



# Defined Benefit **Life**<sup>™</sup>

A LIFE INSURANCE SOLUTION • PERSONAL • TAX-ADVANTAGED

RETIREMENT DEFINED • PERSONALIZED • TAX-ADVANTAGED

# What is **Defined Benefit Life**?

**DBL** A lifetime financial security solution funded by life insurance that provides five strategic benefits:

1. Financial protection for beneficiaries
2. Wealth building on a tax-deferred basis
3. Predetermined targeted amount of retirement income
4. Policy management system that provides annual funding guidance
5. Tax-free income via policy loans

**DBL** What is the vehicle that funds Defined Benefit Life?

A choice that may surprise you: Life insurance. Specifically, indexed universal life, a policy that offers exceptional tax advantages, flexible funding, and an immediate death benefit for the protection of beneficiaries.

**DBL** How does Defined Benefit Life differ from traditional life insurance?

Through the coupling of an policy management system that annually monitors and reports on the policy's performance and provides guidance to the policy owner on funding options.


**DBL** Why is the administrative service important?

Because the policy management system enables Defined Benefit Life to mimic the economic methodology of yesterday's Defined Benefit Pension plans, in effect creating a personal, private, and tax-advantaged solution for building wealth and retirement security that other vehicles can't match.

**DBL** What makes the income from Defined Benefit Life different?


Under current law, policy loans are income tax-free.

# Why is **Defined Benefit** Life an Important Innovation?




*"The retirement security crisis is not just a problem for individuals; it's a problem for society as a whole. When people can't retire with dignity and financial security, it places a burden on social safety nets and future generations."*

Teresa Ghilarducci




*"America's retirement crisis is a ticking time bomb. With longer life expectancies and rising healthcare costs, many retirees are struggling to make ends meet."*

Bernie Sanders



*"The retirement security crisis is a wake-up call for individuals to take charge of their financial planning and for policymakers to create an environment conducive to savings and investment."*

Ben Carson




*"In a world where traditional pension plans are disappearing, and many Americans lack access to retirement savings plans at work, we need to find innovative solutions to address the retirement security crisis."*

Elizabeth Warren




# All Sides Agree. We Have a Crisis.




*"The retirement crisis is a reminder that we need to promote personal responsibility and fiscal discipline. Government programs alone cannot solve this problem."*

Marco Rubio




*"Retirement security is not a partisan issue; it's a matter of economic justice. We should work across the aisle to find common-sense solutions that ensure a secure retirement for all Americans."*

Mark R. Warner



*"The retirement security crisis is a call to action for progressive policies that prioritize the well-being of working-class Americans. We need to ensure that everyone can retire with dignity and financial stability."*

Tammy Baldwin




*"Conservatives believe in individual liberty and self-reliance. We should encourage policies that empower individuals to save, invest, and plan for their retirement without excessive government intervention."*

Rand Paul

# Retirement is a problem. Why?

American workers lost the Defined Benefit Pension.



*"The loss of defined benefit pension plans is a reflection of changing economic dynamics. We must find **innovative solutions** to ensure that retirees can still enjoy a dignified and financially secure retirement."*

Patty Murray



It is just a fact: Today, it's up to the individual to ensure one's retirement security. That's why Defined Benefit Life is an important innovation. It's a way for you to take meaningful action to ensure that your retirement is financially secure while also enjoying substantial financial protection for beneficiaries and tax advantages.


Waiting for the Government to solve America's retirement security crisis is, unfortunately, no answer. This is not a new problem. Rather, it has been decades in the making. It is important to understand why. A bit of history helps place this entire issue in context.



# When the American Dream was Lost.

**It began on November 6, 1978**

On November 6, 1978, Congress enacted Internal Revenue Code section 401(k). That day marked the beginning of the end of Defined Benefit Pension plans. In the decades that followed, hundreds of companies froze or shut down their Defined Benefit pensions. In their place came "defined contribution" plans like 401(k). These plans shifted the investment risk away from the employer and onto the shoulders of the employee. Defined contribution plans may be good for saving, but they are terrible for income. 401(k), TSP, 403(b) and other defined contribution plans made it impossible for most employees to answer the most important question a retiree should be able to answer: *What's My Income?*



***"The American dream was a steady job with a middle-class salary, decent benefits, and the promise of a pension in retirement."***

\* Source: WHY PENSIONS MATTER The history of defined benefit pension plans in the United States of America, March 2017

History teaches us that since the trend away from Defined Benefit Pensions, there has been a systematic and pronounced decline in retirement security in the United States. Virtually everyone agrees on this. Yet, Government takes little action to reverse the problem. The burden clearly rests on our shoulders.

Personal action and accountability are the keys to building long-term wealth and financial security once retirement begins.

# A Solution to a Crisis.

Innovation. Flexibility.  
Privacy. Tax advantages.  
Protection. Realization.  
These are the  
characteristics that  
make Defined Benefit  
Life so different and so  
attractive.

**DBL** Define your desired  
retirement income.

**DBL** Manage your policy to  
achieve that objective?

**DBL** When you retire, receive  
the amount of income you  
defined. Income tax-free.

Defined Benefit  
**Life**<sup>™</sup>  
INNOVATIVE LIFE INSURANCE SOLUTION





DEFINED BENEFIT

# Life<sup>TM</sup> Strategy

## How it Works – Year One

When you apply you make 4 decisions.

1

Define the amount of annual income that wish to receive at your selected retirement age.

Amount of Annual Retirement Income

2

Define the number of years that premiums will be paid into the life insurance policy.

Years You Will Pay Premiums

3

Define an assumed baseline interest rate that the policy will be credited until retirement.

Assumed Baseline Interest Rate

4

Define the number of years you wish to receive income once you reach retirement.

Years to Receive Income



AN EXAMPLE: Jill, a 35-yearold women wishes to receive an annual income beginning at age 65 in the amount of \$75,000 per year. Her four decisions might look like this:

- 1. \$75,000 Target Income**
- 2. 29 Years (Age 35 thru 64)**
- 3. 6%**
- 4. 35 Years (Age 65 thru 100)**



# What Happens Next?

EXAMPLE: CONTINUED: We cannot know in advance how a stock index will perform. What we can safely say is that the performance from year to year will differ from the 6% baseline assumed interest rate. Assume that in year two the policy earned less than the assumed rate. Let's say **5%** was credited. The Defined Benefit Life policy management system will send an annual report informing the policy owner of two options:

1. Raise the premium to the amount required to keep the policy of track for the \$100,000 income, or,
2. Keep the premium unchanged and be on track for a slightly lower income.



Hypothetical Year Two:  
Policy is Credited a Lower  
Interest Rate Than Assumed

**5%**



## Jill's Option One

Adjust Premium Required to Keep On Track

**\$421/mo.**

From age 35 thru 64

**\$75,000/yr.**

From age 65 thru 100

## Jill's Option Two

Premium Unchanged, Now On Track  
for Smaller Income

**\$400/mo.**

From age 35 thru 64

**\$74,120/yr.**

From age 65 thru 100

Our example assumes that Jill decided to increase the premium to \$421/month to stay on-track for \$75,000.

Hypothetical Year Three:  
Policy is Credited a Higher  
Interest Rate Than Assumed

7%



### Jill's Option One

Lower Premium to Remain On Track

**\$386/mo.**

From age 35 thru 64

**\$75,000/yr.**

From age 65 thru 100

### Jill's Option Two

Premium Unchanged, Now On Track  
for Higher Income

**\$421/mo.**

From age 35 thru 64

**\$76,070/yr.**

From age 65 thru 100



Every year thereafter, until Jill reaches age 65, her Annual Reports will notify her of any premium adjustments needed to keep her policy on-track for her desired \$75,000 income.



# Why Defined Benefit Life Works

The Defined Benefit Life is a strategy that combines an Indexed Universal Life policy with a unique policy management system to create a personal, tax-advantaged solution for strengthening retirement security.

Why life insurance?" A couple of reasons. First, life insurance provides a Death Benefit that protects beneficiaries. Second, the economics of life insurance- tax-deferred growth and tax-free access to cash via policy loans- are distinctly advantaged and valuable benefits that can be leveraged to create an income at retirement which is income tax-free.

## Why is Life Insurance Tax-Advantaged?



Why is Defined Benefit Life different than purchasing an ordinary cash value life insurance policy? What makes Defined Benefit Life different (and exceptionally valuable) is the linking of the life insurance policy to a policy management system that manages the policy toward the objective of providing your desired income at retirement. While Defined Benefit Life is not a defined benefit pension, the policy management system mimics the fundamental economic methodology used in defined benefit pension plans. This transforms a life insurance policy into a unique retirement security vehicle.

With Defined Benefit Life, the policy owner identifies a targeted annual income to begin at a selected age. Each year, the premium required to fund the annual income is calculated and communicated to the policy owner. Small adjustments keep you on track for the desired income.



# What Type of Life Policy? IUL.

**About the Multiple Advantages of Indexed Universal Life**

Because of its inherent premium flexibility and options for crediting interest, Defined Benefit Life utilizes a type of life insurance policy called **Indexed Universal Life (IUL)**. IUL offers the potential for interest crediting linked to one or more stock indexes. Depending upon the specific life insurance policy, available indices may include the S&P 500, NASDAQ 100, or Russell 2000. Some insurers offer proprietary indices. In many cases, policy owners may choose to allocate savings to more than one index.



**S&P 500**

**NASDAQ 100**

**Russell 2000**

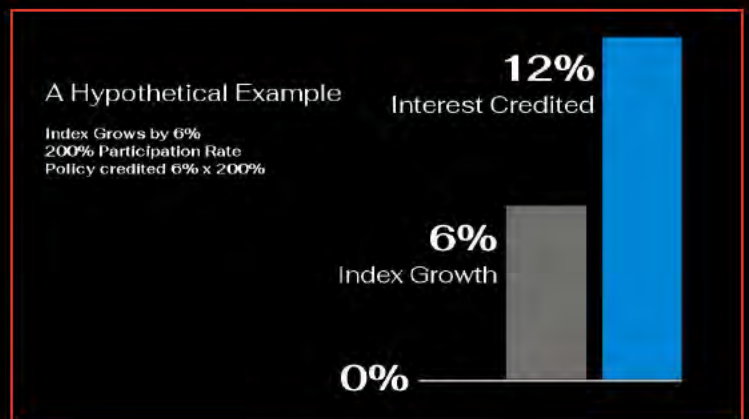
# Growth Potential. And Protection.

IUL Offers Interest Growth Potential plus Protection Against Loss

## EXAMPLE: INDEX GROWTH

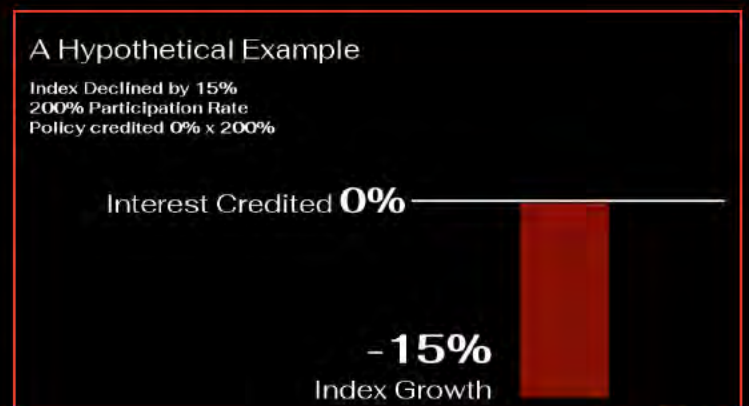
IUL provides the potential for interest growth linked to a stock index. That said, IUL is not an investment, and it should not be compared to investments. Rather, the life insurance policy is a highly tax-advantaged vehicle for saving.

Many IUL policies have a "current" or non-guaranteed participation rate. In this hypothetical example, the index grows by 6%. But when applying the 200% participation rate, the interest credited to the policy is 12%. Some IUL policies "cap" the level of interest that can be credited in any year.



## EXAMPLE: INDEX DECINE

In this example, the IUL policy has the same 200% participation rate. However, for the year in question the index lost 15%. But because the IUL policy provided a "floor" of 0%, the policy owner is insulated against the 15% index loss. Instead, the policy would receive no interest credit for that year. This example illustrates a critical advantage of IUL: The potential for growth without the risk of loss.



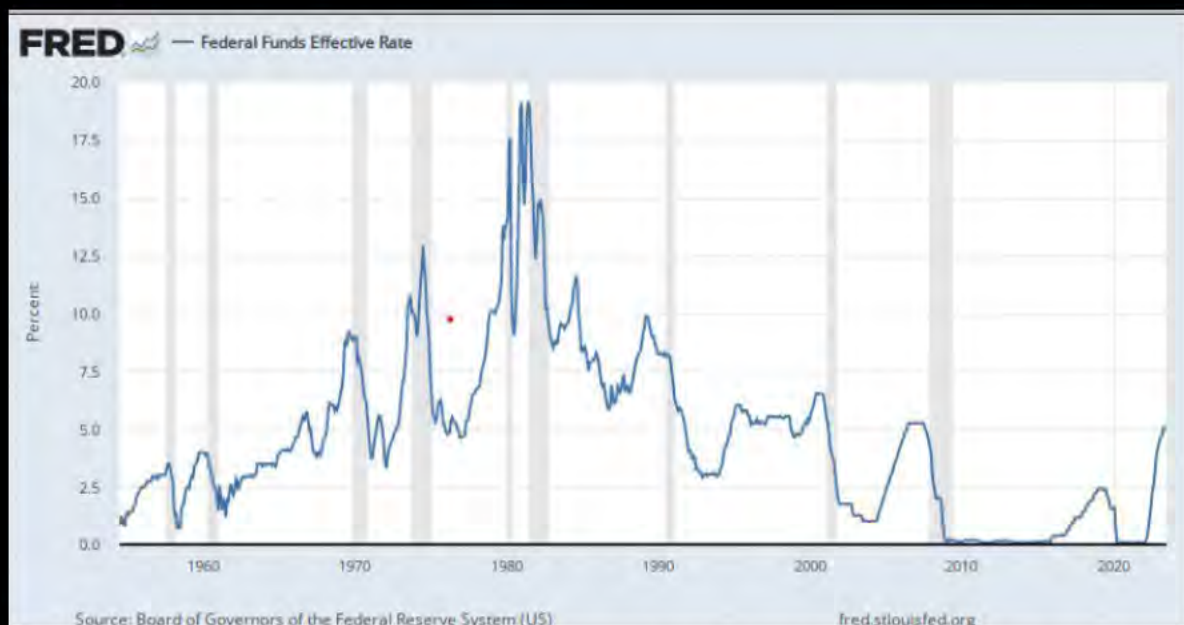


# About IUL Fees

All life insurance policies have costs and fees built in. Licensed insurance agents are required to provide you with detailed information on these. Ask questions. When you are comfortable with the policy recommended to you, that is the time to apply. IUL policies have "participation rates," the percentage of index growth that is credited to the policy.

For example, a 100% participation rate would mean that the policy would be credited with 100% of any index gain. At the time a policy is issued, the participation rate will be the "current" participation rate then applicable. The current participation rate is not guaranteed. Why? A main reason is that the participation rate is sensitive to interest rates.

**This chart from the Federal Reserve illustrates how interest rates can change dramatically over time.**



The insurance company cannot know in advance the level of future interest rates. Therefore, the policy will guarantee a baseline participation rate. Similarly, the policy will stipulate a minimum interest rate. As the years pass, and as interest rates move up and down, the insurance company will tend to change the participation rate in accordance with interest rate movements. Licensed agents must provide an illustration that shows the minimum guaranteed results of an IUL policy.



# The insurance Professional's Role

Your licensed insurance agent will prepare an illustration of the recommended life insurance policy showing the projected results based upon the baseline assumed interest rate you select. The illustration will show the premium required to fund the policy to a cash value sufficient to deliver your targeted annual retirement income beginning at your selected retirement age. In year two and thereafter, the Defined Benefit Life policy management system will send you an Annual Report that provides any premium adjustments necessary to keep your policy on track.




Licensed life insurance professionals are the only people who can bring you Defined Benefit Life.

# Something Important to Understand

When adjustments are made to the premium on an annual basis, they tend to be small. This is the key to staying on track and realizing the income you wish to receive.





*“Defined benefit pension plans provided a stable retirement income for generations of Americans. Their disappearance has contributed to the retirement crisis we face today.”*

Alicia Munnell

**DBL** Unfortunately, today few Americans benefit from the security provided by Defined Benefit Pensions. But that does not mean you can't create your own retirement security plan that employs the very same economic structure.

■ In retirement, income is the number one financial priority. However, 401(k) and similar plans, while they are great for saving, guarantee you nothing in the way of retirement income.

**DBL** More than ever, retirement security is a personal responsibility. Defined Benefit Life is uniquely able to help you realize your objective of a financially secure retirement, and lifetime financial protection.

Defined Benefit  
**Life**<sup>™</sup>  
INNOVATIVE LIFE INSURANCE SOLUTION



## IMPORTANT DISCLOSURE

The foregoing description of Index Universal Life is of a general nature. It does not describe any IUL policy or life insurer.

The example shown is hypothetical and is meant only to conceptually illustrate the economic methodology of Regular premium adjustments.

Life insurance agents are required to provide you with an illustration of any IUL policy recommended. The illustration will provide details on the costs and benefits of the policy. Read it carefully. If there is anything you do not understand, ask questions. Do not purchase a policy until all your questions have been answered to your satisfaction and you are confident that the policy is the right choice for you based upon your needs, time frame, and objectives.

Wealth2k, Inc. or David Macchia do not provide tax advice. Refer to your accountant or tax advisor for any questions you may have on the tax treatment of indexed universal life including policy loans.

Insurance agents offering Defined Benefit Life are independent business persons and are not affiliated with either Wealth2k, Inc. or David Macchia.

Want to learn more?  
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Defined Benefit Life movie.



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