MassMutual

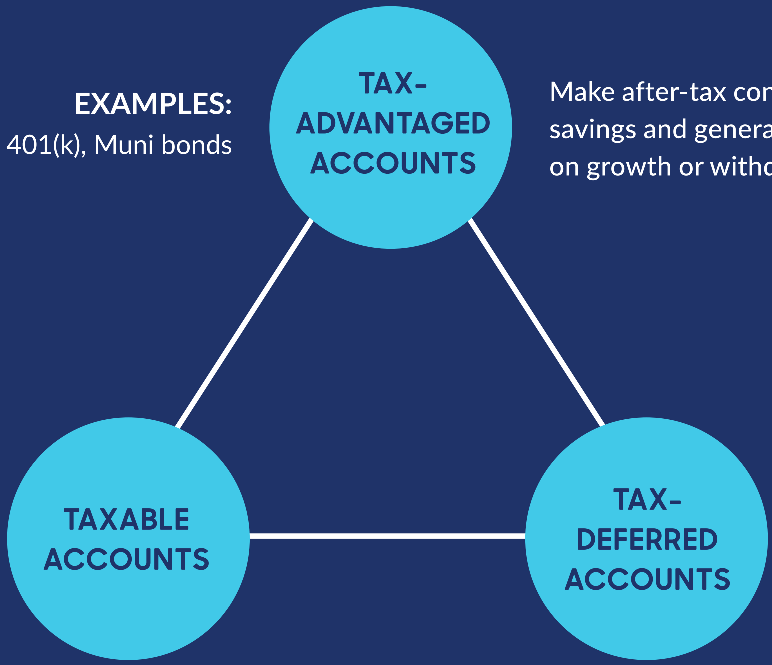
UNDERSTANDING

Retirement & The Tax Triangle

Creating Tax Diversified Income At Retirement

Taxes can have a significant impact on the amount accumulated and the income that can be generated at retirement. Diversifying the income tax treatment of sources of retirement savings can make a considerable difference in the growth of principal and the net income available during retirement.

Consider three general types of accounts, as represented by the tax triangle below,* that are based on the type of contribution source (after-tax or tax-deductible) as well as the taxation of growth (taxable, tax-deferred, or tax-advantaged).



TAX-ADVANTAGED ACCOUNTS

EXAMPLES:
ROTH IRA, ROTH 401(k), Muni bonds

Make after-tax contributions to savings and generally pay no taxes on growth or withdrawals.

TAXABLE ACCOUNTS

EXAMPLES:
Cash, Checking, CDs, Money Market, Brokerage Accounts

Make after-tax contributions and pay taxes on annual income earned, or pay capital gain taxes on withdrawals.

TAX-DEFERRED ACCOUNTS

EXAMPLES:
401(k), 403(b), 457, Traditional IRA, SEP, SIMPLE, Pensions, Annuities

Make potentially tax-deductible contributions to savings and defer taxes until withdrawals are taken.

By implementing an asset allocation strategy today, in which you diversify sources of income, you may be able to strategically reduce and time the payment of taxes. In this way, your future income may be maximized without the need to contribute more to savings. Keep in mind that asset allocation and diversification do not assure a profit and do not protect against loss in a declining market.

*The 'tax triangle' above includes general information about various financial vehicles. Your specific situation and/or use of certain financial vehicles may have different tax implications than those indicated above. You are encouraged to seek advice from your personal legal or tax counsel.

A Whole Life Insurance Policy as a Financial Asset at Retirement

Although the primary purpose of whole life insurance is to offer life insurance protection, your whole life policy can be carried into retirement and integrated with your other sources of income to help diversify taxes if the need for the death benefit coverage diminishes. The cash value of a whole life insurance policy grows tax-deferred and the distributions taken from the cash value are tax-advantaged when structured properly.

Distributions under the policy (including cash dividends and partial/full surrenders) are not subject to taxation up to the amount paid into the policy (cost basis). If the policy is a Modified Endowment Contract, policy loans and/or distributions are taxable to the extent of gain and are subject to a 10% tax penalty if the policyowner is under age 59½.

It is important to note that access to cash values through borrowing or partial surrenders will reduce the policy's cash value and death benefit, increase the chance the policy will lapse, and may result in a tax liability if the policy terminates before the death of the insured.

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For more than 170 years, we've been guided by a single purpose:
to help people secure their future and protect the ones they love.

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