GET MORE OUT OF RETIREMENT WITH A PENSION MAXIMIZATION STRATEGY

AMERICAN NATIONAL®

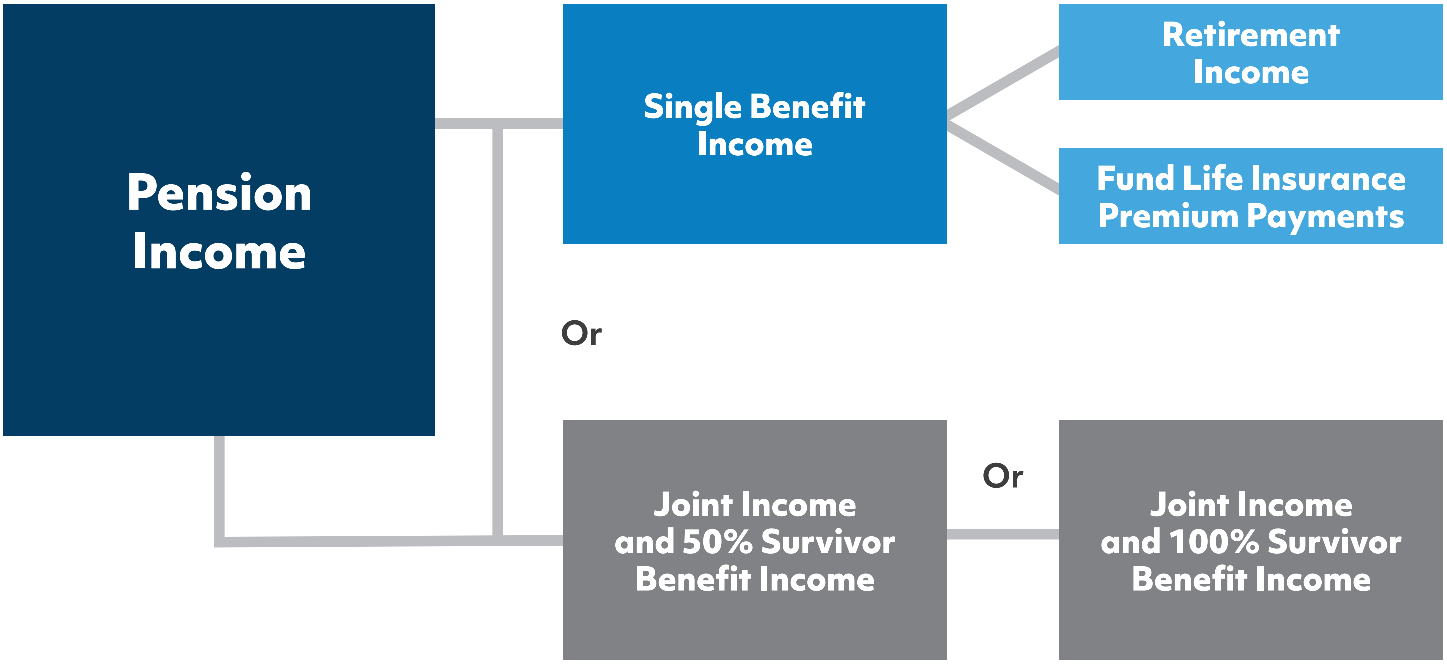
Pension Maximization Strategy

Although fewer individuals are participating in Defined Benefit Pension Plans, many individuals who participate in these plans for several years are starting to retire. The choices at retirement are limited to how the participant wants to take the income stream. The decision on how to take the income can have a dramatic impact on how much income the participant can receive.

Married couples have a much longer life expectancy than single individuals so pension administrators must provide a much smaller benefit to cover two lives. How much less depends on ages and whether a 50% survivor benefit, 75% survivor benefit, or a 100% survivor benefit is chosen. The higher the survivorship benefit, the lower the primary benefit will be.

At retirement, pension plan participants who are married must make a decision: Choose the maximum monthly income for the life of the retiring employee or choose a substantially reduced pension that will cover the lives of the employee and spouse whether Joint and 50% benefit, Joint and 75% benefit or Joint and 100% benefit.

For married individuals, the single life option is not viable, since the death of an employee will leave the surviving spouse with nothing. Any joint option will leave both spouses with less to live on. If the employee spouse dies soon after beginning benefits, the survivor will receive a lifetime of reduced benefits. If they both live long and die a year apart, they will have wasted the sacrifice of taking less. Whichever payout option they choose, there will be nothing left to pass onto children. Pension Maximization may provide a solution that allows for higher income for both and a legacy left for loved ones.



If the retiring employee lives for a long time, there will be money from the life insurance policy to pass on to children. If the employee does not live to their life expectancy leaving a surviving spouse, the spouse will have income from the death benefit to help fund their remaining retirement and may have some money left over to pass to children. If both live a long life they will have cash value available to borrow to further fund lifestyle needs when they are older.

The cash value of the policy is available for emergencies while living. If the employee's spouse predeceases the retiring employee, the policy can be surrendered for the cash value. If the policy is surrendered, sold, or exchanged for an immediate income annuity, the money can be put to work generating additional retirement income. The death benefit payout is income tax-free and the death benefit is available for unforeseen debts and medical bills.

The death benefit can be annuitized and/or invested to provide income for the surviving spouse. This provides principal that can be passed on to loved ones.

Conclusions

Purchasing life insurance on the retiring employee and possibly purchasing a single life immediate annuity may result in more money available during retirement. Life insurance creates a fund which, if not fully utilized, provides a legacy to loved ones after they are gone. Clients should consider obtaining life insurance prior to deciding on how to take pension benefits. This will ensure that a sufficient amount of insurance is purchased to cover the need.

If when illustrating a permanent policy, you find it does not generate a large enough death benefit to cover the surviving spouse, consider combining term insurance with a Signature Performance Indexed UL or a Signature Guaranteed UL to reach the needed death benefit.

Pension Maximization provides an opportunity in the right situation to improve a client's retirement and in some cases allows more assets to pass to children and grandchildren.

For questions and more information, contact the Advanced Sales Department at 888-504-2550 ext. 5767. Neither American National Insurance Company nor its agents offer tax or legal advice. Clients should consult their tax and legal advisors.

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