Tax Diversification at Retirement

An Asset Location Strategy that includes Whole Life Insurance

Prepared For
Valued Client

Presented By:

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MassMutual's supplemental illustrations and presentations provide a conceptual, hypothetical example of planning approaches that incorporate life insurance. In actual practice, the transactions discussed may be somewhat complex and therefore may require the attention, review and expertise of professional advisors such as your CPA and your tax or estate planning attorney. The information provided is not intended as specific tax or legal advice. MassMutual, its subsidiaries, employees and representatives are not authorized to give tax or legal advice. Individuals are encouraged to seek advice from their own tax or legal counsel.

Many of the figures used in the following presentation are based upon both assumptions and data provided by you, including assumed growth rates on your existing assets. A summary of those assumptions can be found at the end of the presentation. Your furnishing of accurate data will help enhance the value of the analysis contained in this presentation.

The decision to purchase life insurance should be based on long-term financial goals and the need for a death benefit. Life insurance is not an appropriate vehicle for short-term savings or short-term investment strategies. While the policy allows for loans, you should know that there may be little to no cash value available for loans in the policy's early years.

This supplemental life insurance illustration summary is not valid unless accompanied by or preceded by a MassMutual Whole Life 20 Pay Basic Illustration dated May 03, 2023. **Refer to the Basic Illustration for guaranteed elements and other important information.**

Whole Life Insurance Can Help You Diversify Taxes at Retirement

Integrating whole life insurance into your financial strategy offers the following advantages:

- It provides valuable tax-free life insurance to help protect your family while you save for retirement.
- The policy cash values accumulate tax-deferred, will never decline due to market conditions, and may be a reliable source of tax-favored funds to diversify your taxes at retirement.
- Unlike some other types of cash value life insurance, whole life insurance does not fluctuate as a result of events in the financial markets.

Why Diversify Taxes?

The concept of diversifying a financial portfolio across different types of accounts based on risk of loss is a strategy that is commonly used to manage financial risk. Since the future of tax rates is an unknown, your ability to generate sufficient retirement income into the future also can be at risk if your accounts are not diversified based on how they are taxed. This is where asset location meets asset diversification and how whole life insurance may fit in.

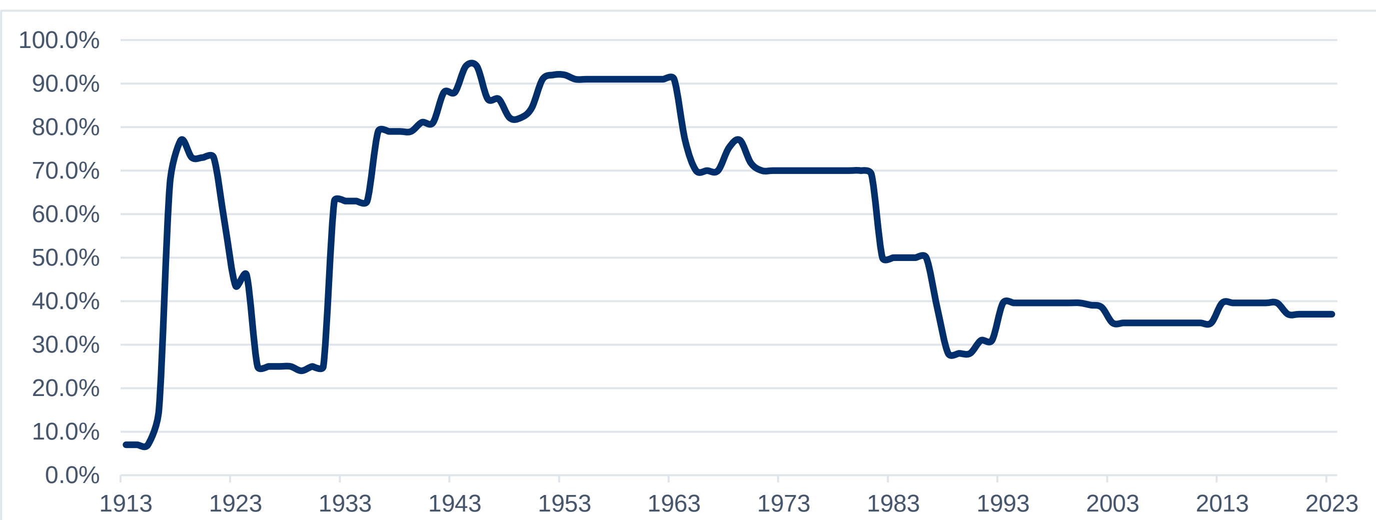
An asset location strategy is about tax efficiency. It is a layer added to diversification in which you contribute to different types of accounts prior to retirement based on:

- when the account contributions and growth are taxed, and
- how the income ultimately generated from those accounts is taxed.

By implementing an asset location strategy today, in which you strategically reduce and time when taxes are paid, you may be able to maximize your future income without contributing more to savings. A whole life insurance policy that offers you life insurance coverage during your working years, can be integrated into your entire portfolio at retirement as you diversify all your sources of income based on how they are taxed. Take a look at the history of income tax rates.

The graph below illustrates how low U.S. federal tax rates are right now, relative to what they were historically. Coming off of the pandemic, and given the roughly $30 trillion national debt estimate, tax rates may not remain this low 10 or 20 years from now.

Historical Highest Marginal Tax Rates: 1913-2023



[1] Source: U.S. Department of Treasury.

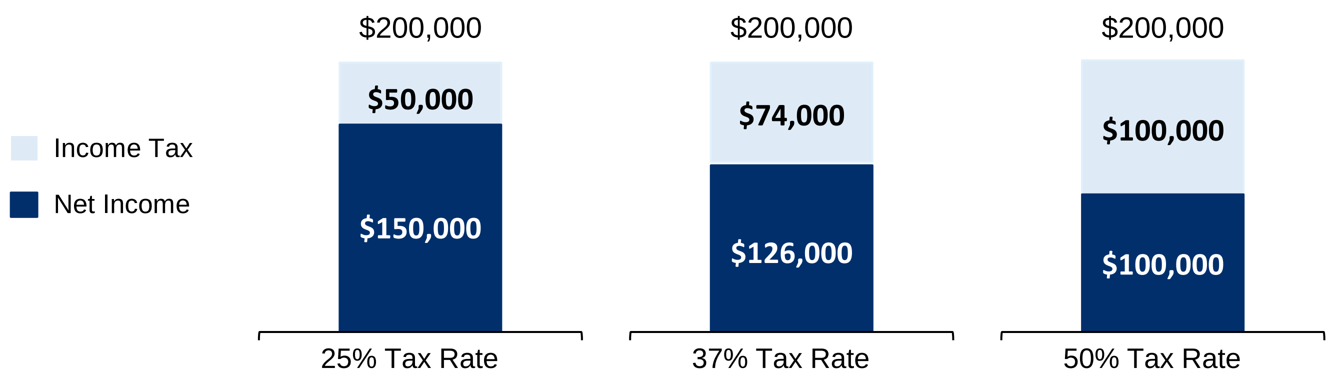
Income Tax Diversification

Strategically time and reduce your income tax liability

As a high income earner, if you have a retirement plan you may already meet the plan's contribution limit. In 2023, the maximum annual pre-tax and Roth contributions allowed to a 401(k) plan, for example, is $22,500, plus $7,500 annual catch-up contributions are allowed for plan participants who are age 50 or older.[2] Since the taxes on income ultimately withdrawn from your qualified retirement plan may be fully taxable, diversifying the types of accounts from which you will make withdrawals can go a long way in helping you manage your future income-tax liability, especially considering additional that may apply to you based on your tax filing status and and the income thresholds you surpass.

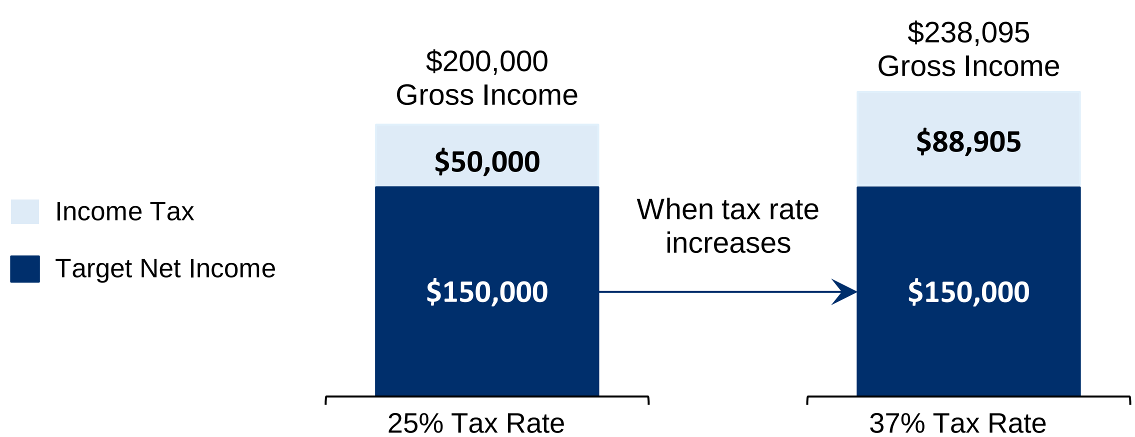
Consider the following net income scenarios based on different tax rates:

Tax Effect on $200,000 of Income from a Qualified Plan (Pre-tax contributions):



- An increase in income tax rates can reduce net income.
- A larger distribution is required at higher tax rates to maintain the desired standard of living. The larger withdrawal depletes the retirement plan assets at a faster pace.

A larger distribution is required at a higher tax rate to meet the same target net income:



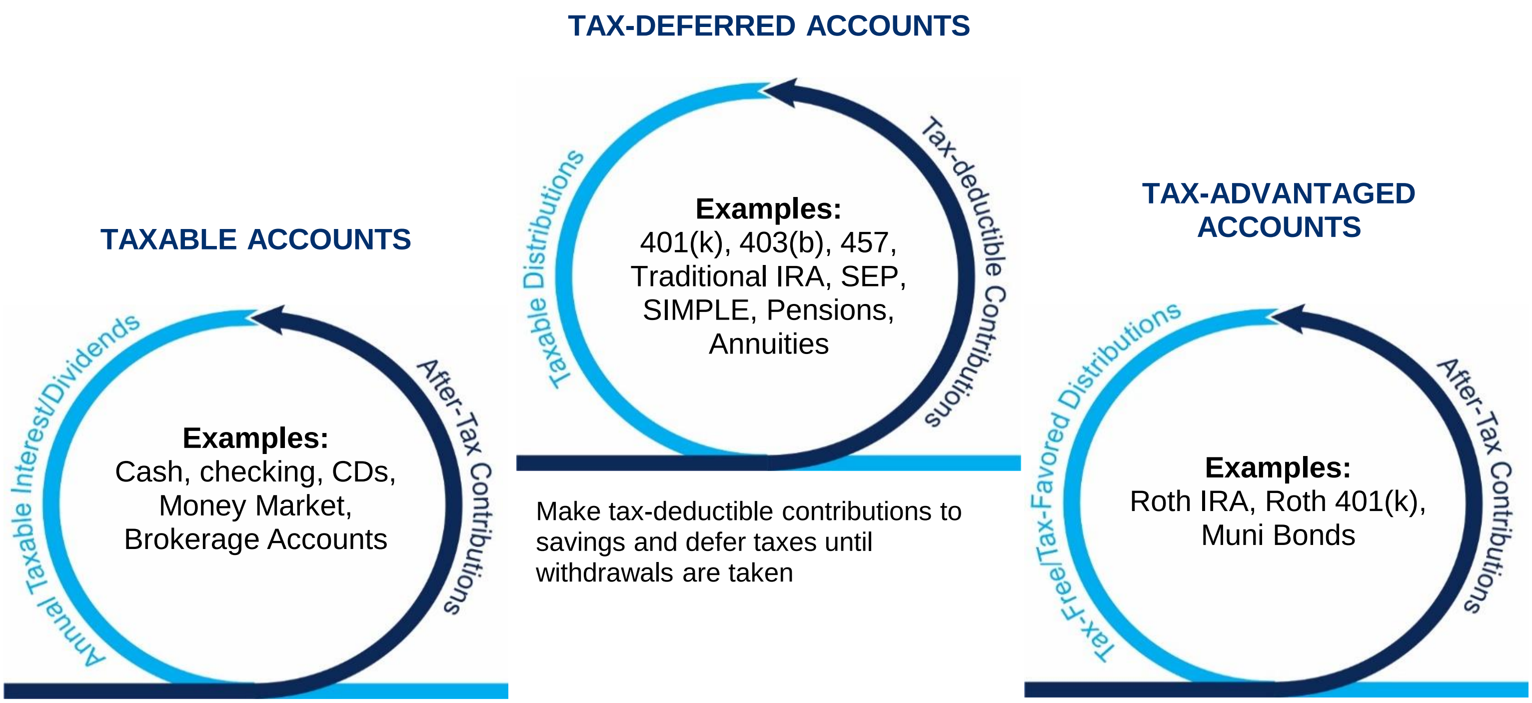
[2] The Secure Act of 2022 changed the catch-up rules. Beginning in 2024, contributions for participants over age 50 earning more than $145,000 annually are only allowed to make catch-up contributions to the Roth option under the plan. If there is no Roth option, catch-up contributions are not allowed. Catch-up contributions to the Roth option are made on an after-tax basis. Also, in 2025, an additional catch-up amount may be available for participants age 60-63, subject to index limitations.

Income Tax Diversification

Creating Tax Diversified Income At Retirement

Clearly, taxes can have a significant impact on the amount you accumulate and the income you can generate at retirement.

Diversifying the income tax treatment of your sources of retirement savings can make a considerable difference in the growth of your principal and the income available to you. Consider 3 general types of accounts 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):



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

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

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

A Whole Life Insurance Policy as a Financial Asset

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 values of a whole life insurance policy grow tax-deferred and the distributions taken from the cash value are tax-advantaged when structured properly.[3]

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 percent 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.

[3] 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 percent tax penalty if the policyowner is under age 59½.

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Income Tax Diversification with Whole Life Insurance

What Tax Diversification Looks Like

The below chart is a simplistic illustration of how establishing different sources of income, based on how they are taxed, can help you manage your taxes during retirement. The chart assumes the following:

- In the non-diversified scenario, $150,000 of income is taken from a 401(k) plan and is fully taxable at your ordinary income tax rate.
- In the diversified scenario, $50,000 is taken from 3 account types, each taxed differently, as indicated, for a total of $150,000. The $50,000 distribution from the whole life policy is in the form of surrenders and loans made from the policy.[3]

	NON-DIVERSIFIED WITHDRAWALS				DIVERSIFIED WITHDRAWALS			
	Taxable Account	Tax Advantaged Whole Life[3]	Tax Deferred Account (35.00%)		**Taxable Account (28.00%)**	Tax Advantaged Whole Life[3]	Tax Deferred Account (35.00%)	
Withdrawal	-	-	$150,000		$50,000	$50,000	$50,000	
Taxes	-	-	$52,500		$14,000		$17,500	
	-	-	$97,500		$36,000	$50,000	$32,500	
			Combined Net Income	**$97,500**			Combined Net Income	**$118,500**

Assumes that distributions from the tax-deferred account like a 401(k) are taxed at an effective ordinary income tax rate of 35.00%, while distributions from the taxable account, such as mutual funds, are taxed at a blended rate of 28.00% to include capital gain and ordinary income. The actual tax paid will depend on tax law at time of retirement, as well as the cumulative distributions taken in each category of tax. Qualified plans also require a minimum distribution from the plan by retirees age 75 and older, whether they need the income or not.

In the above example, the whole life insurance policy is integrated with other sources of income to help diversify taxes and maximize income.

Income Tax Diversification

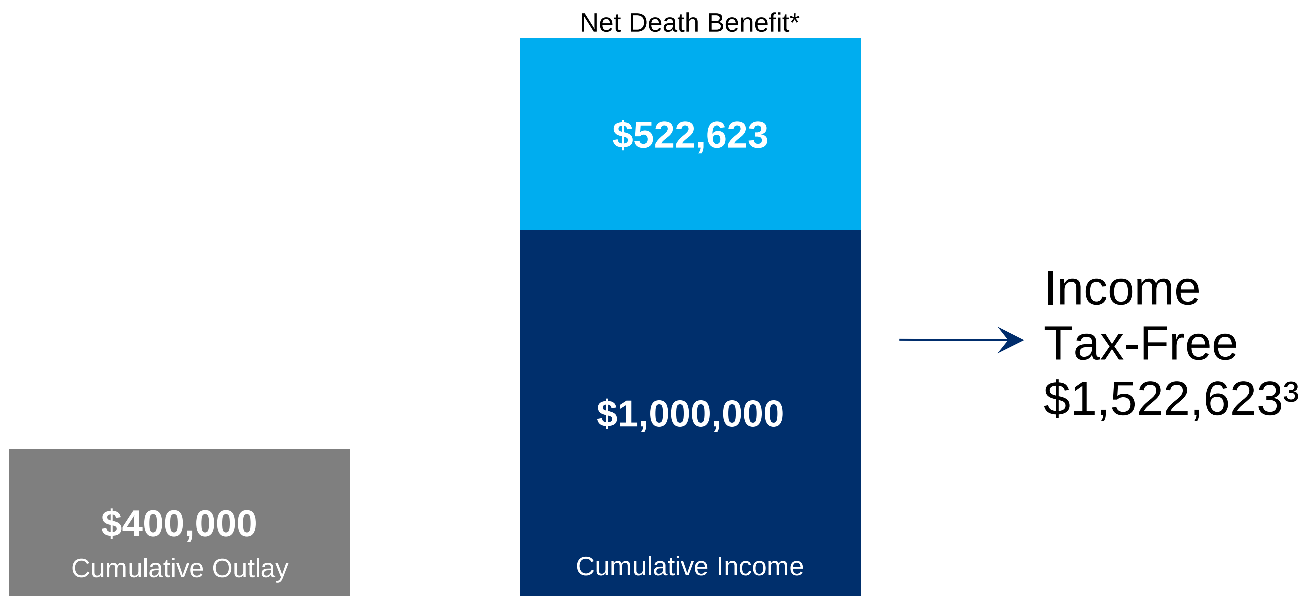
Integrating Your Whole Life Insurance Policy With Your Other Financial Assets at Retirement

Whole life insurance offers you life insurance protection, as well as the potential for a tax-advantaged source of income at retirement.

Illustrated below is the year 46 (age 86) summary of the cumulative premiums paid on a MassMutual Whole Life 20 Pay policy, compared to the cumulative policy distributions taken, and the net death benefit remaining. The policy is on a female, age 40 today, assuming an ultra preferred non-tobacco risk class, with an initial death benefit of $522,623 and an annual premium of $20,000 for 20 years.

The death benefit proceeds are paid out income tax-free, while the cumulative policy distributions are not subject to taxation up to the amount paid into the policy (cost basis), with the remaining distributions taken in the form of policy loans, which are not income taxable.[3]

Summary Values at Year 46, Age 86



Valued Client, Female 40, Ultra Preferred Non-Tobacco
Whole Life 20 Pay
Initial Death Benefit: $765,404 **Initial Premium:** $20,000
Dividend: Current **Dividend Option:** Paid Up Additions
Riders: ABR, TIR

***These illustrated amounts are not guaranteed. They include dividends, which are neither estimates nor guarantees, but are based on the 2023 dividend schedule. Dividends in future years may be lower or higher, depending on the company's actual experience. Due to this fact, we strongly recommend you look at a lower schedule illustration.**
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Income Tax Diversification

Integrating Your Whole Life Insurance Policy With Your Other Financial Assets at Retirement

Below is one example of a diversified approach to retirement savings while addressing your life insurance need today. It assumes a total savings allocation of $40,000 per year - $20,000 to a tax-deferred account funded with after-tax dollars, the income of which is taxed when withdrawn; and $20,000 to a whole life insurance policy, the annual premiums of which are funded with after-tax dollars, and distributions of which are tax-favored.

	Taxable Assets	Whole Life Insurance[3]
Start Funding AT AGE 40	ANNUAL CONTRIBUTION OF $20,000 **for 20 years**	ANNUAL PREMIUM OF $20,000 for 20 years
Grow Value FOR 26 YEARS TO AGE 66	ASSET VALUE $783,719 4.00% Growth Rate	TOTAL CASH VALUE* $759,448 TOTAL DEATH BENEFIT* $1,328,240
Start Income AT AGE 67	NEEDED PRE-TAX ANNUAL INCOME $76,923 POST-TAX ANNUAL INCOME OF $50,000 35.00% Effective Tax Rate	ANNUAL INCOME[3] $50,000 **Income Tax-Free**
Income Duration *Rounded to the nearest decimal*	INCOME WILL LAST **13 years** **to age 79**	INCOME WILL LAST **20 years** **to age 86, based on the current dividend schedule**

Valued Client, Female 40, Ultra Preferred Non-Tobacco
Whole Life 20 Pay
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Income Tax Diversification

Integrating Your Whole Life Insurance Policy With Your Other Financial Assets at Retirement

Valued Client, Female, 40, Ultra Preferred Non-Tobacco
Dividend: Current
Dividend Option: Paid Up Additions

Whole Life 20 Pay
Initial Death Benefit: $765,404
Riders: ABR, TIR

		TAXABLE PORTFOLIO				PROJECTED NON-GUARANTEED WHOLE LIFE INSURANCE VALUES						
Year	Age	Annual Contribution	Pre-Tax Annual Income	After-Tax Annual Income (35.00%)	Taxable Portfolio EOY (4.00%)	Annual Premium	Annual Policy Distribution	Net Outlay	Net Cash Value End Year	IRR on Net Cash Value[4]	Net Death Benefit End Year	IRR on Net Death Benefit[4]
1	41	20,000	0	0	20,800	20,000	0	20,000	6,330	68.35%	773,819	3769.09%
2	42	20,000	0	0	42,432	20,000	0	20,000	13,220	54.55%	782,534	477.51%
3	43	20,000	0	0	64,929	20,000	0	20,000	32,384	27.81%	791,472	201.68%
4	44	20,000	0	0	88,326	20,000	0	20,000	52,268	16.32%	800,723	118.26%
5	45	20,000	0	0	112,660	20,000	0	20,000	72,939	10.34%	810,327	80.28%
6	46	20,000	0	0	137,966	20,000	0	20,000	94,434	6.81%	820,347	59.14%
7	47	20,000	0	0	164,285	20,000	0	20,000	116,970	4.49%	831,390	45.91%
8	48	20,000	0	0	191,656	20,000	0	20,000	140,575	2.88%	843,410	36.96%
9	49	20,000	0	0	220,122	20,000	0	20,000	165,325	1.71%	856,453	30.56%
10	50	20,000	0	0	249,727	20,000	0	20,000	191,256	0.81%	870,517	25.80%
Total		**200,000**	**0**	**0**		**200,000**	**0**	**200,000**				
11	51	20,000	0	0	280,516	20,000	0	20,000	218,885	0.08%	886,769	22.16%
12	52	20,000	0	0	312,537	20,000	0	20,000	248,322	0.52%	905,217	19.32%
13	53	20,000	0	0	345,838	20,000	0	20,000	279,641	1.04%	925,860	17.05%
14	54	20,000	0	0	380,472	20,000	0	20,000	312,958	1.47%	948,715	15.22%
15	55	20,000	0	0	416,491	20,000	0	20,000	348,377	1.85%	973,777	13.71%
16	56	20,000	0	0	453,950	20,000	0	20,000	385,772	2.16%	1,000,538	12.45%
17	57	20,000	0	0	492,909	20,000	0	20,000	425,104	2.43%	1,028,722	11.39%
18	58	20,000	0	0	533,425	20,000	0	20,000	466,497	2.66%	1,058,365	10.49%
19	59	20,000	0	0	575,562	20,000	0	20,000	510,039	2.86%	1,089,515	9.72%
20	60	20,000	0	0	619,384	20,000	0	20,000	555,845	3.04%	1,122,195	9.05%
Total		**400,000**	**0**	**0**		**400,000**	**0**	**400,000**				

[4].The Internal Rate of Return is a measure that can be used to evaluate performance and is based on the current dividend schedule. It is the amount at which outlays (out-of-pocket costs) up to that year must be compounded each year to generate the Net Cash Value.

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Income Tax Diversification

Integrating Your Whole Life Insurance Policy With Your Other Financial Assets at Retirement

Valued Client, Female, 40, Ultra Preferred Non-Tobacco
Dividend: Current
Dividend Option: Paid Up Additions

Whole Life 20 Pay
Initial Death Benefit: $765,404
Riders: ABR, TIR

		TAXABLE PORTFOLIO				PROJECTED NON-GUARANTEED WHOLE LIFE INSURANCE VALUES						
Year	Age	Annual Contribution	Pre-Tax Annual Income	After-Tax Annual Income (35.00%)	Taxable Portfolio EOY (4.00%)	Annual Premium	Annual Policy Distribution	Net Outlay	Net Cash Value End Year	IRR on Net Cash Value[4]	Net Death Benefit End Year	IRR on Net Death Benefit[4]
21	61	0	0	0	644,160	0	0	0	585,716	3.22%	1,153,711	8.60%
22	62	0	0	0	669,926	0	0	0	617,132	3.38%	1,186,313	8.21%
23	63	0	0	0	696,723	0	0	0	650,124	3.51%	1,219,997	7.86%
24	64	0	0	0	724,592	0	0	0	684,808	3.63%	1,254,847	7.56%
25	65	0	0	0	753,576	0	0	0	721,215	3.73%	1,290,904	7.29%
26	66	0	0	0	783,719	0	0	0	759,448	3.82%	1,328,240	7.05%
27	67	0	76,923	50,000	735,068	0	50,000	0	747,021	3.89%	1,277,069	6.69%
28	68	0	76,923	50,000	684,470	0	50,000	0	733,912	3.95%	1,226,827	6.38%
29	69	0	76,923	50,000	631,849	0	50,000	0	720,077	4.00%	1,177,442	6.11%
30	70	0	76,923	50,000	577,123	0	50,000	0	705,508	4.05%	1,128,867	5.87%
Total		**400,000**	**307,692**	**200,000**		**400,000**	**200,000**	**400,000**				
31	71	0	76,923	50,000	520,208	0	50,000	0	690,119	4.09%	1,080,946	5.67%
32	72	0	76,923	50,000	461,016	0	50,000	0	673,870	4.12%	1,033,622	5.49%
33	73	0	76,923	50,000	399,457	0	50,000	0	656,726	4.15%	986,801	5.34%
34	74	0	76,923	50,000	335,435	0	50,000	0	638,645	4.18%	940,415	5.20%
35	75	0	76,923	50,000	268,853	0	50,000	0	619,460	4.20%	917,562	5.15%
36	76	0	76,923	50,000	199,607	0	50,000	0	599,085	4.22%	893,004	5.10%
37	77	0	76,923	50,000	127,591	0	50,000	0	577,417	4.24%	866,636	5.05%
38	78	0	76,923	50,000	52,695	0	50,000	0	554,325	4.25%	838,337	5.01%
39	79	0	52,695	34,251	0	0	50,000	0	529,690	4.26%	807,983	4.96%
40	80	0	0	0	0	0	50,000	0	503,354	4.27%	775,386	4.92%
Total		**400,000**	**975,772**	**634,251**		**400,000**	**700,000**	**400,000**				

[4].The Internal Rate of Return is a measure that can be used to evaluate performance and is based on the current dividend schedule. It is the amount at which outlays (out-of-pocket costs) up to that year must be compounded each year to generate the Net Cash Value.

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Dividend Option: Paid Up Additions

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Riders: ABR, TIR

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41	81	0	0	0	0	0	50,000	0	474,839	4.28%	740,013	4.88%
42	82	0	0	0	0	0	50,000	0	444,199	4.28%	702,086	4.84%
43	83	0	0	0	0	0	50,000	0	411,340	4.28%	661,594	4.80%
44	84	0	0	0	0	0	50,000	0	376,078	4.28%	618,383	4.76%
45	85	0	0	0	0	0	50,000	0	338,152	4.28%	572,261	4.72%
46	86	0	0	0	0	0	50,000	0	296,940	4.27%	522,623	4.68%
47	87	0	0	0	0	0	0	0	305,060	4.26%	522,260	4.64%
48	88	0	0	0	0	0	0	0	312,380	4.25%	520,988	4.60%
49	89	0	0	0	0	0	0	0	318,669	4.24%	518,615	4.56%
50	90	0	0	0	0	0	0	0	323,842	4.22%	515,019	4.52%
Total		**400,000**	**975,772**	**634,251**		**400,000**	**1,000,000**	**400,000**				
51	91	0	0	0	0	0	0	0	327,442	4.21%	509,658	4.48%
52	92	0	0	0	0	0	0	0	329,877	4.19%	502,782	4.44%
53	93	0	0	0	0	0	0	0	331,158	4.17%	494,214	4.40%
54	94	0	0	0	0	0	0	0	331,447	4.15%	483,774	4.36%
55	95	0	0	0	0	0	0	0	331,102	4.13%	471,043	4.32%
56	96	0	0	0	0	0	0	0	330,607	4.11%	455,616	4.27%
57	97	0	0	0	0	0	0	0	330,278	4.10%	436,946	4.23%
58	98	0	0	0	0	0	0	0	331,488	4.08%	414,263	4.18%
59	99	0	0	0	0	0	0	0	336,897	4.07%	386,438	4.13%
60	100	0	0	0	0	0	0	0	351,681	4.07%	351,681	4.07%
Total		**400,000**	**975,772**	**634,251**		**400,000**	**1,000,000**	**400,000**				

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Assumptions

Label	Value
CLIENT INFORMATION	
Client's Last Name	Client
Client's First Name	Valued
Age	40
Sex	Female
Assumed underwriting classification	Ultra Preferred Non-Tobacco
Client's Tax Bracket	35.00%
PRESENTER INFORMATION	
Presenter's Name	Financial Professional
Firm / Agency Name	ABC Financial Services
Address	ABC Rd
City State, ZIP	Boston, MA 02108
Telephone	
E-Mail Address	
License No	
CONCEPT SPECIFICS	
Illustrated Concept	**Income Tax Diversification with Whole Life Insurance**
Retirement Age	66
Income Years	20
Retirement Income	$50,000.00
Show Comparison to a Taxable Investment	Yes
Gross Rate of Return (net of any fees)	4.00%
PRODUCT INFORMATION	
Policy Name	Whole Life 20 Pay
State	Massachusetts
Initial Policy Death Benefit	$765,404
LISR Death Benefit	$0
RTR Death Benefit	$0
Policy Premium	$20,000
Years for Premiums	20
Dividend Rate	Current
Riders:	ABR, TIR

Whole Life Legacy series policies ((Policy Forms: MMWL 2018 and ICC18 MMWL in certain states, including North Carolina)/(MMWLA 2018 and ICC18 MMWLA in certain states, including North Carolina)) and MassMutual Whole Life series policies on the digital platform (Policy Forms: WL 2018 and ICC18WL in certain states, including North Carolina) are level premium, participating, permanent life insurance policies issued by Massachusetts Mutual Life Insurance Company (MassMutual), Springfield, MA 01111 0001.