjoy
- **44%** say they are concerned that they will not be able to pay normal monthly bills

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Social Security and 401(k) plans

According to the same Gallup survey, 54% of those who have not yet retired say they expect their 401(k), IRA, Keogh or other retirement savings account to be a major source of retirement income, and 31% expect Social Security to be a major source of retirement income. There are limitations and potential issues with each of these retirement sources.

Social Security

The August 2008 Congressional Budget Office (“CBO”) “Updated Long-Term Projections for Social Security” states that Social Security’s current revenues are greater than its outlays. However as the baby-boom generation continues to age, the outlays will grow substantially faster than revenues. This leads to the CBO’s projection that in 2019 the Social Security outlays will first exceed its revenues and by 2049 the Social Security trust funds will be exhausted. Once the trust funds are depleted, the Social Security Administration will no longer have the legal authority to pay full benefits.

401(k) retirement plan:

Many of the available retirement savings accounts are market-based and therefore subject to the downside risk inherent in the market. These downside risks are also accompanied by government imposed limitations on the ability to save for retirement in a tax-efficient manner. As the HYPOTHETICAL EXAMPLE chart illustrates below, as the annual income of an individual in a 401(k) plan increases, the percentage of compensation replaced by both the 401(k) and social security actually decreases:

Replacement of Annual Compensation with Social Security & 401(k) Benefits

Compensation	\$50,000	\$100,000	\$150,000	\$200,000	\$250,000
401(k) plan annual contribution (10% of Compensation) ¹	\$5,000	10,000	15,000	16,500	16,500
401(k) annual benefits at age 67 ²	18,054	36,108	54,162	59,579	59,579
Social Security Benefits beginning at age 67 ³	20,088	28,296	29,484	29,484	29,484
Total Annual Retirement Income beginning at age 67	38,142	64,404	83,646	89,063	89,063
% of Compensation Replaced by Social Sec and 401(k)	76%	64%	56%	45%	36%

¹ Assumes the client wants to defer 10% of compensation each year beginning this year. The maximum contribution for 2009 is \$16,500. However, if you will attain age 50 before the close of the plan tax year, you will also be eligible to defer an additional \$5,500 as a catch-up contribution. The chart does not reflect the use of the catch-up provision.

² Benefits from the 401(k) assume: (1) an individual age 45; (2) contributions made for 22 years; (3) 401(k) assets accumulate at 6%; and (4) payout is based on a single life annuity purchased at age 67.

³ Social Security benefits are based on the 2008 Quick Benefit Calculator at www.ssa.gov.



Other sources of retirement income

Since Social Security and 401(k) plans will only replace a fraction of your current compensation, you must look for ways to provide additional retirement funds in a tax-efficient manner. There are a number of financial plans and products that can be used to plan for your retirement. The chart below outlines several retirement planning opportunities including their tax characteristics concerning: contribution, accumulation and distribution.

	Annual Limits on Contributions	Tax-Deferred Accumulation	Tax-Preferred Distribution	Income Tax Free Death Benefit
Traditional IRA	Yes	Yes	No	No
Roth IRA	Yes	Yes	Yes	Yes
Qualified Plan (401(k))	Yes	Yes	No	No
CD	No	No	No	No
Mutual Funds	No	No	No	No
Municipal Bond Fund	No	No	No	No
Individually Owned Deferred Annuity	No	Yes	No	No
Life Insurance	No	Yes	Yes	Yes

Why life insurance?

As illustrated in the chart on page 3, life insurance is the only financial product offering:

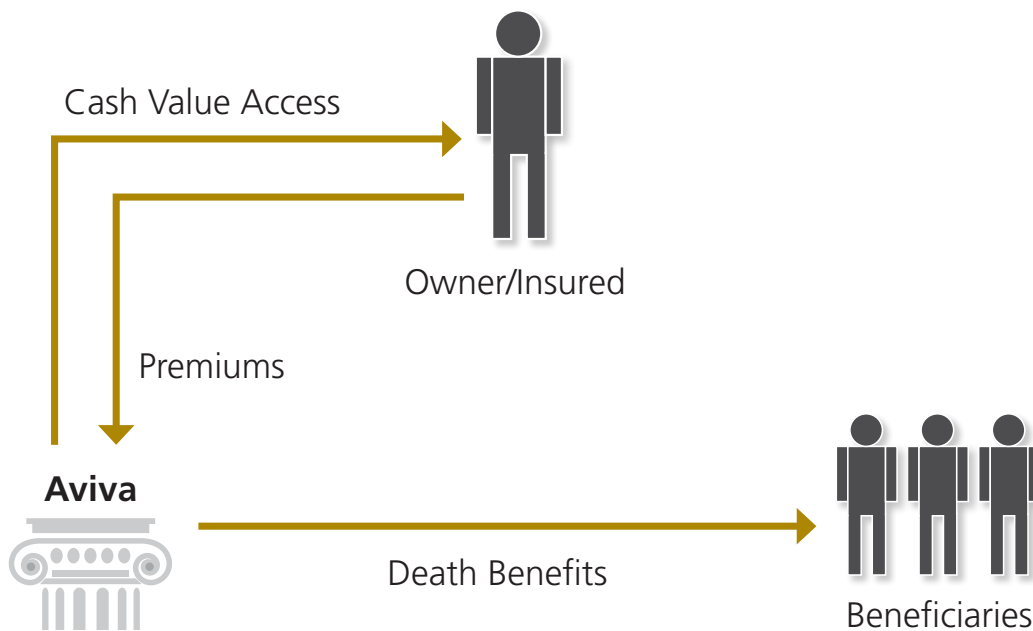
- 1** tax-deferred accumulation;
- 2** tax-preferred distributions;
- 3** income tax-free death benefit; and
- 4** no income limitations on the ability to participate.

A properly structured life insurance policy not only provides valuable benefits for your loved ones in case of your death, but it can also be an important source of supplemental retirement income.

how LIF PRO works



- 1 You select the life insurance policy that best suits your objective (death benefits and cash accumulation). An indexed universal life policy from Aviva provides upside potential through various crediting strategies tied to the S&P 500 while providing a guaranteed minimum crediting rate thus eliminating cash value loss due to market performance.
- 2 You apply for the policy as owner and insured.
- 3 The policy's death benefit is set to the lowest possible amount to minimize costs associated with the policy.¹
- 4 You pay the scheduled premiums for the desired period of time (usually until retirement age).
- 5 The life insurance policy's cash values can be accessed to provide supplemental retirement income. Accessing the policy's cash value is typically income tax free through withdrawals (limited to basis) and policy loans.²
- 6 The named beneficiaries will receive an income tax free death benefit at your death.



¹ The policy's death benefit must be set at a high enough amount to avoid being classified as a Modified Endowment Contract ("MEC"). A MEC does not allow tax-preferred distributions.

² Any outstanding policy loans in excess of basis are taxable to the policy owner if the policy lapses.

About Aviva

Aviva USA is part of Aviva plc, the world's fifth-largest insurance group, with a corporate lineage dating back to 1696. Aviva USA is one of the fastest-growing life insurers in the United States, with more than 1,115,000 customers and 32,850 agents and distributors. We offer a competitive portfolio of long-term savings, insurance and retirement income products designed to help customers make the most out of life.

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