

# Instructions for Using the Retirement Financial Flexibility Worksheet

Life insurance death benefits can potentially help many retirees preserve their assets and increase their family's financial flexibility. There are at least seven life insurance strategies retirees could implement to help preserve their retirement assets and income. These strategies are generally for retirees who expect to have money left over at death to pass on to surviving family members and who have liquid assets which they can afford to use to pay policy premiums.

Some strategies may fit some retirees, while other strategies may not. It is unlikely that any retirees will benefit from all the strategies; indeed, there may be some retirees who won't benefit from any of them. Each retiree's situation is different and should be considered on its own facts.

## Strategy Summaries. Here is a summary for each strategy:

- **Help Replace Income Taxes on Tax-Qualified Account (IRA) Distributions**

The balance in a retiree's tax-qualified retirement plan is not all theirs to spend. As they take distributions from the account, they must pay income taxes. Retirees may use life insurance death benefits to potentially "replace" these income taxes for their families. The amount of life insurance coverage needed can be computed by multiplying the sum of the client's tax-qualified retirement account balances by the client's projected marginal income tax bracket. Make this computation in the spaces provided.

- **Help Create Funds to Convert a Traditional IRA into a Roth IRA**

Many retirees would prefer to pass on a Roth IRA to their families than a traditional IRA. Although most retirees have the ability to convert to a Roth IRA during their lifetimes, most don't do so because they don't want to pay the income taxes that would be due. If the spouse has been named as the IRA beneficiary, the spouse can roll over the IRA to their own name. Then the spouse can elect to make the Roth IRA conversion. If all the conversion qualifications are met, life insurance death benefits on the deceased spouse can help create funds for the surviving spouse to pay the income taxes due. The amount of death benefit needed is the amount of the traditional IRA to be converted into a Roth IRA multiplied by the surviving spouse's projected marginal income tax bracket. Make this computation on the worksheet in the spaces provided.

- **Help Increase the Legacy a Traditional IRA Can Pass On**

Traditional IRAs can be limited in their ability to pass on wealth to surviving family members. Distributions to beneficiaries are generally subject to income taxes. If the owner is wealthy enough, estate taxes could also be due. ING's Legacy Max strategy may be able to help increase the legacy from the IRA. The owner determines the amount of the traditional IRA that is unlikely to be needed during retirement. This sum is distributed to the owner in installments or in a lump sum. After income taxes are paid, the net distributions remaining can be used to pay policy premiums. Based on these premiums, the amount of life insurance death benefit can be estimated. The actual amount of coverage available will depend on the owner's health, life expectancy and ability to meet underwriting requirements.

- **Reinforce a Spouse's / Partner's Financial Security with Reserve Funds**

During the course of retirement, financial assumptions may not play out as originally expected. A retired couple can experience higher than expected living costs / inflation. There may be unexpected property losses or medical costs from unexpected accidents or illnesses. The investment performance of their retirement fund may be sub-par. If any of these situations arises, life insurance death benefits may help create a reserve that can reinforce the financial security of the survivor. Write down the extra reserve amount the client desires for each of these contingencies.

- **Create a Flexible Alternative to Bequests in Wills or Trusts**

It is common for people to include bequests in their wills, trusts or other estate planning documents directing their personal representative / trustee to make cash distributions to friends, family members and charities at their deaths. Depending on the individual's health and life expectancy, life insurance death benefits may be able to fund similar distributions. For each spouse / partner, write down the total bequests made in their current documents.

- **Plan for a Target Inheritance**

Some retirees have very specific ideas about how much of an inheritance they wish to leave behind. Some may want to provide their children an exact amount and leave the balance of their estate to charity. Others may wish to leave their estate to their children but also provide a specific amount to their grandchildren. Life insurance death benefits can be used to help provide the specific amount desired. The amount of coverage that may be needed is the specified inheritance amount multiplied by the number of recipients. For example, suppose a grandparent wants to give each grandchild a \$25,000 inheritance to help pay for college, a first house, etc. If there are six grandchildren, the total death benefit needed would be \$150,000.

- **Help Prevent Family Conflicts**

Families sometimes fight over money when a parent dies. The potential for conflict increases if the parent has been involved in more than one marriage, has had children with different spouses/partners, has agreed to provide an inheritance through a pre-nuptial agreement, or has children who are not receiving equal inheritances. Most parents don't want their estate plan to cause conflict and ill feeling between the people they love. Life insurance on the parent may help increase the assets to be passed down; it may be possible to use these death benefits in ways which prevent or reduce family conflicts. For example, death benefits can supplement the inheritance of the spouse or children. They could also be used to establish a reserve to protect disabled children so that healthy children can receive something from the parent's estate. Note the amount(s) of death benefit the parent wants to supply to limit family conflicts and add them together. Note the total in the space provided.

- **Other/Miscellaneous**

During the course of your discussion with the client, other needs and uses for life insurance may become apparent. Note these needs and the death benefits needed to meet them.

## **Total Additional Cash Needed**

As you review the results of your discussion with the client, note the strategies in which the client indicated interest. Compute the total life insurance need for each strategy and then add the totals together to determine the Total Additional Cash Needed. Share this total with the client and confirm that this total amount of life insurance coverage meets the client's financial needs and is likely to comply with company life insurance underwriting guidelines. Document the process used and the recommendations you made to the client.

## **Prepare Possible Life Insurance Policy Illustrations**

Once a total life insurance death benefit amount has been agreed upon, you may proceed to prepare life insurance policy illustrations that potentially meet the client's needs.

## **Conclusion**

Many retirees think that once they are retired, they no longer need life insurance. With these strategies, you may show them some ways in which life insurance death benefits can be useful in helping to preserve retirement assets and family financial security. When presented as a group, these seven strategies can work together to increase your life insurance sales opportunity. Consider using as many of these strategies as are appropriate to a client's needs when you meet with people who are retired or who are planning to retire in the near future.

# Retirement Financial Flexibility Worksheet

## Strategies to Help Preserve Retirement Assets & Income

### 1. Help Replace Income Taxes on Tax-Qualified Account Distributions:

Total Retirement Account Balances \_\_\_\_\_  
Expected Marginal Income Tax Bracket \_\_\_\_\_  
Projected Income Taxes on Account Distributions \_\_\_\_\_

### 2. Help Create Funds to Convert a Traditional IRA into a Roth IRA:

Amount of IRA to Convert to a Roth IRA \_\_\_\_\_  
Projected Income Tax Bracket \_\_\_\_\_  
Projected Income Tax Due on Conversion \_\_\_\_\_

### 3. Increase the Legacy a Traditional IRA Can Pass On:

Total Tax-Qualified Account Balances \_\_\_\_\_  
Projected Net Remaining After Income Taxes \_\_\_\_\_  
Possible Amount of Coverage \_\_\_\_\_

### 4. Reinforce a Spouse's/Partner's Financial Security with Reserve Funds for:

Higher than Expected Living Costs/Inflation \_\_\_\_\_  
Unexpected Medical Costs/Property Losses \_\_\_\_\_  
Sub-Par Investment Performance & Losses \_\_\_\_\_

### 5. Create a Flexible Alternative to Bequests in Wills or Trusts:

Bequests from Husband's Documents \_\_\_\_\_  
Bequests from Wife's Documents \_\_\_\_\_

### 6. Plan for a Target Inheritance:

Desired Inheritance Per Child/Grandchild \_\_\_\_\_  
Number of Children/Grandchildren \_\_\_\_\_

### 7. Help Prevent Family Conflicts:

Additional Inheritance for Surviving Spouse \_\_\_\_\_  
Additional Inheritance for Children \_\_\_\_\_  
Reserve for Disabled Children \_\_\_\_\_  
Cash to Balance Children's Inheritances \_\_\_\_\_

### 8. Other / Miscellaneous:

\_\_\_\_\_  
\_\_\_\_\_

### Total Additional Cash Needed:

\_\_\_\_\_

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