Supplementing Your Retirement Savings Using Life Insurance

According to the Federal Reserve's Survey of Consumer Finances (2022) (conducted every three years), the median retirement savings for those who were 45 to 54 was $115,000. The average was $313,220. For those 55 to 64, the median was $185,000 and the average was $537,560.[1] It's no wonder that a survey conducted by AARP revealed that "20% of adults ages 50+ have no retirement savings, and more than half (61%) are worried they will not have enough money to support them in retirement."[2]

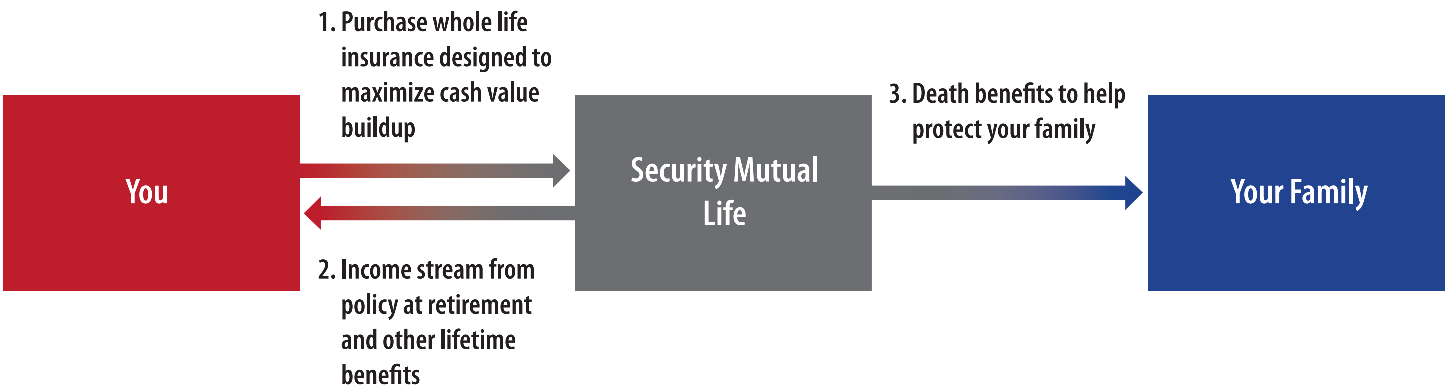
In 2025, the maximum Social Security benefit for someone claiming benefits at age 62, which is the most popular age to claim, is $2,831 per month. It's $4,108 per month for someone claiming at full retirement age.[3] However, the average benefit for retired workers in February 2025 was only $1,980.86.[4]

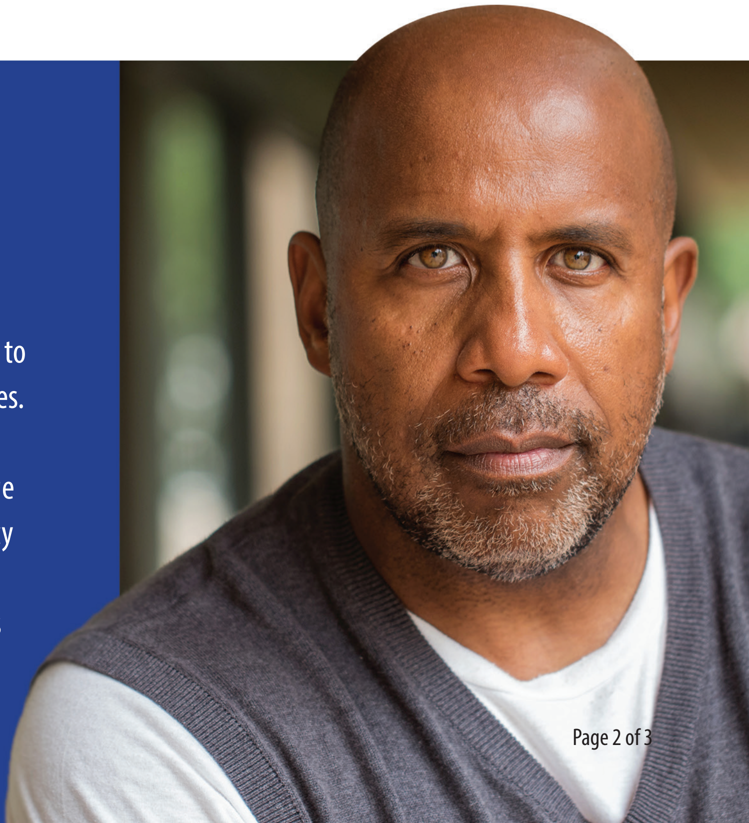
Those are worrisome statistics.

For most people, there are so many financial responsibilities to think about and address–from rent or mortgages, to children's care and tuition. Unfortunately, safeguarding our own financial future in retirement is often overlooked. However, if you are still employed or working for yourself, it is never too late to start saving for retirement, even if you don't have access to an employer-sponsored retirement plan such as a 401(k) plan. One simple and often-overlooked option to help supplement your retirement savings is to look at your life insurance to determine if you have the best type to fit your overall financial situation.

You may be thinking–why life insurance? That's only to protect my family in the event of my death.

Life insurance comes in many different varieties and is often misunderstood. Permanent life insurance, particularly whole life insurance, has a savings and investment component that extends beyond the death benefit, i.e., the cash value component of the policy. Even better, cash values grow tax deferred. Whole life insurance generally has guaranteed premiums, the opportunity for cash value buildup and a death benefit. A whole life insurance policy may yield even more cash value and death benefit on a non-guaranteed basis. A whole life insurance policy can be designed to build up cash values as rapidly as possible while you're still working. At retirement, the cash values can be converted to an income stream to supplement your retirement income, while the death benefit continues to help protect your family from financial harm. In addition, policy riders can help to provide added protection during your lifetime. For example: a) a disability waiver of premium rider helps protect against the possibility of a disability during your working years interfering with your cash flow to pay the premium; b) a chronic illness accelerated death benefit rider provides access to a portion of the death benefit to be used for expenses if you have a chronic illness; and c) a terminal illness rider accelerates a portion of the death benefit to pay the owner a benefit as a result of a terminal illness. Other riders are also available.





Example:

Let's assume we have a 45-year-old worker planning to work to age 65. In addition to whatever savings methods he currently uses, he also applies $25,000 per year to purchase a whole life insurance policy that is designed to build up cash values quickly. Premiums are paid until age 65 when he retires. That policy may potentially yield approximately $58,000 of supplemental income to age 85, or approximately $42,000 of supplemental income to age 100. In addition, depending upon the riders chosen or purchased, the policy can have benefits available to help financially protect him from the impact of chronic or terminal illness, and help protect his family in the event of his premature death.

	Annual Premium to age 65	Cumulative Premiums	Annual Income	Cumulative Income	Death Benefit at Age 45	Death Benefit at Age 65	Death Benefit at Age 85
Income from Age 65 to 85	$25,000	$500,000	$58,000	$1.16 million	$1.3 million	$1.5 million	$400,000
Income from Age 65 to 100	$25,000	$500,000	$42,000	$1.47 million	$1.3 million	$1.5 million	$870,000

* This example assumes that dividends are used to purchase paid-up additional insurance for 20 years, and thereafter, premiums will be paid by dividends, the surrender of paid-up additional insurance, or policy loans, rather than cash. This premium payment technique is often referred to as a non-guaranteed Premium Offset. Non-guaranteed surrender values and death benefits may be greater than guaranteed values. The amount of supplemental income taken from the policy may vary based on a number of factors, including the non-guaranteed policy dividends, for one. Your professional Security Mutual Life insurance advisor can provide more information, including the policy's guaranteed values. Note that the above illustration is hypothetical and is not intended to serve as a projection of any specific life insurance policy. The material presented is not a recommendation.

As you can see, this strategy allows you to achieve several important objectives. It provides you with another source of retirement income so you don't have to depend solely on personal savings, an employer-sponsored retirement plan and Social Security benefits. It also helps to provide financial protection for you and your family, during your life and at death. Care must be taken in designing, implementing and monitoring this strategy.

For more information and to discuss whether this strategy makes sense for you or not, please contact your local Security Mutual Life insurance advisor.

[1]Federal Reserve. "Changes in U.S. Family Finances from 2019 to 2022." federalreserve.gov. https://www.federalreserve.gov/publications/october-2023-changes-in-us-family-finances-from-2019-to-2022.htm (accessed 3/21/2025).

[2]AARP. "New AARP Survey: 1 in 5 Americans Ages 50+ Have no Retirement Savings and Over Half Worry They Will Not Have Enough to Last in Retirement." press.aarp.org. https://press.aarp.org/2024-4-24-New-AARP-Survey-1-in-5-Americans-Ages-50-Have-No-Retirement-Savings (accessed 3/21/2025).

[3]Social Security Administration. "What is the maximum Social Security retirement benefit payable?" ssa.gov. https://www.ssa.gov/faqs/en/questions/KA-01897.html. (accessed 3/21/2025).

[4]Social Security Administration. "Monthly Statistical Snapshot, February 2025." ssa.gov. https://www.ssa.gov/policy/docs/quickfacts/stat_snapshot/2025-02.html#table2. (accessed 3/21/2025).

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