National Life Group®

# Life Insurance Distribution

## OPTIONS WITHIN QUALIFIED RETIREMENT PLANS

The well-known tax benefits that characterize qualified retirement plans have made pension and profit-sharing plans popular with businesses for years.

Rare is the working American today who does not have access to a qualified plan (Traditional 401(k), Profit Sharing plan and/or Defined Benefit plan), and even more rare is the worker who is not using this opportunity to save for retirement.

Many employers may be unaware that life insurance can be used as one of the funding vehicles inside certain qualified retirement plans.

When life insurance is included in a qualified plan, it is important that each participant understand the distribution options available when a qualifying triggering event occurs.

### Qualifying Triggering Events:

- The participant retires or terminates employment with the employer.
- The entire plan is being terminated.
- The plan is discontinuing the life insurance provision.
- There is more insurance in the plan than allowed by the IRS, i.e. the Incidental Limits have been violated.

Once a triggering event has been reached, a plan participant must decide what to do with the life insurance inside the plan.

Products issued by:

**National Life Insurance Company® | Life Insurance Company of the Southwest®**



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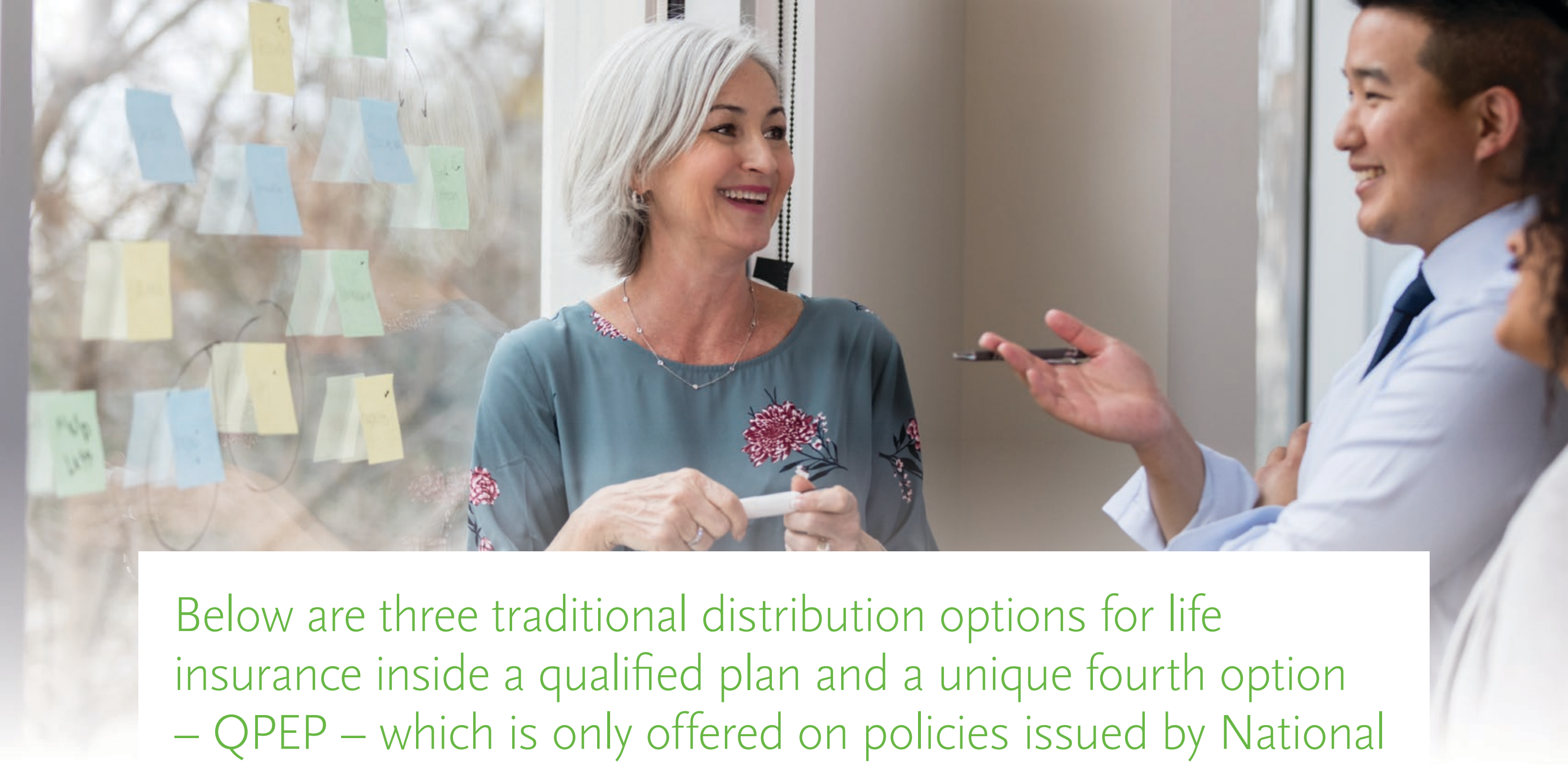

## Below are three traditional distribution options for life insurance inside a qualified plan and a unique fourth option – QPEP – which is only offered on policies issued by National Life Group insurance companies:

**1**

Participant can purchase the life insurance from the plan for the fair market value, thus making the qualified plan account "whole".

**2**

Distribute the life insurance and the participant will pay tax on the fair market value, less any economic benefit cost paid for while the insurance was inside the qualified plan.

**3**

The policy can be surrendered inside of the qualified plan. The cash value is transferred to the asset side of the plan, and the assets can be rolled out into an IRA.*

**4**

Utilize the Qualified Plan Exchange Privilege (QPEP) Rider.

### The QPEP Rider

This unique rider provides the participant with a way to defer taxation of plan assets while maintaining their insurability. Upon reaching a triggering event, the participant will surrender the life insurance policy in the plan and have its cash value transferred to the asset side of the qualified plan (the assets then can be rolled into an IRA if desired) while simultaneously, a new policy is issued outside of the qualified plan with a face amount that is equal to the "net amount at risk" (death benefit minus the cash value previously mentioned) of the policy that was inside the qualified plan.

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*This results in the loss of the death benefit of the life insurance policy. Surrender charges may reduce the policy's cash value in early years.