Complete Your Retirement Savings Strategy With Life Insurance and Annuities

When people think of retirement savings, few think about life insurance and annuities. Most people associate life insurance with death and providing for surviving family members. Annuities are seen as investment products with higher fees than typical investments, such as certificates of deposit, mutual funds, brokerage accounts, etc. Those perceptions are not accurate because consumers are not fully aware of the various features and benefits that these products have, nor the role these products play in an overall retirement and investment portfolio strategy. Hence, people don't think about life insurance and annuities for retirement savings.

In February 2021, Ernst & Young, an internationally renowned company and one of the "big four" accounting and consulting firms, released a study proclaiming that permanent life insurance ("PLI"), such as whole life insurance, along with deferred income annuities with increasing income potential ("DIA with IIP") through features such as non-guaranteed dividends, outperform investment-only approaches to retirement savings.

Ernst & Young looked at five different investment strategies:

1. **Investments Only** – A mix of equity and fixed-income assets. Investors were also assumed to have maximized savings to IRAs and qualified retirement accounts and then to taxable accounts.
2. **Term Life Insurance and Invest the Difference** – Annually renewable term insurance for legacy protection until age 65 and the rest toward investments.
3. **PLI and Investments** – Whole life insurance, specifically products that are paid up at age 65, and the rest toward investments.
4. **DIA with IIP and Investments** – A portion of the investor's assets are used to purchase a DIA with IIP and the rest toward investments.
5. **PLI and DIA with IIP and Investments** – A combination of PLI and DIA with IIP and the rest toward investments.

In the study, PLI and DIA with IIP were considered a part of the fixed-income allocation of the assets. Accordingly, bonds in the investments portion of the strategy were decreased compared to the investment-only strategy.

A key factor found in the study was that during periods of market volatility, the ability to access cash values from whole life insurance policies through policy loans or surrenders to fund retirement income allowed investors to avoid selling investments at a loss. Whole life insurance acts as a volatility buffer.

Conclusion

The study concluded that retirement savings strategies that include permanent life insurance and deferred income annuities with increasing income potential outperform all of the other strategies. Strategies that integrate permanent life insurance and annuities "can give comfort and peace of mind to retirement investors by providing legacy protection, tax-deferred savings growth, and guaranteed income for life without sacrificing their present lifestyle."

You can view the study here: **https://www.ey.com/en_us/insurance/how-life-insurers-can-provide-differentiated-retirement-benefits**

Security Mutual Life Insurance Company of New York ("SML") is a leading provider of whole life insurance products. SML is a mutual company managed for the benefit of its policyholders and has been serving its policyholders for 135 years. So contact your Security Mutual life insurance advisor today to start planning for your retirement and make sure that your retirement savings strategy includes whole life insurance and annuities. *(Please Note: Security Mutual Life offers single premium deferred annuities and fixed-premium annuities, but it does not offer deferred income annuity [DIA] products.)*

For More Information Contact:

Contact your Security Mutual life insurance advisor today to get the process started.

The information presented is designed to provide general information regarding the subject matter covered. It is not intended to serve as legal, tax or other financial advice related to individual situations, because each person's legal, tax and financial situation is different. Specific advice needs to be tailored to your particular situation. Therefore, please consult with your own attorney, tax professional and/or other advisors regarding your specific situation.

Insurance products are issued by Security Mutual Life Insurance Company of New York. Product availability and features may vary by jurisdiction. Eligibility for life insurance is subject to the Company's underwriting rules and receipt of payment. Premium rates will vary based on any and all information gathered during the underwriting process, and medical exams may be required. Life insurance policies contain exclusions, limitations and terms for keeping them in force. Your agent can provide costs and details.

Note: Annuities are meant to be long-term investments. Guarantees are subject to the claims-paying ability of the insurance company. Withdrawals are subject to ordinary income tax and if made prior to age 59 ½, may be subject to a 10% IRS tax penalty. Tax deferral may not be available if the annuity is owned by a non-natural person. There is no additional tax-deferred benefit for annuity contracts purchased in an Individual Retirement Account (IRA) or other tax-qualified plan because these are already afforded tax-deferred status. An annuity should be purchased in an IRA or qualified plan only if the purchaser values the annuity's other features such as a lifetime income payment. The renewal interest rate, after the initial guaranteed interest period, will be determined annually thereafter and will be guaranteed for one year at a time.

SECURITY MUTUAL LIFE
INSURANCE COMPANY OF NEW YORK
SECURITY MUTUAL BUILDING • 100 COURT ST.
P.O. BOX 1625 • BINGHAMTON, NY 13902-1625
607-723-3551 • www.smlny.com
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