A Self Owned Life And Retirement (S.O.L.A.R.) Insurance Arrangement is an arrangement where an employee purchases an ING Indexed Universal Life-Global Choice (ING IUL-Global Choice) policy issued by Security Life of Denver Insurance Company to provide death benefit protection and to help supplement income in retirement. S.O.L.A.R. Insurance Arrangements are designed to reduce the complexity and risks associated with employer sponsored retirement plans.

ING IUL-Global Choice is a flexible premium adjustable universal life insurance policy that offers a death benefit to the beneficiaries of the policy and may be purchased to meet life insurance needs. While the policy surrender values may be determined by reference to an index-linked crediting strategy, such surrender values support the death benefit offered under the policy. The policy does not participate in any index fund, stock or equity investments. **The policy is not a variable contract or an investment contract.**

### Facing the Five Challenges to Retirement Planning

If you could design the ultimate retirement plan, what features would it have? Chances are you would want it to be tax efficient. You may also want it to be flexible – to allow access to funds at any time. You would want it invested in such a way as to provide sufficient growth to keep up with inflation and yet you would want some guarantees to avoid the risk of losses. And finally, you might want protection for family in the event death occurs before reaching retirement age.

**Individuals considering how to prepare for financial security in retirement face five challenges:**

1. **Risk of Untimely Death**
2. **Income Tax Exposure**
3. **Access Restrictions**
4. **Inflation Risk**
5. **Market Risk**

There are three primary options for retirement saving today: (i) employer-sponsored qualified retirement plans (such as pensions and 401(k) plans), (ii) employer-sponsored nonqualified retirement plans (such as nonqualified deferred compensation and salary continuation plans), and (iii) self-funded qualified retirement plans (such as traditional IRAs and Roth IRAs). S.O.L.A.R. Insurance Arrangements offer an additional tool that employers and employees can use to potentially provide supplemental income in retirement.1

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1A portion of the policy’s surrender value may be available as a source of supplemental retirement income through policy loans and withdrawals. Income tax free policy distributions may be achieved by policy loans or withdrawing to the cost basis (usually premiums paid). This assumes the policy qualifies as life insurance, is not a modified endowment contract and is not lapsed or surrendered with an outstanding loan. **Policy loans may reduce or eliminate Index Credits, generate an income tax liability, reduce available Surrender Value and reduce the death benefit, or cause the policy to lapse.** For policies with the Early Cash Value Rider, policy loans and withdrawals may limit the benefits of the rider. Additionally, loans may limit your client’s ability to make Elections to the Indexed Strategy. If a Traditional loan results in amounts being deducted from a Block prior to its Block Maturity Date, no Elections from the Fixed Strategy to the Indexed Strategy will be processed in the 18 months following the loan.
Challenge #1 – Risk of Untimely Death

The first challenge to retirement planning is the possibility of untimely death. Retirement planning tends to focus on providing for the employee at the end of his or her working years. But retirement planning shouldn’t focus just on the employee – it needs to provide for family members who rely on the employee for support. In this sense, retirement planning is really about income protection – providing for income during working years and after retirement or death. So while retirement planning tends to focus on the event of retirement (the voluntary end to working), such planning may fall short if it does not also provide for loved ones in the event of an early death.

Neither qualified nor nonqualified retirement plans typically provide anything more than accrued benefits if an employee dies early. But the family needs the employee’s income to provide for daily needs both before and after retirement. What happens to the family if the employee’s retirement plan is incomplete at the time of death?

Because they are funded with life insurance, S.O.L.A.R. Insurance Arrangements become “self-completing” in the event of death. If an employee dies before reaching retirement age, the death benefits can be used by his or her family to replace the lost income. Better yet, if the employee safely reaches retirement age, policy cash values, if any, can be accessed to supplement income in retirement.¹

Challenge #2 – Income Tax Exposure

Many types of retirement plans rely on the use of tax deferral – they use pre-tax dollars that are contributed to the plan, accumulate tax-free, and are taxed as ordinary income upon distribution. This is true both for the qualified and nonqualified retirement plan designs. But with tax deferral comes the inherent risk that the purchasing power of the dollars contributed to the plan could be reduced if income tax rates are increased in the future.

### Historical Marginal Tax Rates 1944-2010

<table>
<thead>
<tr>
<th>Year</th>
<th>$50,000</th>
<th>$200,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>1944</td>
<td>78%</td>
<td>94%</td>
</tr>
<tr>
<td>1950</td>
<td>54%</td>
<td>79%</td>
</tr>
<tr>
<td>1960</td>
<td>59%</td>
<td>87%</td>
</tr>
<tr>
<td>1970</td>
<td>51%</td>
<td>71%</td>
</tr>
<tr>
<td>1980</td>
<td>49%</td>
<td>68%</td>
</tr>
<tr>
<td>1990</td>
<td>28%</td>
<td>31%</td>
</tr>
<tr>
<td>2000</td>
<td>15%</td>
<td>33%</td>
</tr>
<tr>
<td>2010</td>
<td>15%</td>
<td>33%</td>
</tr>
</tbody>
</table>

Source: Federal Individual Income Tax Rate History, Tax Foundation, 2009

There is no way to know what income tax rates will be when an employee reaches retirement age. However, if you look at the history of individual income tax rates you can see that rates have been much higher at times in the past. When saving for retirement, employees should at least consider the possibility that future income tax rates may be higher than today’s income tax rates. S.O.L.A.R. Insurance Arrangements offer an opportunity to reduce the impact of potentially increasing income tax rates by paying income taxes today and taking income tax-free distributions during retirement.¹ These arrangements can be funded by employer contributions, employee contributions, or a combination of both. All bonus premium payments paid by an employer to help fund a S.O.L.A.R. Insurance Arrangement are subject to current income taxation, but the cash value of the life insurance policy is available to the employee as a potential source of income in retirement.
Challenge #3 – Access Restrictions

While the main focus of retirement planning is to provide a source of income after an employee’s working years have been completed, an ideal plan would provide for access to funds when needed – even if the need arises before retirement age. A flexible source of retirement income should be able to help with college expenses, the purchase of a vacation home, or unexpected medical costs. But this is not the case for most retirement planning options.

Both qualified and nonqualified retirement plans place restrictions on the participant’s ability to access funds prior to retirement. In the case of qualified retirement plans, a participant cannot access funds prior to age 59½ unless the distributions meet certain, limited exceptions or unless the plan permits the participant to take loans. In the case of nonqualified plans, the restrictions are even tighter – distributions must be made based on the schedule set by the NQDC or SERP agreement.

S.O.L.A.R. Insurance Arrangements offer employees greater flexibility and control with respect to potential income needs. Since the employee is the owner of the ING IUL-Global Choice policy, he or she can access the cash value by taking loans or withdrawals (unless the arrangement has been subject to outside restrictions such as those imposed by a Restricted Executive Bonus Arrangement (REBA)).

Challenge #4 – Inflation Risk

Another consideration is “inflation risk” – the possibility that the value of assets or income will decrease as inflation shrinks the purchasing power of currency. For long-term planning, it is important to hedge against inflation by having a total investment return that outpaces inflation over longer periods of time. One possible hedge against inflation is to invest in equities such as stocks or mutual funds.

S.O.L.A.R. Insurance Arrangements use ING IUL-Global Choice to create a potential source of supplemental retirement income. Policy owners of an ING IUL-Global Choice policy may elect to have premiums credited to a Fixed Strategy or an Indexed Strategy. While ING IUL-Global Choice is NOT an investment, the Indexed Strategy gives the opportunity for cash value accumulation through indexing credit potential based, in part, on the performance of a stock market index or indexes. For more information on how the Indexed Strategy crediting rate is calculated, see the ING IUL-Global Choice Producer Guide (#164147).

Did You Know:

- 47% of employees reported significant decline in their pension and retirement savings.²
- 42% of employees surveyed say the financial situation of the past few months has made them realize that they need to shift some of their retirement savings to investments that have a guaranteed rate of return.³
- 70% of employees surveyed indicated a preference for guarantees with lower returns over investments with a higher degree of risk.³

Challenge #5 – Market Risk

Perhaps even more dangerous than inflation risk is “market risk” – the risk of losses due to fluctuations in securities prices. While securities may provide a potential hedge against inflation, they carry the possibility of negative returns. If inflation creates the risk that investments won’t grow fast enough to retain their purchasing power, the market adds the risk that investment values may actually go down over time.

Employees today are all too aware of the possibility of losing retirement savings due to bad market performance (in fact, a majority have indicated that this has happened to their own savings²). Consequently, many employees are looking for an investment with guaranteed rates of return.

The crediting strategies used in ING IUL-Global Choice policies funding S.O.L.A.R. Insurance Arrangements provide a potential alternative to market risk. Policy owners have a choice between using the Fixed Strategy, the Indexed Strategy, or both. Each strategy has a guaranteed minimum interest rate (2% for the Fixed Strategy and 0% per year for the Indexed Strategy). ING IUL-Global Choice also has an Alternate Guaranteed Account Value with a 1% minimum interest guarantee. If greater than the policy’s Account Value, the Alternate Guaranteed Account Value is used in the benefits calculation only at the time of death or surrender of the policy.

¹Towers Watson Retirement Attitudes Study (2012).
These guaranteed minimum interest rates may provide a potential layer of protection against the risk of market losses.

A S.O.L.A.R. Insurance Arrangement funded with an ING IUL-Global Choice policy is an alternative strategy that employers and employees can use to help combat the five challenges to retirement planning. The ING IUL-Global Choice policy’s death benefit provides protection for the family in the event of an early death. Because after-tax money is used to purchase life insurance, the policy cash values can be accessed as an income tax-free source of supplemental retirement income. And because the life insurance policy is owned by the employee, there are no restrictions on the timing of policy distributions. Electing to use the Indexed Strategy in an ING IUL-Global Choice policy can provide a potential hedge against inflation by crediting growth to the policy’s cash value based, in part, on the performance of a stock market index or indexes, and the guaranteed minimum interest rates for both the Fixed and Indexed Strategies offer protection against market losses.

**How it Works**

A S.O.L.A.R. Insurance Arrangement can be implemented using the following steps:

1. The employer and the employee agree to the need for life insurance protection and providing a potential source of retirement income.
3. Premiums may be paid by bonuses from the employer, contributions from the employee, or a combination of both.
4. The employee may pay income taxes on bonused premiums by taking a Select Loan from the policy. Select Loans have the risk that policy performance may be lower than projected if the amount credited to the account value in the fixed Strategy and/or Indexed Strategy is less than the fixed 6% interest charged on the policy loan.
5. The policy cash values may be available to supplement the employee’s income through withdrawals and loans. The policy death benefit generally will be paid income tax free to the employee’s beneficiaries.
These materials are not intended to and cannot be used to avoid tax penalties and they were prepared to support the promotion or marketing of the matters addressed in this document. Each taxpayer should seek advice from an independent tax advisor.

The ING Life Companies and their agents and representatives do not give tax or legal advice. This information is general in nature and not comprehensive; the applicable laws change frequently and the strategies suggested may not be suitable for everyone. Each taxpayer should seek advice from his or her tax and legal advisors regarding their individual situation.

ING IUL-Global Choice, policy form series #1186-09/12 has an equity Indexed feature, varies by state and may not be available in every state. It is issued by Security Life of Denver Insurance Company (Denver, CO), a member of the ING family of companies. Not available in New York. The Index Cap and Index Participation Rate are subject to change for new Index Blocks. All guarantees are based on the financial strength and claims paying ability of Security Life of Denver Insurance Company who is solely responsible for the obligations under its own policies.

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To learn more about S.O.L.A.R. Insurance Arrangements using ING IUL-Global Choice, contact your ING Life Companies’ Representative

Or ING Insurance Sales Support at 1-866-ING-SELL (866-464-7355)

Or visit us at www.INGLifeSOLAR.com