



# A Life Insurance Private Reserve

## Life Insurance as a Potential Private Source of Cash

### Planning Perspective

Life Insurance Products: • Are Not a Deposit of Any Bank • Are Not FDIC Insured  
• Are Not Insured by Any Federal Government Agency • Are Not Guaranteed  
by Any Bank or Savings Association • May Go Down in Value

AXA Equitable Life Insurance Company  
MONY Life Insurance Company of America (MONY)

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## Life Insurance as a Potential Private Source of Cash

Life insurance is more than about peace of mind. It's about possibilities. AXA offers a range of life insurance products that protect you today and prepare you for tomorrow. They provide a life insurance benefit for those you love, and help to create a nest egg for when you're ready to retire. Our life insurance products are designed to adapt to your life's changing needs. And over time, you can also potentially use your policy to help pay for major life events, such as **college tuition, down payments, start a business, weddings and more.**

In essence, life insurance can offer both death benefit protection for your family and the cash value can act as a "Private Reserve" for you, your family, and your business. You can borrow, and even pay back, loans from a policy, depending on your needs.<sup>1</sup>



### **Problem:**

#### *Tom Needs Life Insurance to Protect his Family, But Needs to Save for Goals*

Tom is a 35-year-old, preferred non-smoking male. He needs \$500,000 of life insurance to protect his family. His income is over \$100,000 per year and he has maximized his tax qualified contributions to his IRA and 401k. Tom likes the idea of purchasing life insurance to provide a death benefit but would also like to accumulate cash value in order to pay for important life goals he wants to achieve. His Financial Professional, Diane, shows him the Private Reserve strategy illustrated by AXA.

### **A Possible Solution:**

#### *A Private Reserve Strategy*

Diane shows Tom an illustration where he pays \$10,000 in premium each year until he's 65, purchasing a \$500,000 face amount. This may seem like more than the minimum premium required to maintain the death benefit — and in fact, it is, but by overfunding his policy, he gets death benefit protection, plus he can potentially build policy cash values tax free. With Tom as the policy owner, Diane shows that over time he has the potential to borrow money out of the life insurance policy to help fund his milestones. In addition, Tom may be able to take a retirement income stream of \$53,500 per year from the policy from age 66 to 85. If Tom is in a 28% tax bracket — this is the equivalent of \$74,500 taxable income.

<sup>1</sup> Under current federal tax rules, you generally may take federal income-tax-free withdrawals up to your basis (total premiums paid) in the policy or loans from a life insurance policy that is not a Modified Endowment Contract (MEC). Certain exceptions may apply for partial withdrawals during the policy's first 15 years. If the policy is a MEC, all distributions (withdrawals or loans) are taxed as ordinary income to the extent of gain in the policy, and may also be subject to an additional 10% premature distribution penalty prior to age 59½, unless certain exceptions are applicable. Loans and partial withdrawals will decrease the death benefits and cash value of your life insurance policy and may be subject to policy limitations and income tax. In addition, loans and partial withdrawals may cause certain policy benefits and riders to become unavailable and may increase the chance your policy may lapse. If the policy lapses, is surrendered or becomes a MEC, the loan balance at the time would generally be viewed as distributed and taxable under the general rules for distribution of policy cash values.

**Example Private Reserve Strategy**

\$10,000 premium payable to age 65

In 10 years, Tom borrows \$35,000 to help start a business.

Age	Annual Premium Outlay	Cash Surrender Value	Loans Taken Out of Policy Before Retirement	Distributions During Retirement	Net Death Benefit
35	\$10,000	\$0	\$0	\$0	\$500,000
45	\$10,000	\$73,000	<b>\$35,000</b>	\$0	\$575,000
55	\$10,000	\$241,000	<b>\$45,000</b>	\$0	\$746,000
65	\$10,000	\$625,000	\$0	\$0	\$1,125,000
66	\$0	\$613,000	\$0	<b>\$53,500</b>	\$1,070,000
85	\$0	\$68,500	\$0	<b>\$53,500</b>	\$125,000

In 20 years, Tom borrows \$45,000 toward a vacation home.

Supplemental income of \$53,500 from age 66 to 85.

The policy premium and death benefit amounts used for this case are intended only to help demonstrate the planning concept discussed and not to promote any specific product. The values are broadly representative of rates that would apply for a policy of this type and size for the insured’s health and the ages noted in the example. To determine how this approach might work for you, individual illustrations based on your own individual age and underwriting class, containing both guaranteed charges and guaranteed interest rates, as well as other important information, should be prepared or requested from your Financial Professional.

**How can a “Private Reserve” work for you?**

If you have a need for life insurance protection, the policy’s cash surrender value might also provide:

- ▶ A flexible source of cash for life’s major purchases or events.
- ▶ A means to supplement your existing retirement plans and create a future potentially tax-free source of income.
- ▶ For business owners, a way to provide a relatively hassle-free and efficient source of dollars for yourself or to reward and retain key employees.

# Advantages of Private Reserve Strategy



## **In addition to the family protection offered by his life insurance policy, the cash values offer Tom:**

- ▶ **Flexibility** — Using a Private Reserve Strategy, Tom may have the flexibility of taking policy loans from his policy for future life events, which could be a house down payment and/or starting a business. This is after several years of premium payments, since loans may not be immediately available. While this example does not show repayment of his loan, if Tom does want to pay back these loans, he has the flexibility to decide the timing. This will, in turn, potentially increase the future supplemental income available since he is replenishing his life insurance policy cash values.
- ▶ **Value** — Tom uses tax-free loans and withdrawals in this strategy. This strategy can be used with an Indexed Universal Life policy, as well as Universal Life or Variable Universal Life. Your Financial Professional can help you decide which product is right for your needs.
- ▶ **Efficiency** — Because Tom owns the life insurance policy, he is borrowing the cash value from his own policy. If Tom decides to pay back his loan, he will be paying himself back. So long as he manages the loan's size in relation to the policy values, he has complete flexibility in how to pay back or not pay back the loan. There is also a life insurance death benefit still intact to take care of his beneficiaries. Tom will pay interest on the outstanding loan.
- ▶ **Independence** — Tom can take loans from his policy whenever there is cash surrender value in it to borrow. Borrowing from his life insurance is his decision.

## Other Considerations with a Private Reserve Strategy

- ▶ Cash value in life insurance generally takes years to build. You will generally have limited access to the cash surrender values during the first several years of your contract.
- ▶ There is usually a surrender charge that will vary by type of policy. These charges usually run 15 years or longer and will affect the available amount you have to withdraw or borrow from your policy at any given time. There are also cost of insurance and other policy charges that will impact your cash value. Work with your Financial Professional to understand the timing and limitations based on your overall goals and objectives.
- ▶ Your own cash value build up will be determined, in part, by the performance of your policy, which is not guaranteed. When you purchase your policy, you will not know how much cash value you will have to access at any given time.
- ▶ Loans and withdrawals will reduce the death benefit and cash values associated with your policy. Excessive loans and withdrawals may require future premium payments in later years to keep the policy from lapsing and triggering income taxation on any unpaid loans.

## Why AXA?

- ▶ At AXA, we know that one size does not fit all. That is why we have a portfolio of life insurance products specifically designed to work with your unique needs in mind. You can choose from variable universal life or an indexed universal life policy, each with features that are engineered to help meet your goals best.
- ▶ Working with your Financial Professional, we can design a Private Reserve strategy presentation customized just for you – and help you break down your decisions into small, manageable steps. Your Financial Professional can show you how.
- ▶ A special feature that many of our products offer is an optional Loan Extension Endorsement (LEE) Rider, which can help prevent the policy from lapsing. You should note that activation of the LEE will trigger certain restrictions on your life insurance policy.
- ▶ A suite of other “Built In” features including riders that can further customize your insurance policy to your needs, including a Charitable Legacy Rider<sup>2</sup>, which offers an additional death benefit to the charities of your choice and a Long Term Care Services Rider. Some riders have an additional cost and all have restrictions and limitations. Be sure to review the details with your Financial Professional.

To learn more, contact your  
Financial Professional or visit  
[www.axa.com](http://www.axa.com) today.

<sup>2</sup> The Charitable Legacy Rider is available on policies over \$1,000,000 and offers an additional 1% death benefit to the charity(ies) of your choice. This is already included in the price of your insurance and only requires the completion of paperwork when you apply for your policy. The charities can be changed at any time. The Long Term Care Services Rider allows for the acceleration of the death benefit on the occurrence of long term care events. This rider comes with an additional, competitively priced, cost.

## For more information on how *Life Insurance Private Reserve* could help you, contact your Financial Professional today.

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