

**Hoss Retirement & Insurance Services Inc**

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# Can I use life insurance to help me save for retirement?

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## Question:

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## Answer:

If you're close to retirement and already have a life insurance policy with sufficient cash value, you can use that cash to help finance your retirement. But if you're young and looking for a savings program for your retirement, there may be better ways than using life insurance.

Life insurance is designed to protect against unexpected economic loss, so if you don't need a death benefit, you might want to look into a tax-sheltered program such as a 401(k) that is specifically designed for long-term savings. This is particularly true if you're still young and will continue working.

If you need death benefit protection and tax-sheltered growth on your savings, cash value life insurance is one tool you might consider using as part of your overall savings plan for retirement.

If you already have a life insurance policy with a cash value account, you can use the cash in any of the following ways:

- Surrender the policy, take all the cash from it, and put the cash into an annuity. Set this up so you'll receive regular payments. Your life insurance policy is then no longer in force.
- Take a portion of the cash value and put it into an annuity. You can receive regular payments from your annuity and still have some life insurance protection. The amount you take out of the cash value would be subtracted from the life insurance benefit. For example, if your life insurance benefit is \$100,000 and you have a cash value of \$30,000, you could put \$20,000 from your cash value account into an annuity. Your insurance benefit would then change to \$80,000 ( $\$100,000 - \$20,000 = \$80,000$ ). Your ability to take some of the cash value will depend on the type of policy you have and how long you have paid into it.
- Take a loan from the cash value account. You would pay interest, which would be added to your premium. You can repay the loan, but if you don't, the loan balance plus interest owed will be deducted from the insurance benefit at your death.

Before taking any of these steps, you'll want to discuss your retirement savings program with a trusted financial advisor.



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