

# The insurance-based income solution

Allison Anne Hoyt, JD, CLU  
Technical Director, Advanced Consulting Group

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## KEY HIGHLIGHTS

**The IBI solution is a cash value life insurance policy, designed to maximize tax-deferred cash value growth**

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**The IBI solution allows the policy owner to access a stream of tax-free income in retirement, if structured correctly**

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**You might be someone who could benefit from the IBI solution if...**

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**The eight (8) layers of income tax insulation that can be provided by the IBI solution is a valuable potential benefit for future retirees**

For many people, qualified retirement plans and Social Security will not provide enough money to maintain their standard of living in retirement. Much more than just a death benefit, you may be surprised to learn that a cash value life insurance policy can be used to provide its owner with additional income in retirement. The insurance-based income (IBI) solution is an excellent way to supplement retirement income while also providing death benefit protection during one's working years.

The IBI solution is a cash value life insurance policy that is intentionally designed to maximize tax-deferred cash value growth as well as tax-free retirement income. Taxes are not owed on amounts that accumulate in a cash value life insurance policy; and if properly designed, taxes can be completely avoided and a tax-free income stream can be taken in retirement.<sup>1</sup>

The policy owner makes the regularly scheduled premium payments. The policy owner has tax-preferred access to the policy's available cash value in retirement and his or her beneficiaries receive the remaining death benefit income tax-free.

## The advantages of an IBI solution are multiple:

- No contribution limits like qualified retirement plans and IRAs<sup>2</sup>
- No impact on contributions to qualified or nonqualified plans
- Tax-deferred cash value growth
- No 10% early withdrawal penalties
- No required minimum distributions
- Potentially heightened creditor protection
- Tax-preferred access to available cash value
- Income tax-free death benefit paid to beneficiaries at insured's death
- Access to valuable riders like waiver of premium or long-term care

## WHO MIGHT FIND THE IBI SOLUTION ATTRACTIVE?

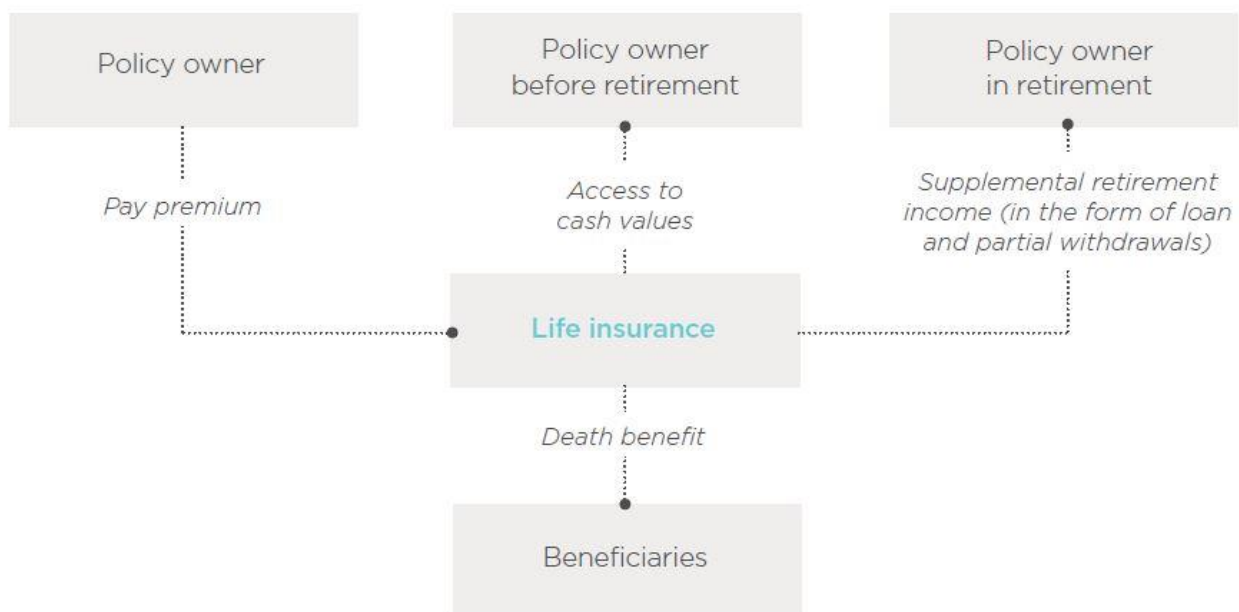
Healthy individuals who are insurable, around ages 35 to 55, are ideal candidates for using a cash value life insurance policy to supplement their retirement income. Allowing around fifteen (15) years for the policy cash values to grow prior to accessing an income stream helps promote optimal policy performance. In addition, anyone who finds the following features desirable or appealing, may want to consider the IBI solution; someone:

- With a retirement income and death benefit need
- Who has taken advantage of traditional retirement plan options
- Seeking tax-deferred investment growth
- And might need flexible access to their money
- Seeking greater creditor protection (varies, state-by-state)

Finally, anyone who doesn't like paying taxes (tongue in cheek!) should also find the multiple tax advantages and other financial benefits of using the IBI solution in retirement attractive. The eight (8) layers of income tax insulation – and other financial benefits - of the IBI solution include:

- No federal income tax
- No state income tax
- No local income tax
- No capital gains tax
- No net investment income tax
- No FICA taxes (Social Security and Medicare)
- No alternative minimum tax
  - Does not impact percentage of Social Security benefits subject to taxation
  - And will not increase Medicare premiums

## HOW IT WORKS



## CASE STUDY

At 20-years old, Erica started a franchise called The Sunny Side Yoga Studio. Erica has poured her heart and soul into her work and the operation has become very successful over the last fifteen years. Erica enjoys her work but knows that one day she wants to retire. She also has a family that depends on her income and would be disadvantaged if she dies prematurely.

Erica really wants investment flexibility and penalty-free access to her money if she needs it before retirement. She's already made her annual retirement plan and IRA contributions and she's looking to find other ways to save for her future.

Erica decided to talk to her financial advisor. After listening to Erica's concerns, her advisor recommended an IBI solution using a life insurance product designed for cash accumulation, where Erica can make investment decisions, access cash value tax-preferred and penalty-free, and her family will receive income tax-free death benefit when Erica dies. She now feels more prepared for her financial future than ever.

## CONCLUSION

Retirement and financial security is top of mind for many Americans. Having a diversified portfolio of assets to meet one's retirement income needs puts one in a position of financial strength in retirement, with the flexibility to access funds from various assets. Adding a cash value life insurance policy to one's retirement assets can further fortify one's financial future and help lead to a fulfilling and rewarding retirement. Speak with your financial advisor about adding the IBI solution to your retirement income strategy, today.



This material is not a recommendation to buy or sell a financial product or to adopt an investment strategy. Investors should discuss their specific situation with their financial professional.

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<sup>1</sup> Assuming the policy qualifies as a "non-MEC" (i.e., not a modified endowment contract).

<sup>2</sup> Contributions are only limited by the definition of life insurance as per Internal Revenue Code (IRC) 7702.