

Is Pension Maximization the Right Choice for You?

Understand this concept and the option it provides for your situation.

Pension Maximization using life insurance is a relatively simple, yet powerful, concept when used in the right circumstances. In short, the Pension Maximization strategy allows you to select the maximum pension payout option from your company's pension plan at retirement. As a result, your spouse will not be provided with a survivor benefit should you predecease him/her. However, this loss of income can be offset by using the death benefit proceeds from a cash value life insurance policy which you purchase prior to retirement. This concept works most effectively when the death benefit proceeds earn more than the rate necessary to generate the foregone joint and survivor option.

Before reviewing this proposal, we recommend you take a moment to consider if Pension Maximization is indeed the right concept for your situation.

The Pension Maximization concept works most effectively for married individuals who are currently participants in a defined benefit pension plan, are 10-15 years from retirement, and are comfortable allocating some of their retirement income to pay premiums on life insurance.

There are certain risks associated with the Pension Maximization strategy. First, the life insurance policy may lapse prior to the insured's death. Second, the surviving spouse may consume both the policy death benefits and the earnings they generate. Finally, it is possible that after the retiree's death, the spouse could lose eligibility for survivor health care benefits (check your company's plan).

In essence, Pension Maximization offers you the ability to take the maximum payout option from your defined benefit plan at retirement while still providing for your spouse in the event of your death. If you feel your situation meets these criteria and are interested in how this concept can work for you, the Pension Maximization supplemental illustration which follows is designed to illustrate various scenarios for comparison purposes. It is based upon information provided by you and it is not intended to predict, project, or guarantee the performance of any product including an IRA, annuity, or life insurance policy. This presentation is for educational purposes only and does not constitute an estate plan or the recommendation of one particular option over any other alternative.

Finally, as always, we recommend you consult your legal, tax, and accounting advisors about the consequences of taking advantage of the Pension Maximization concept. Neither the ING family of companies, nor their agents or representatives, provide legal, tax, or accounting advice; and this presentation and any oral or written communication relating to it should not be construed as such.

Pension Income Options From <Employer>

At retirement, you typically have two basic alternatives from which to choose when selecting how to receive your pension income benefits: The Life Only Option or a Joint and Survivor Option. Following is a comparison of the monthly retirement income available under these options, based on information provided by you about your current pension plan.

Prepared for: Valued Female Client and Valued Male Client
Assumed Age at Retirement: 65

	<u>Valued Female's Monthly Income Options at Retirement Age</u>	<u>Monthly Survivor Income to Valued Male if Valued Female Dies</u>
Life Only Option	\$3,000	\$0
Joint and Survivor Option (50.00% to Survivor)	<u>\$2,550</u>	<u>\$1,275</u>
Cost of Providing Survivor Income		
Monthly Cost	\$450	
Annual Cost	<u>\$5,400</u>	
Total Cost From Retirement To Age 84 - (19 years)	<u>\$102,600</u>	

The Problem with these Typical Pension Options

The Life Only option maximizes your pension income, but does not provide a survivor income for Valued Male at your death.

The Joint and Survivor option offers a future income for Valued Male, but:

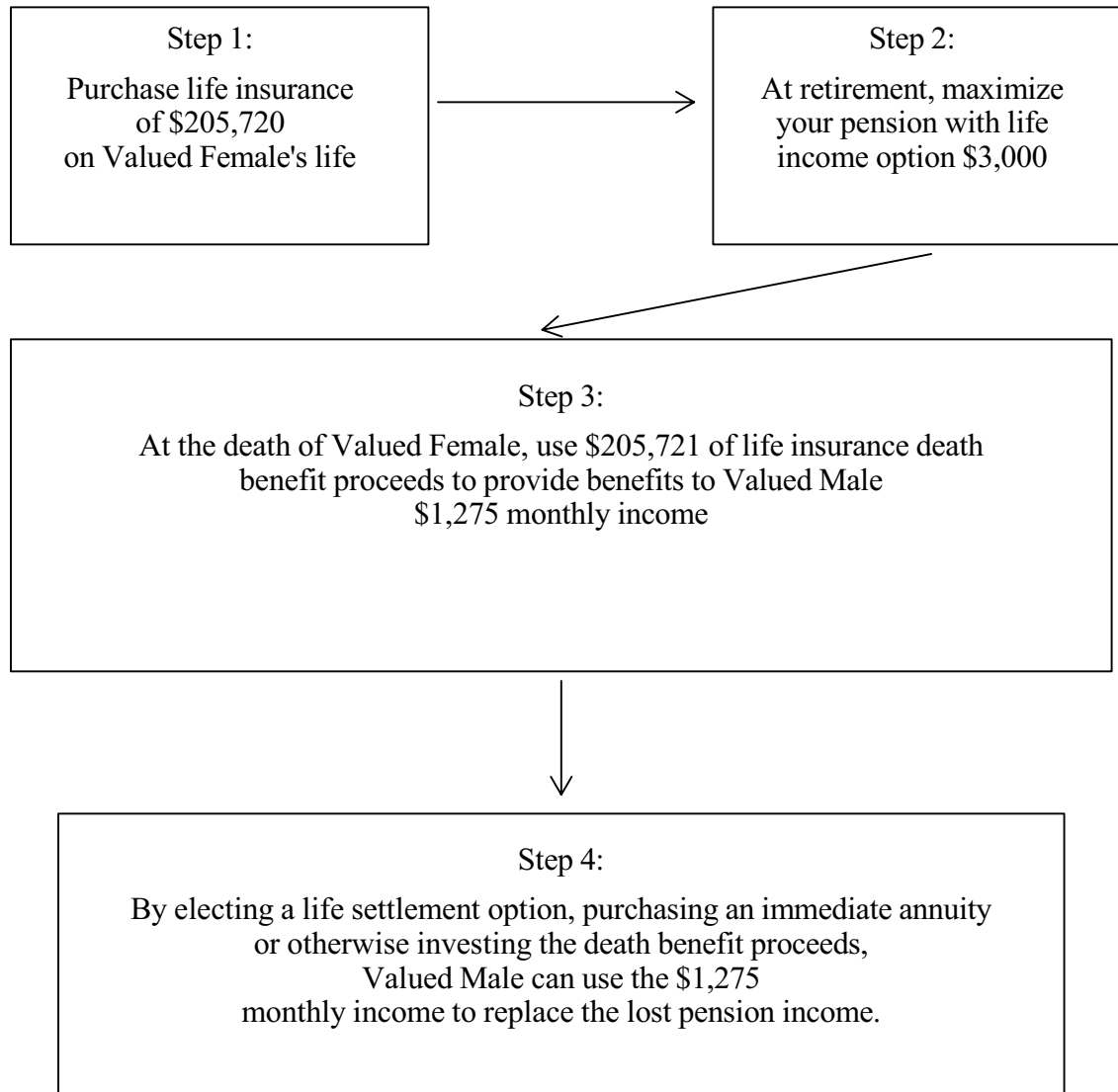
- **Provides less monthly income during retirement.** To provide Valued Male with an ongoing income after your death, your pension income must be reduced.
- **Irrevocable Lifetime Option.** Once elected, the Joint and Survivor option cannot be changed.
- **Beneficiary cannot be changed.** Only a surviving spouse may be designated as the beneficiary. This restricts flexibility in planning your estate. The beneficiary cannot be changed even if life circumstances change.
- **Leaves nothing to heirs.** At the death of both you and your spouse, your pension ends. No portion of your pension goes to heirs.
- **No flexibility.** If Valued Male should die before you do, in many pension plans, the reduction in your retirement income will continue, even though the survivor benefit is no longer needed.

An Alternative

The Pension Maximization Alternative using Life Insurance

Pension Maximization is an alternative that allows you to take the maximum pension income while still providing a survivor death benefit to Valued Male through the use of life insurance. Following are the steps involved:

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Assumed Age at Retirement: 65



How Life Insurance Proceeds Can Provide an Income to Valued Male

Whether Valued Female dies before or after retirement, the life insurance death benefit proceeds become payable in cash to Valued Male, the policy beneficiary.

The life insurance death benefit is the amount needed to provide \$1,275 monthly income to Valued Male, assuming Valued Female dies at retirement age. This calculation assumes that all of the death benefit proceeds are used to purchase a Single Premium Immediate Annuity (SPIA). This illustration assumes the purchase of an ING SPIA that is available today, based on current rates that are subject to change without notice. At the time of death you have the choice of purchasing the SPIA product available at that time or electing an income benefit as a settlement option on your policy.

Advantages of Pension Maximization using Life Insurance

- **Maximize pension income.** At retirement, Pension Maximization allows you and your spouse to elect the Life Only option and maximize your pension income. In the event that Valued Male dies first, you can continue to collect your full pension.
- **Flexibility in determining beneficiary.** You can change the beneficiary of the life insurance policy at any time if your life circumstances and objectives change.
- **Continuing benefits if spouse dies first.** If your spouse dies first, you have the option of (1) maintaining the life insurance policy and naming a new beneficiary, (2) accessing the cash surrender value on a tax free basis*, or (3) continuing to receive the maximum pension benefit for your lifetime.
- **Benefits may be passed on to heirs.** When your spouse dies, death benefits may be passed on to your children or other designated heirs.
- **Pre-retirement death benefit.** Death benefits from the life insurance policy are payable to the policy beneficiaries, whether death occurs before or after retirement.
- **Increasing cash value.** The policy may build cash value as long as you maintain the life insurance policy and continue to pay premiums if needed. If you desire, you can borrow from or withdraw portions of this cash value for other needs which might arise, subject to policy limitations. Loans and withdrawals may generate tax liability, reduce available cash value and reduce the death benefit or cause the policy to lapse.
- **Income tax deferred accumulation.** Under current federal income tax law, cash surrender values accumulate within the life insurance policy income tax deferred until withdrawn.
- **Tax free death proceeds.** Under current tax law, if you die first, your spouse receives the death benefit proceeds from the life insurance policy free of federal income tax. Joint and survivor pension income option amounts generally are fully taxable when received.
- **You have control.** Most importantly, The Pension Maximization Strategy continues to offer you flexibility after you've retired. Instead of accepting a limited one-time option under your pension program, you and your spouse can maximize your pension benefits, while still maintaining control over the death benefit proceeds which will become payable at your death.

*Income tax free distributions are achieved by withdrawing to the cost basis (premiums paid) then using policy loans. Loans and withdrawals may generate an income tax liability, reduce available cash value and reduce the death benefit or cause the policy to lapse. This assumes the policy qualifies as life insurance and is not a modified endowment contract.

Comparison Of Features

	JOINT & SURVIVOR Pension Option	PENSION MAXIMIZATION Using Life Insurance
While you and your spouse are both living	A reduced pension benefit is received.	The maximum pension benefit is received.
If you die first	Your spouse continues to receive a reduced pension benefit.	Your spouse can use the income tax-free death benefit to provide a lifetime income.
If your spouse dies first	You continue to receive a reduced pension benefit for your lifetime.	You continue to receive the maximum pension benefit for your lifetime and can continue the life insurance policy for your heirs, or you can use any cash value to provide supplemental retirement income.*
If you have a financial emergency	The pension benefit cannot be adjusted to provide emergency funds.	Any cash values from the life insurance policy can be utilized.*
Your heirs	Heirs receive nothing from the pension plan upon the death of you and your spouse.	Beneficiaries of the life insurance can be named.

*Income tax free distributions are achieved by withdrawing to the cost basis (premiums paid) then using policy loans. Loans and withdrawals may generate an income tax liability, reduce available cash value and reduce the death benefit or cause the policy to lapse. This assumes the policy qualifies as life insurance and is not a modified endowment contract.

Summary Comparison Of Benefits

	JOINT & SURVIVOR Pension Option	PENSION MAXIMIZATION Using Life Insurance	
		Life Only	+ Insurance
<u>Before Retirement</u>			
Death Benefit to Valued Male if Valued Female dies.	**	**	\$205,720
<u>After Retirement</u>			
<i>While Valued Female and Valued Male are living:</i>			
Monthly Pension Income	\$2,550	\$3,000	\$0
<i>At Valued Female's Death:</i>			
Monthly Income to Valued Male if Valued Female dies at:			
Age 65	\$1,275	\$0	\$1,306*
Age 70	\$1,478	\$0	\$1,489*
Age 75	\$1,713	\$0	\$1,744*
Age 80	\$1,986	\$0	\$0*
<i>At Valued Male's Death:</i>			
Monthly Income to Valued Female	\$2,550	\$3,000	\$0
Plus			
Life Insurance Cash Value at Valued Female's Age 65	\$0	\$0	\$6,394
<u>On Simultaneous Death of Both Valued Female and Valued Male</u>			
Death Benefit to Heirs	**	**	\$205,720

*Assuming the death benefit proceeds are invested earning an annual rate of return of 5.00%, the interest and principal will provide an income to Valued Male.

**The provisions of your pension plan will specify whether a death benefit is payable if death occurs prior to retirement. In either case, the benefits will be the same whether you choose the Life Only or Joint and Survivor income option.

The Joint and Survivor pension benefit values reflect a 3.00% cost of living adjustment.

The life insurance cash surrender value and net death benefit amounts illustrated are based on the current interest and current cost assumptions. The values illustrated are not guaranteed. They assume that the illustrated non-guaranteed elements of the policy will continue unchanged for all years shown. This is not likely to occur, and actual results may be more or less favorable than those shown. This page must be accompanied by the basic Policy Illustration, which includes the guaranteed elements of the policy and other important information.