North American Company
for Life and Health Insurance
Since 1886

Maximize Your Pension with Life Insurance

How Death Benefit Protection Can Help You Get the Most Out of Your Pension Benefits

Client Brochure

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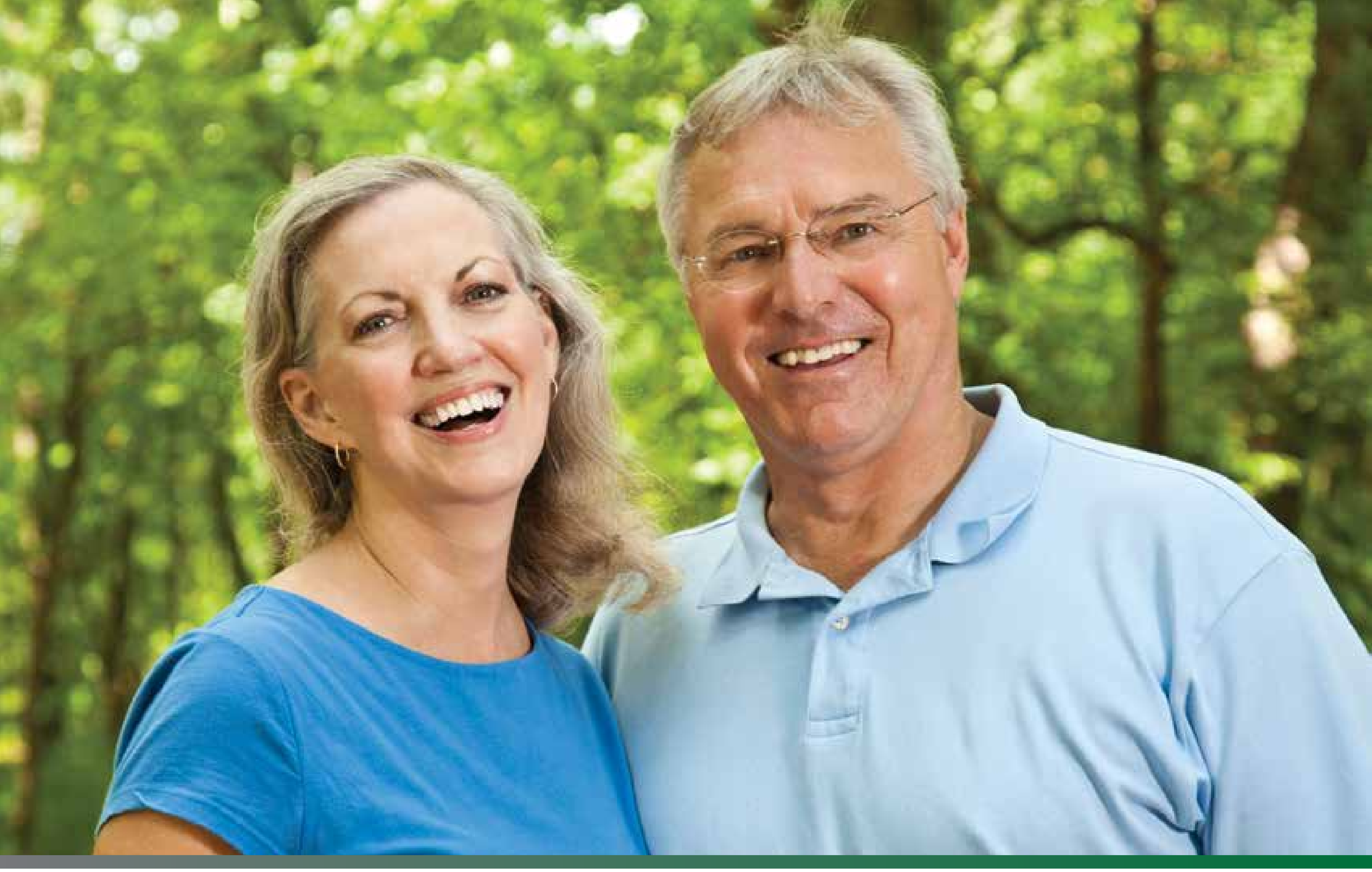


Achieve financial protection while maximizing your pension benefits

Pension maximization using life insurance is a way to gain needed death benefit protection while helping you get the most out of your defined pension benefits. If you are a participant in a traditional pension plan (also referred to as a "defined benefit plan"), you have a plan that is designed to provide you with monthly income payments upon retirement. First, however, you must make an irrevocable choice. Typically, your employer will give you two options for how the benefits will be paid—**Life Only Benefit** or **Joint and Survivor Benefit**. The **Life Only** option pays you the maximum monthly benefit, but upon your death, your spouse does not continue to receive payments. The **Joint and Survivor** option pays a *reduced* benefit, but your spouse will continue to receive benefits when you die. The pension maximization strategy using life insurance is designed to be a way to receive the higher life only pension benefit while also providing funds for your spouse in the form of a death benefit.

KEY QUESTIONS	ITEMS DISCUSSED
Who can benefit?	Explore if using life insurance for maximizing your pension benefit is right for you.
Why life insurance?	Learn how a life insurance policy can be used to meet death benefit protection needs, maximize pension income, and provide for your spouse.
How does it work?	Gain insight into how the strategy can help you get the most out of your pension plan.

Who can benefit?

If you're married, participate in a defined benefit pension plan, and are willing to allocate a portion of your retirement funds to a life insurance policy, it may be worth considering the pension maximization strategy using life insurance. In most situations, it may be ideal if you are within five years of retirement when deciding on the strategy.

As mentioned earlier, the Joint and Survivor option will continue to pay your spouse monthly benefits after your death, but the Life Only option pays a larger monthly benefit. Generally, the Joint and Survivor benefit payment is reduced by one-third to one-half compared to the Life Only option. With the pension maximization strategy, the idea is to select the Life Only benefit and use a portion of the higher benefit amount to purchase a life insurance policy with your spouse as the beneficiary.

The death benefit proceeds from the life insurance policy would provide your spouse with the financial support to help protect his or her financial future. The goal is to receive the higher benefit amount from the pension, while still providing your spouse with the same financial protection as would have been received with the Joint and Survivor option.

Why life insurance?

Life insurance is designed to financially support those left behind after a death. With the pension maximization strategy, this premise remains true. With life insurance, you gain immediate death benefit protection that would pay proceeds to your spouse generally income tax-free upon death.[1]

Let's take a look at the advantages and disadvantages of using life insurance for pension maximization.

Advantages

- **Immediate financial protection and control.** From the start, you gain death benefit protection for your spouse. When you die, your spouse receives the death benefit generally income tax-free.[1] If you decide on the pension maximization strategy using life insurance, this death benefit replaces the pension income that stops.
- **Higher monthly pension income.** When you select the Life Only option, you receive a higher monthly benefit. If your spouse dies first, you aren't left with the reduced benefit of the Joint and Survivor option. With this scenario you would also have potential access to any accumulated cash values in the policy through loans and withdrawals to help supplement retirement income.[2,3]
- **Opportunity to pass money to heirs.** If your spouse predeceases you (the pension holder) and you keep the policy in force until death, any remaining life insurance death benefit would pass to beneficiaries, such as your heirs.

Disadvantages

- **May not be appropriate if the retiree is in poor health.** Medical underwriting is required to qualify for life insurance. If the retiree is not insurable, this strategy does not apply.
- **Your spouse may lose medical benefits.** Depending on your pension plan, selecting the Life Only option may disqualify your spouse from medical benefits that would be available with the Joint and Survivor option. Carefully review your pension plan guidelines.
- **Potential lapse of your life insurance policy.** Should you not make the required premium payments to keep your life insurance policy in force, the policy may lapse and no longer provide a benefit to your spouse.
- **Not selecting the appropriate amount of life insurance coverage.** It is important that the policy's death benefit amount is enough to meet your spouse's financial needs after your death. If you die soon after retirement, the death benefit needs to be sufficient enough to cover your spouse's remaining years.
- **Your spouse may lack investment experience.** After the life insurance death benefit is paid, your spouse will need to ensure that the benefit will last, especially if it is paid in a lump sum. Please discuss with your financial representative for details.

Contact your North American representative today to help maximize your pension.

How does it work?

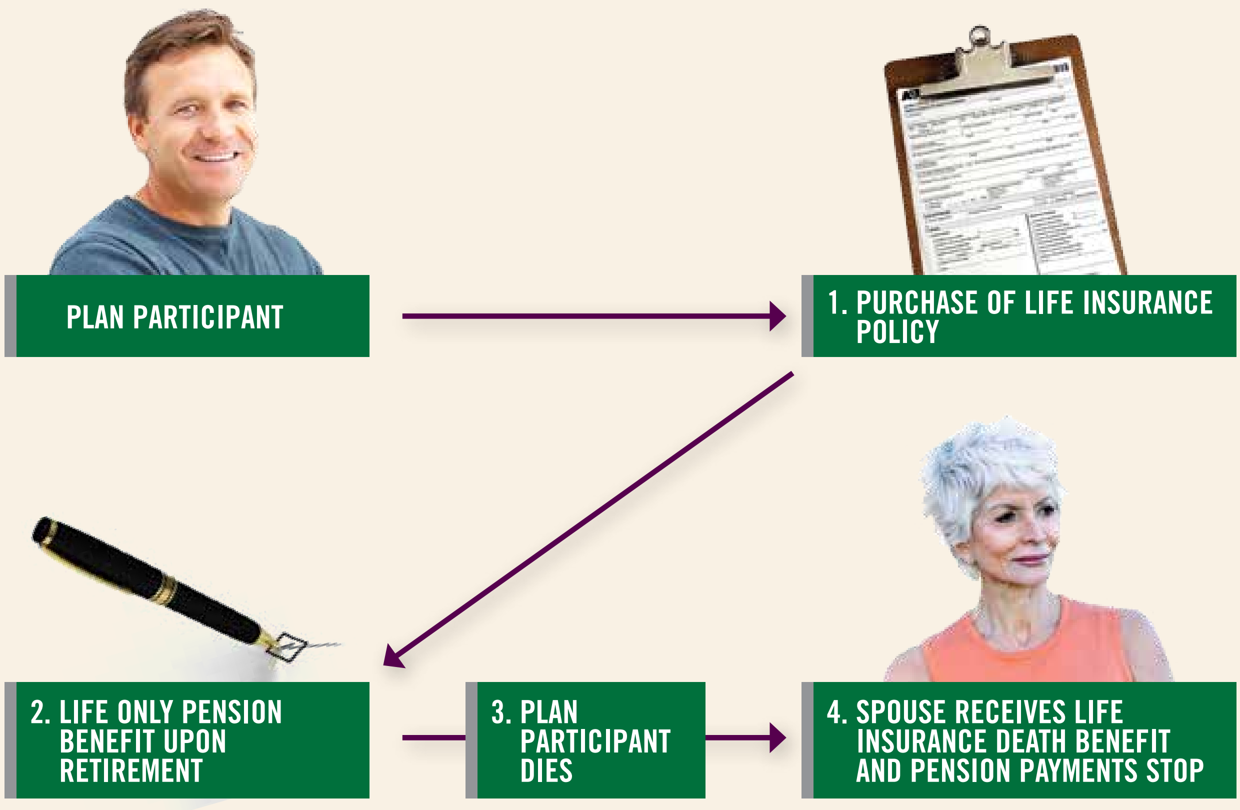
Here is how life insurance can be used to maximize pension benefits.

1. The participant in the defined benefit pension plan purchases a life insurance policy to replace lost income after the participant dies. The death benefit should be an amount that can provide the spouse the same monthly payment amount as the Joint and Survivor option. The spouse is named as the beneficiary of the life insurance policy.

2. Upon election of pension benefits at retirement, the Life Only benefit is selected rather than the Joint and Survivor benefit.

3. Upon death of the participant, the life insurance death benefit is paid to the spouse.
   The pension benefits stop.

4. The life insurance death benefit is then used to provide income for the surviving spouse.



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Life

North American Company for Life and Health Insurance has been providing quality life insurance products since 1886. As one of the leading life insurance companies in the U.S., we'll make it as easy as possible for you to become one of our insureds. Please visit our Website at www.NorthAmericanCompany.com to find out more about our company.

1 Neither North American Company for Life and Health Insurance nor its agents give legal or tax advice. Please consult with and rely on a qualified legal or tax advisor before entering into or paying additional premiums with respect to such arrangements.

2 Policy loans from life insurance policies generally are not subject to income tax, provided the contract is not a Modified Endowment Contract (MEC), as defined by Section 7702A of the Internal Revenue Code. A policy loan or withdrawal from a life insurance policy that is a MEC is taxable upon receipt to the extent cash value of the contract exceeds premiums paid. Distributions from MECs are subject to federal income tax to the extent of the gain in the policy and taxable distributions are subject to a 10% additional tax prior to age 59 1/2, with certain exceptions. Policy loans and withdrawals will reduce cash value and death benefit. Policy loans are subject to interest charges. Consult with and rely on your tax advisor or attorney on your specific situation.

3 Income and growth on accumulated cash values is generally taxable only upon withdrawal. Adverse tax consequences may result if withdrawals exceed premiums paid into the policy. Withdrawals or surrenders made during a Surrender Charge period will be subject to surrender charges and may reduce the ultimate death benefit and cash value. Surrender charges vary by product, issue age, sex, underwriting class, and policy year.

We're Here For Life®

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