

THE ALTERNATIVE

USING LIFE INSURANCE

Prepared for:

Al and Ruth Carpenter

THIS PROPOSAL BY PENSION CONCEPTS HAS BEEN DESIGNED TO ILLUSTRATE HOW YOU MAY INCREASE YOUR RETIREMENT INCOME OVER YOUR LIFE EXPECTANCY WITH ADDED FLEXIBILITY.

CONSIDER TAKING THE Single Life FROM YOUR PENSION AND PROVIDE YOUR SPOUSE A SURVIVOR BENEFIT THROUGH A LIFE INSURANCE ALTERNATIVE.

THE ADDITIONAL INCOME YOU COULD ENJOY TOGETHER DURING YOUR RETIREMENT YEARS ASSUMES THAT YOU AND YOUR SPOUSE LIVE TO LIFE EXPECTANCY AND IS BASED UPON THE DIFFERENCE BETWEEN A Single Life OPTION AND A JOINT AND LIFE OPTION USING INFORMATION PROVIDED BY YOUR EMPLOYER, AND ASSUMING A 0% SALARY INCREASE ANNUALLY, TO RETIREMENT.

This illustration uses a Universal Life Insurance policy with an assumed gross hypothetical interest rate of 5%. Since the interest rate is not guaranteed, the actual cost and values of the various Alternatives may be greater or less than illustrated.

Prepared by:

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Your Insurance Company Name

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Prepared as a service to:

Insurance Company Logo

What are your "RETIREMENT INCOME OBJECTIVES"?

INCOME



You want the most income you can possibly receive.

SECURITY FOR BENEFICIARY(S)



You also want income for Ruth if you die before her.

FLEXIBILITIES FOR THE FUTURE



You want to be able to change your plan if your circumstances or the circumstances of your family change.

SEE ATTACHED POLICY ILLUSTRATIONS FOR OTHER IMPORTANT INFORMATION. THIS PRESENTATION IS NOT VALID WITHOUT COMPLETE AND UNDERLYING ILLUSTRATIONS FOR ALL POLICY SUMMARIES SHOWN.

THE PROBLEM

THE SOLUTION

**WILL YOUR PRESENT PLAN PROVIDE YOU WHAT YOU SAID YOU WANTED?
COMPARE YOUR PRESENT PLAN WITH A LIFE INSURANCE SOLUTION.**

The Problem

Present Plan*

YOUR AGE	Single Life MONTHLY INCOME OPTION	JOINT & 100% SURVIVOR INCOME OPTION	REDUCTION IN MONTHLY INCOME	REDUCTION ASSUMING 25% TAX BRACKET
49	\$0	\$0	\$0	\$0
51	\$4,650	\$3,673	\$977	\$733
55	\$4,650	\$3,673	\$977	\$733
60	\$4,650	\$3,673	\$977	\$733
65	\$4,650	\$3,673	\$977	\$733
70	\$4,650	\$3,673	\$977	\$733
75	\$4,650	\$3,673	\$977	\$733
80	\$4,650	\$3,673	\$977	\$733

Life Insurance Solutions

Universal Life

Single# / Monthly Premium 10 Pay	Single# / Monthly Premium 20 Pay	Single# / Monthly Premium Life Pay
\$1,024	\$646	\$460
\$1,024	\$646	\$460
\$1,024	\$646	\$460
\$0	\$646	\$460
\$0	\$646	\$460
\$0	\$0	\$460
\$0	\$0	\$460
\$0	\$0	\$460
\$0	\$0	\$460

Assumes 0% salary increases before and 0% COLA after retirement.
Ruth would receive \$3,673 per month if Al should predecease her.

First Year Initial Premium

*Information from factfinder and/or current Plan Administrator

HOW MUCH IS YOUR COST THROUGH AGE 80?

\$351,720	\$122,820	\$155,020	\$171,151
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Present Value Pre-Tax (4% Discount)	\$210,841	\$103,603	\$109,552	\$102,627
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HOW MUCH COULD THE ALTERNATIVES BENEFIT YOU THROUGH AGE 80?

\$0	\$228,900	\$196,700	\$180,569
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Present Value Pre-Tax (4% Discount)	\$0	\$107,238	\$101,289	\$108,214
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PRESENT VALUE is a series of future cash flows at a constant discount rate.

This illustration of policy values is incomplete without accompanying illustrations labeled A, B, & C, and footnotes with each. The assumed premiums for life insurance are based upon an assumed gross hypothetical interest rate of 5%. The assumed interest rate is not guaranteed nor an estimate of future performance. The actual results may be more or less than assumed.

SUMMARY

THE PROBLEM IS REDUCTION IN INCOME.
THE SOLUTION IS TO MINIMIZE THE REDUCTION AND PROVIDE MORE FLEXIBILITY.

You Said You Also Wanted **FLEXIBILITY**



What Does Your Family Receive Upon **SIMULTANEOUS DEATH?**



Does Your Pension Provide **EXTRA CASH**** if You Need It?

End of 5 Years

End of 10 Years

End of 31 Years

	Joint & Survivor (Pension Plan)	Life Insurance Alternatives		
		Universal Life		
		Plan A	Plan B	Plan C
	\$0	\$625,000	\$625,000	\$625,000
	\$0	\$625,000	\$625,000	\$625,000
	\$0	\$625,000	\$625,000	\$625,000
	<u>Joint & Survivor</u>	<u>Plan A</u>	<u>Plan B</u>	<u>Plan C</u>
	\$0	\$45,274	\$20,878	\$8,871
	\$0	\$111,699	\$55,520	\$27,870
	\$0	\$172,821	\$172,844	\$101,875



If Ruth dies before you, your money is locked up under your pension plan. Based upon current annuity rates provided by your employer, The ALTERNATIVE may permit you to have up to \$228,900 more income over your life expectancy.

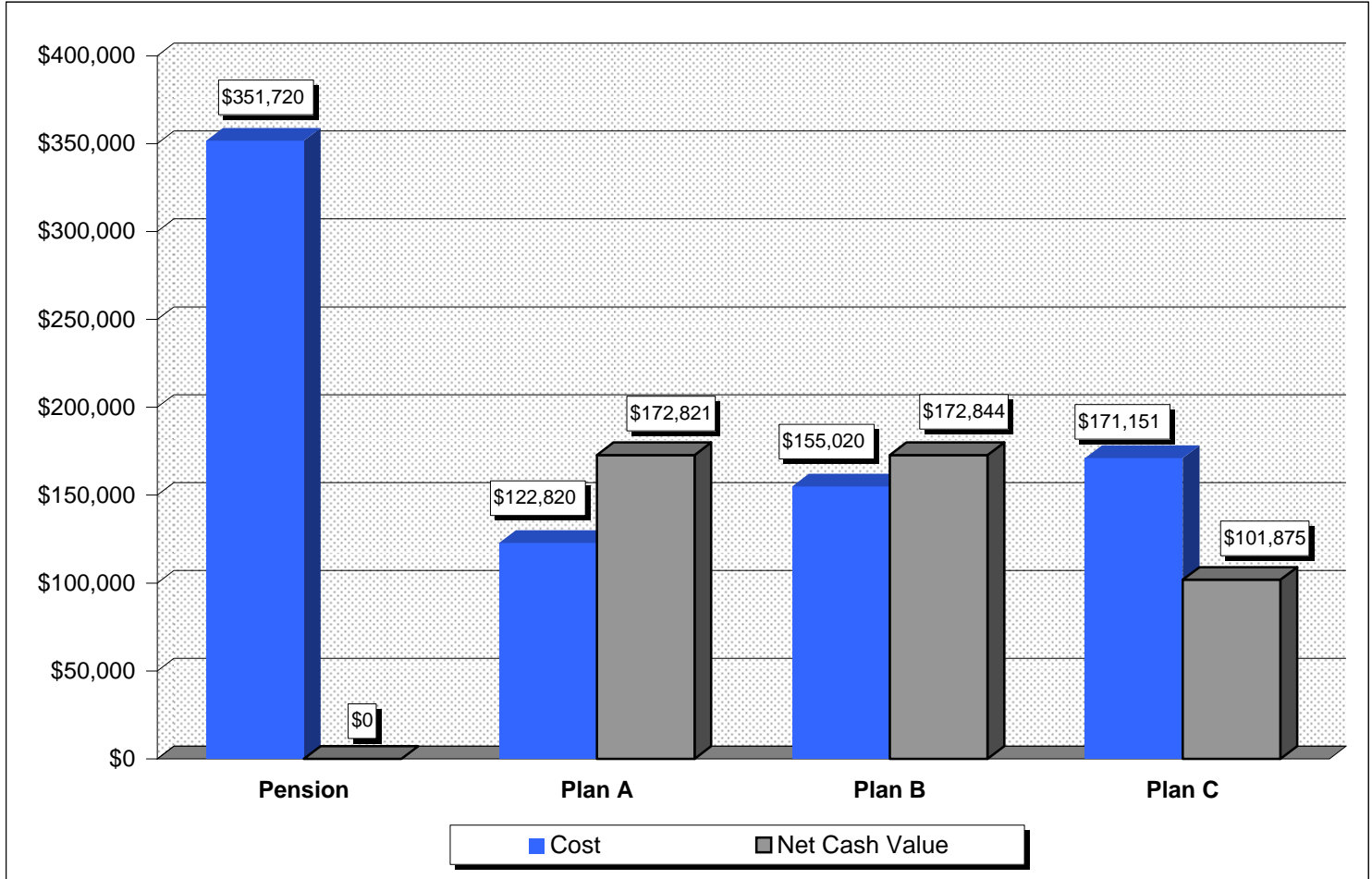
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**Access to the policy account before death, 1) will affect the death benefit payable, 2) could cause the policy to lapse, 3) could be subject to surrender charges, or 4) could be taxable as income if withdrawals exceed basis.

**Access by the policy loan will be subject to policy loan interest and will be taxable as income, to the extent of gain, if the policy is deemed to be a modified endowment.

Which of the Alternatives **IS BEST FOR YOU?**

COMPARISON OF PREMIUM (COST) / NET CASH VALUE THROUGH AGE 80@*



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This illustration of policy values is incomplete without accompanying illustrations labeled A, B, & C, and footnotes with each.

Please Note: The PENSION amount of \$351,720 is the sum total of "Reduction in Monthly Income" column on Page 3 of 7. Plans A, B, & C "NET CASH VALUE" is illustrated on the accompanying illustrations.

The graph compares four alternatives you and Ruth could have during retirement. Each alternative may give Ruth lifetime income in the event you predecease her after retirement, but at different costs. In addition, Plans A, B & C have a policy account that you may have access to before death, while the pension does not. Access of the policy account during Ruth's lifetime will reduce the retirement available at your death.

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RUTH'S INCOME PAGE

AT AL'S DEATH

FLEXIBILITY COMPARISON

	<u>PENSION PLAN</u>	<u>LIFE INSURANCE ALTERNATIVES</u>
➔ IS A LUMP SUM AVAILABLE?	NO	YES (Income Tax Free)
➔ ARE INTEREST ONLY PAYMENTS AVAILABLE? (To Preserve Principal)	NO	YES (Fully Taxable)

INCOME COMPARISON

➔ ESTIMATE LIFETIME MONTHLY BENEFITS?	YES (Fully Taxable)	YES (Partially Taxable)
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SURVIVOR INCOME COMPARISON

RUTH'S AGE**	TAX BRACKET		PENSION MONTHLY GROSS INCOME	PENSION MONTHLY SPENDABLE INCOME	ALTERNATIVE* MONTHLY SPENDABLE INCOME
51	25%		\$3,673	\$3,115	\$3,115
70	25%		\$3,673	\$3,115	\$4,467
75	25%		\$3,673	\$3,115	\$5,283
80	25%		\$3,673	\$3,115	\$6,511

**THE PENSION SCENARIOS REPRESENT THE MONTHLY INCOME AVAILABLE TO RUTH ASSUMING AL DIES WHEN RUTH IS THE NOTED AGE."

- GROSS INCOME:** -EQUAL TO JOINT AND SURVIVOR INCOME OPTION FROM PENSION PLAN.
- SPENDABLE INCOME:** -REFLECTS INCOME AFTER TAXES. BASED ON CURRENT FEDERAL TAX LAW.
- ALTERNATIVE INCOME:** -REFLECTS INCOME AFTER FEDERAL INCOME TAXES.

*BASED ON PUBLISHED LIFE ALONE ANNUITY OPTIONS FROM COMMERICALLY AVAILABLE SETTLEMENT OPTIONS. DEATH BENEFIT USED BY BENEFICIARY TO PURCHASE A LIFE ANNUITY AFTER DEATH OF RETIREE.

IS PENSION MAXIMIZATION FEASIBLE FOR YOU?

- ✦ Election of a Single-Life pension option is usually irrevocable. You should determine whether your own pension provides a reversion feature.

- ✦ Does your pension plan require that you elect the joint-and-survivor plan in order to maintain medical benefits?

- ✦ Does your pension plan provide for cost-of-living increases? If so, you will need to purchase a much larger amount of insurance in order to provide your spouse with comparable income.

- ✦ Inflation or unexpected expenses may erode your disposable income. At some point, you may not be able to afford life insurance. If your policy is canceled, your spouse will lose part of his or her income.

- ✦ At your death, annuity rates may have changed. Your spouse may not be able to buy as high an income as you planned for.

- ✦ Every situation is unique. Electing A "Single Life" pension and purchasing life insurance as an alternative means of providing for the surviving spouse is a serious and complex decision. Your Insurance Company agent will recommend a life insurance plan to accomplish your goals. Your Insurance Company agent will also encourage you to get an expert "second opinion" from your own tax advisor or employee benefits counselor.

- ✦ Dividends and interest crediting rates are not guaranteed. Your plan may not work if there is a reduction in the applicable dividend scale or interest crediting rate. Ask your agent to show you values based on a reduced dividend scale or interest