MassMutual Strategic Distributors

SUCCESS STRATEGIES
Advanced Sales

Filling the Retirement Income Gap

For high-income earners

High-income earners are limited in how much they can contribute to qualified retirement accounts. As a result, there is a significant gap in their income at retirement — a gap that can range from 45% to 75% for earners with annual incomes over $200,000 per year.

Consider the projected figures in Chart A below based on hypothetical annual pre-retirement compensation just before retirement.

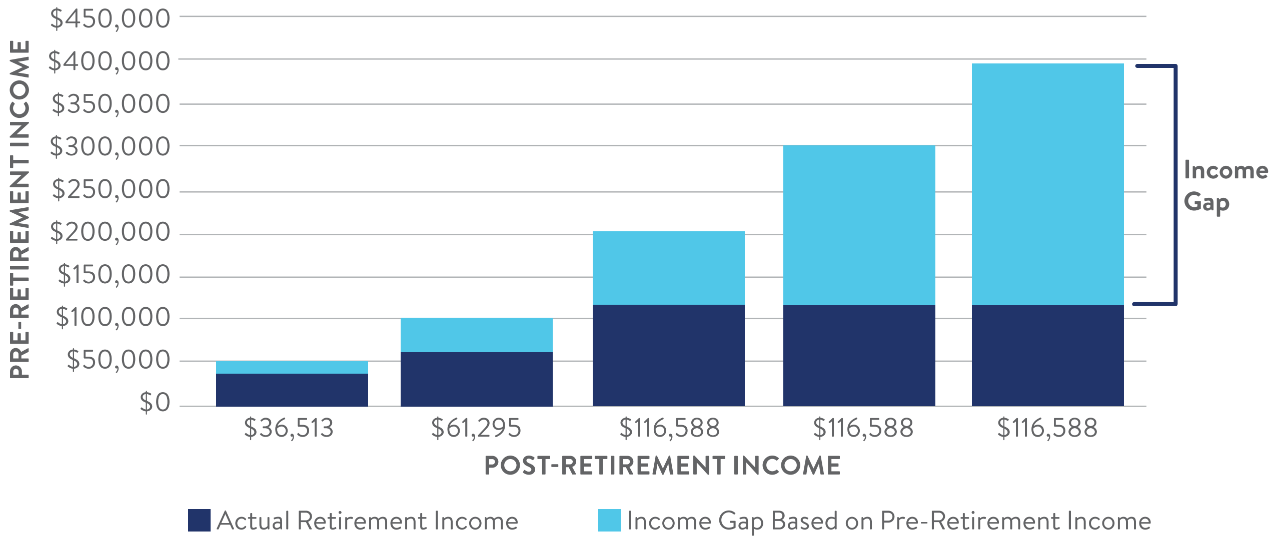
CHART A: REPLACEMENT OF ANNUAL COMPENSATION WITH SOCIAL SECURITY AND 401(k) INCOME SOURCES AT RETIREMENT AGE 67 (CURRENT AGE 45, FEMALE)

			High-Income Range		
Compensation	$50,000	$100,000	**$200,000**	**$300,000**	**$400,000**
401(k) Plan Contribution @ 5% growth	$5,000	$10,000	$22,500	$22,500	$22,500
Gross 401(k) Annual Benefits @ Age 67	$14,000	$28,000	$75,222	$75,222	$75,222
Gross Social Security Benefits Beginning @ Age 67	$22,513	$33,295	$41,366	$41,366	$41,366
Total Annual Retirement Income Beginning @ Age 67	$36,513	$61,295	$116,588	$116,588	$116,588
Income GAP	($13,487)	($38,705)	($83,412)	($183,412)	($283,412)
Replacement Ratio — % of Compensation replaced by Social Security & 401(k)	73.03%	61.30%	**58.29%**	**38.86%**	**29.14%**

Benefits from the 401(k) assume a female, age 45 today, makes maximum contributions allowable to her 401(k) annually for 22 years, until age 67. It is assumed that contributions grow at an average annual rate of 5% and that maximum annual income is calculated based on an approximate $1.3M account balance beginning at age 67 and targeting a zero balance in 25 years. Note that no specific rate of return can be assured. It is also assumed that contributions at the $200,000-and-over income range are maximized after age 50 based on today's catch-up contribution cap of $30,000, indexed annually for inflation. Lower income levels assume a 10% contribution rate. Social Security benefits are projected based on the Quick Benefits Calculator at ssa.gov.

What the gap looks like based on income level

CHART B: INCOME GAP AT RETIREMENT BASED ON PRE-RETIREMENT INCOME



Where whole life insurance fits in

One solution for high-income earners is to consider the purchase of a whole life insurance policy today.

MassMutual®'s Whole Life 10 Pay policy offers not only cost-efficient death benefit protection during the working years, but also potential high cash values that can help fill the income gap at retirement.

A whole life policy also offers retirees a way to diversify taxes at retirement because unlike withdrawals taken from employer-sponsored retirement plans, the distributions taken from the policy are tax-free up to cost basis (cumulative premiums paid into the policy), after which tax-free policy loans may be taken.[1]

What's more, the whole life policy values are a reliable source of funds because they are not tied to the ups and downs of the equity markets.

[1] Distributions under the policy (including cash dividends and partial/full surrenders) are not subject to taxation up to the amount paid into the policy (cost basis). 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 percent tax penalty if the policyowner is under age 59½.

Access to cash values through borrowing or partial surrenders will reduce the policy's cash value and death benefit, increase the chance the policy will lapse, and may result in a tax liability if the policy terminates before the death of the insured. Life insurance proceeds are generally excluded from the beneficiary's gross income for income tax purposes. There have been a few exceptions such as when a life insurance policy has been transferred for valuable consideration.

Life Insurance

Hypothetical example: Assume Joanna, age 45 today, contributes the maximum allowable to her employer's 401(k). To address her family's $1,000,000 life insurance need today, she contributes $67,330 annually for ten years to her Whole Life 10 Pay insurance policy (underwritten as an ultra preferred non-tobacco risk class) that may also offer her a source of funds to help fill in her income gap at retirement (assume that her final income just prior to retirement is $200,000 and she is married with household income of $450,000). Consider Chart C below in which annual policy distributions of $83,412 are taken from the policy beginning at age 67 through age 91 to fill in her income gap at retirement:

CHART C

Pre-Retirement Income to replace	Post-Retirement Income from 401(k) and Social Security beginning at age 67	**Shortfall**	Potential Tax-favored **Annual Distributions** from a whole life insurance policy age 67-91[1]	**Potential Post-Retirement Income** from planning
$200,000	**$116,588**	**$83,412**	**$83,412**	**$200,000**

The Chart C example above assumes the purchase of a Whole Life 10 Pay policy and taking loans and distributions from the policy to fill the gap in income based on a final pre-retirement income of $200,000. The example also assumes that the policy's cash values have not been accessed prior to retirement.

Chart C is a supplemental illustration that is not valid unless accompanied by the **basic illustration**. Refer to the basic illustration for assumptions, explanations, guaranteed elements and additional information. The values shown here are taken from the current assumption of non-guaranteed values.

These illustrated amounts are not guaranteed. They include dividends, which are neither estimates nor guarantees, that have been applied to purchase paid-up additions based on the 2023 dividend schedule. The dividend schedule is reviewed annually, and it is likely that dividends in future years will be lower or higher depending on the Company's actual experience. For this reason, we strongly recommend that you look at a lower dividend schedule illustration. Refer to the Basic Illustrations for guaranteed elements, assumptions, explanations and other important information.

MassMutual Whole Life 10 Pay Policy in Action, Age 45 Female, Ultra Preferred Non-Tobacco — Initial Death Benefit: $1,000,000

CHART D

Year	Age	L10 Annual Premium	Cumulative Premium	Annual Policy Distributions to fund the shortfall	Cumulative distributions taken from policy	Non-guaranteed Net Death Benefit End Year	IRR on Net Cash Value [2]
1	46	$67,330	$67,330	–	–	$1,005,837	–
10	55	$67,330	$673,300	–	–	$1,268,208	1.22%
22	67	–	$673,300	$83,412	$83,412	$1,835,367	4.06%
45	90	–	$673,300	$83,412	$2,001,888	$588,089	4.45%
46	91	–	$673,300	$83,412	$2,085,300	$496,519	4.44%

Chart D is a supplemental illustration that is not valid unless accompanied by the basic illustration. Refer to the basic illustration for assumptions, explanations, guaranteed elements and additional information. The values shown here are taken from the current assumption of non-guaranteed values.

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Contact Advanced Sales at **1-800-601-9983 Option #2**
or email **MMSDAdvancedSales@MassMutual.com**

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[2] The Internal Rate of Return is a measure that can be used to evaluate performance and is based on the current dividend schedule. It is the amount at which outlays (out-of-pocket costs) up to that year must be compounded each year to generate the Net Cash Value.

Whole Life Legacy Series policies ((MMWL-2018 and ICC18-MMWL in certain states, including North Carolina)/(MMWLA-2018 and ICC18-MMWLA in certain states, including North Carolina)), and MassMutual Whole Life series policies on the Coverpath platform (Policy Forms: WL-2018 and ICC18WL in certain states, including North Carolina) are level-premium, participating, permanent life insurance policies issued by Massachusetts Mutual Life Insurance Company, Springfield, MA 01111-0001.

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