

The Life Income Strategy (“LIS”) Program

The LIS program is an after-tax retirement savings plan that works similarly to a Roth IRA or 401(k). Your annual contributions are made with after-tax dollars, which means all income at retirement will be non-taxable. After-tax contributions also mean you are secure from your employer’s creditors, something that concerns many highly compensated employees.

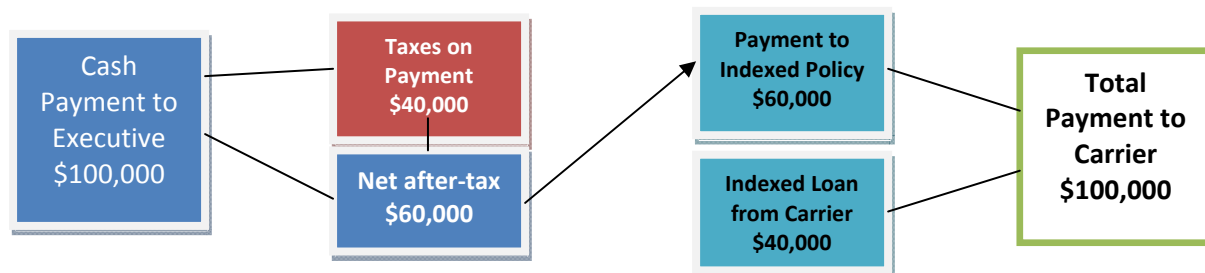
The LIS program is funded by an Equity Indexed Universal Life policy that offers access to the S&P 500 stock index. It is designed to help highly compensated employees accumulate the assets needed to meet retirement objectives. This funding vehicle is the reason you can accumulate money tax-deferred and take income on a non-taxable basis. Additionally, the policy has a 1% guaranteed floor.

Through its unique design, the LIS program creates the effect of pre-tax savings and tax-deferred investment growth by offering the participant some leverage from a non-recourse policy loan in the underlying policy. The policy loan restores the taxes paid at the time of deferral (e.g., \$40,000), giving you the effect of a pre-tax plan.

Assume you want to contribute \$100,000 to the LIS program. After paying all applicable taxes (assume 40% tax rate), there will be approximately \$60,000 left to invest. When the after-tax \$60,000 is deposited into your account, the program “loans” your account the amount paid in taxes, \$40,000 in this example. So you have the entire \$100,000 earning interest within the S&P 500 with a 1% guarantee, and you have deferred the impact of the taxes.

The \$40,000 is a non-recourse policy loan, with no required pre-payment period except through policy proceeds at surrender or death, and no pre-payment penalties. If you hold the policy until maturity, the death proceeds will pay off the loan and interest, with additional proceeds to go to your family. Unlike with the nonqualified and qualified plans, the employee has the ability to continue his leverage into retirement and use the life insurance proceeds as the repayment.

How the LIS Program Works



Conclusion

From a leverage standpoint, the LIS program allows you to control your borrowed funds through the non-recourse policy loan. Improved investment performance will not increase your cost of this leverage, unlike nonqualified deferred compensation plans and your 401(k).

The LIS program can be an important tool for retirement accumulation, working in concert with your entire retirement planning strategy. Some portion of your retirement income should be in a non-taxable device that is also secured from creditors. If you qualify, the LIS program could be the plan for you.