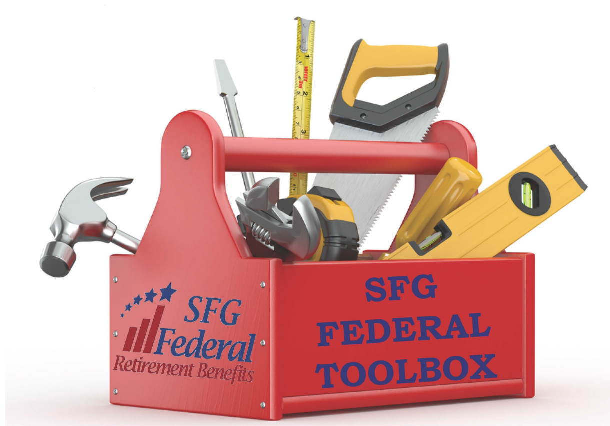
SFG Federal Retirement Benefits

Pension Maximization Report

Sample Client



Is Pension Maximization the Right Choice for You?

Understand this concept and the option it provides for your situation.

Pension Maximization using life insurance is a relatively simple, yet powerful, concept when used in the right circumstances. In short, the Pension Maximization strategy allows you to select the maximum pension payout option from your company's pension plan at retirement. As a result, your spouse will not be provided with a survivor benefit should you predecease him/her. However, this loss of income can be offset by using the death benefit proceeds from a cash value life insurance policy which you purchase prior to retirement. This concept works most effectively when the death benefit proceeds earn more than the rate necessary to generate the foregone joint and survivor option.

Before reviewing this proposal, we recommend you take a moment to consider if Pension Maximization is indeed the right concept for your situation.

The Pension Maximization concept works most effectively for married individuals who are currently participants in a defined benefit pension plan, are 10-15 years from retirement, and are comfortable allocating some of their retirement income to pay premiums on life insurance.

There are certain risks associated with the Pension Maximization strategy. First, the life insurance policy may lapse prior to the insured's death. Second, the surviving spouse may consume both the policy death benefits and the earnings they generate. Finally, it is possible that after the retiree's death, the spouse could lose eligibility for survivor health care benefits (check your company's plan).

In essence, Pension Maximization offers you the ability to take the maximum payout option from your defined benefit plan at retirement while still providing for your spouse in the event of your death. If you feel your situation meets these criteria and are interested in how this concept can work for you, the Pension Maximization supplemental illustration which follows is designed to illustrate various scenarios for comparison purposes. It is based upon information provided by you and it is not intended to predict, project, or guarantee the performance of any product including an IRA, annuity, or life insurance policy. This presentation is for educational purposes only and does not constitute an estate plan or the recommendation of one particular option over any other alternative.

Finally, as always, we recommend you consult your legal, tax, and accounting advisors about the consequences of taking advantage of the Pension Maximization concept. This presentation and any oral or written communication relating to it should not be construed as such.

The ING Life Companies and their agents and representatives do not give tax or legal advice. This information is general in nature and not comprehensive; the applicable laws change frequently and the strategies suggested may not be suitable for everyone. You should seek advice from your tax and legal advisors regarding your individual situation.

Pension Income Options From Federal Aviation Administration

At retirement, you typically have two basic alternatives from which to choose when selecting how to receive your pension income benefits: The Life Only Option or a Joint and Survivor Option. Following is a comparison of the monthly retirement income available under these options, based on information provided by you about your current pension plan.

Prepared for: Gus Client and Lisa Client
Assumed Age at Retirement: 55

	Gus's Monthly Income Options at Retirement Age	Monthly Survivor Income to Lisa if Gus Dies
Life Only Option	$9,347	$0
Joint and Survivor Option (59.28% to Survivor)	$8,435	$5,000
Cost of Providing Survivor Income		
Monthly Cost	$912	
Annual Cost	$10,944	
Total Cost From Retirement To Age 97 - (42 years)	$459,648	

The Problem with these Typical Pension Options

The Life Only option maximizes your pension income, but does not provide a survivor income for Lisa at your death.

The Joint and Survivor option offers a future income for Lisa, but:

- **Provides less monthly income during retirement.** To provide Lisa with an ongoing income after your death, your pension income must be reduced.
- **Irrevocable Lifetime Option.** Once elected, the Joint and Survivor option cannot be changed.
- **Beneficiary cannot be changed.** Only a surviving spouse may be designated as the beneficiary. This restricts flexibility in planning your estate. The beneficiary cannot be changed even if life circumstances change.
- **Leaves nothing to heirs.** At the death of both you and your spouse, your pension ends. No portion of your pension goes to heirs.
- **No flexibility.** If Lisa should die before you do, in many pension plans, the reduction in your retirement income will continue, even though the survivor benefit is no longer needed.

An Alternative

The Pension Maximization Alternative using Life Insurance

Pension Maximization is an alternative that allows you to take the maximum pension income while still providing a survivor death benefit to Lisa through the use of life insurance. Following are the steps involved:

Prepared for: Gus Client and Lisa Client
Assumed Age at Retirement: 55

Step 1:

Purchase life insurance
of $968,332
on Gus's life

Step 2:

At retirement, maximize
your pension with life
income option $9,347

Step 3:

At the death of Gus, use $968,332 of life insurance death
benefit proceeds to provide benefits to Lisa
$5,000 monthly income

Step 4:

By electing a life settlement option, purchasing an immediate annuity
or otherwise investing the death benefit proceeds,
Lisa can use the $5,000
monthly income to replace the lost pension income.

How Life Insurance Proceeds Can Provide an Income to Lisa

Whether Gus dies before or after retirement, the life insurance death benefit proceeds become payable in cash to Lisa, the policy beneficiary.

The life insurance death benefit is the amount needed to provide $5,000 monthly income to Lisa, assuming Gus dies at retirement age. This calculation assumes that all of the death benefit proceeds are invested in an investment vehicle earning an annual rate of 6.00%. If this rate of return is achieved the fund will provide Lisa with $5,000 monthly to age 90.

If a 6.00% rate of return is not achieved, the Pension Maximization survivor income may not equal the survivor income which would be paid under the joint and survivor option of the retirement plan. It may be more or less than illustrated. In order to obtain survivor benefits, premiums must be paid to keep the life insurance policy in force. Therefore, you should consult your professional advisors before making a final decision.

Potential Advantages of Pension Maximization using Life Insurance

- **Maximize pension income.** At retirement, Pension Maximization allows you and your spouse to elect the Life Only option and maximize your pension income. In the event that Lisa dies first, you can continue to collect your full pension.
- **Flexibility in determining beneficiary.** You can change the beneficiary of the life insurance policy at any time if your life circumstances and objectives change.
- **Continuing benefits if spouse dies first.** If your spouse dies first, you have the option of (1) maintaining the life insurance policy and naming a new beneficiary, (2) accessing the cash surrender value on a tax free basis*, or (3) continuing to receive the maximum pension benefit for your lifetime.
- **Benefits may be passed on to heirs.** When your spouse dies, death benefits may be passed on to your children or other designated heirs.
- **Pre-retirement death benefit.** Death benefits from the life insurance policy are payable to the policy beneficiaries, whether death occurs before or after retirement.
- **Increasing cash value.** The policy may build cash value as long as you maintain the life insurance policy and continue to pay premiums if needed. If you desire, you can borrow from or withdraw portions of this cash value for other needs which might arise, subject to policy limitations. Loans and withdrawals may generate tax liability, reduce available cash value and reduce the death benefit or cause the policy to lapse.
- **Income tax deferred accumulation.** Under current federal income tax law, cash surrender values accumulate within the life insurance policy income tax deferred until withdrawn.
- **Tax free death proceeds.** Under current tax law, if you die first, your spouse receives the death benefit proceeds from the life insurance policy free of federal income tax. Joint and survivor pension income option amounts generally are fully taxable when received.
- **You have control.** Most importantly, The Pension Maximization Strategy continues to offer you flexibility after you've retired. Instead of accepting a limited one-time option under your pension program, you and your spouse can maximize your pension benefits, while still maintaining control over the death benefit proceeds which will become payable at your death.

*Income tax free distributions are achieved by withdrawing to the cost basis (premiums paid) then using policy loans. Loans and withdrawals may generate an income tax liability, reduce available cash value and reduce the death benefit or cause the policy to lapse. This assumes the policy qualifies as life insurance and is not a modified endowment contract.

Common Questions Concerning Taxes

Are Premium Payments Tax Deductible?

If an employer pays premiums for a policy owned by an employee, the premium payments will be treated as compensation to an employee. Employee compensation paid will be deductible by the employer as an ordinary and necessary business expense. Compensation found to be excessive or unreasonable under all the circumstances will not be deductible. (IRC Reg. Section 1.162-7)

Does the Inside Build-up in a Life Insurance Policy Grow Tax Deferred?

The tax court decided that the cash values of a life insurance policy were not constructively received by taxpayers where they could not reach the values without surrendering the policy. THEODORE H. COHEN VS. COMM., 39 TC 1055 (1963). The I.R.S. has acquiesced to the holding in this case. (1964-1 CB 4) See also IRC Section 7702(g).

Can Premiums Paid into the Policy be Withdrawn without Paying Income Taxes?

If policy cash values are large enough, the policyowner may usually withdraw his or her premiums paid for the policy (cost basis) free of income tax. The cost basis in the contract is withdrawn first (FIFO) and then any further withdrawals will be treated as withdrawal of gain subject to income tax ((IRC Section 72 (e) (5) (A)). If the policy is determined to be a Modified Endowment Contract, distribution from the policy (by loan or withdrawal) will be taxable as ordinary income to the extent of the gain in the policy, and may be subject to a 10% income tax penalty prior to age 59-1/2. IRC Section 7702A and IRC Section 72 (e) (10).

Are Policy Loans Income Tax Free?

Policy loans may be used to access the cash values in the policy. Policy loans are not treated as taxable distributions, provided the policy is not a Modified Endowment Contract (IRC Section 72 (e) (5) (C), IRC Section 7702A). If a policy is allowed to lapse or if it is surrendered, the outstanding loan will be repaid from policy values, but if the loan exceeds the cost basis in the policy at the time of lapse or surrender, income taxes will be due on the excess.

Is the Death Benefit Income Tax Free?

With a few exceptions, life insurance proceeds paid on account of the insured's death are received by the beneficiary income tax free (IRC Section 101 (a)). These death proceeds will usually be free from federal income tax; however, they may be subject to estate tax upon the death of the insured if the insured was the owner of the policy at death, or if the insured possessed any ownership rights in the policy within three years of death.

What about the Outstanding Policy Loan at Death?

The policy loan is treated as an advance against future death benefit. At death, the loan is repaid from the death benefit, and the remainder is usually received income tax free. (IRC Section 101 (a))

Comparison Of Features

	JOINT & SURVIVOR Pension Option	PENSION MAXIMIZATION Using Life Insurance
While you and your spouse are both living	A reduced pension benefit is received.	The maximum pension benefit is received.
If you die first	Your spouse continues to receive a reduced pension benefit.	Your spouse can use the income tax-free death benefit to provide a lifetime income.
If your spouse dies first	You continue to receive a a reduced pension benefit for your lifetime.	You continue to receive the maximum pension benefit for your lifetime and can continue the life insurance policy for your heirs, or you can use any cash value to provide supplemental retirement income.*
If you have a financial emergency	The pension benefit cannot be adjusted to provide emergency funds.	Any cash values from the life insurance policy can be utilized.*
Your heirs	Heirs receive nothing from the pension plan upon the death of you and your spouse.	Beneficiaries of the life insurance can be named.

*Income tax free distributions are achieved by withdrawing to the cost basis (premiums paid) then using policy loans. Loans and withdrawals may generate an income tax liability, reduce available cash value and reduce the death benefit or cause the policy to lapse. This assumes the policy qualifies as life insurance and is not a modified endowment contract.

Summary Comparison Of Benefits

	JOINT & SURVIVOR Pension Option	PENSION MAXIMIZATION Using Life Insurance Life Only	+ Insurance
Before Retirement			
Death Benefit to Lisa if Gus dies.	**	**	$968,332
After Retirement			
While Gus and Lisa are living:			
Monthly Pension Income	$8,435	$9,347	$0
At Gus's Death:			
Monthly Income to Lisa if Gus dies at:			
Age 55	$5,000	$0	$5,000*
Age 60	$5,000	$0	$5,166*
Age 65	$5,000	$0	$5,405*
Age 70	$5,000	$0	$5,763*
At Lisa's Death:			
Monthly Income to Gus	$8,435	$9,347	$0
Plus			
Life Insurance Cash Value at Gus's Age 55	$0	$0	$0
On Simultaneous Death of Both Gus and Lisa			
Death Benefit to Heirs	**	**	$968,332

*Assuming the death benefit proceeds are invested earning an annual rate of return of 6.00%, the interest and principal will provide an income to Lisa.

**The provisions of your pension plan will specify whether a death benefit is payable if death occurs prior to retirement. In either case, the benefits will be the same whether you choose the Life Only or Joint and Survivor income option.

The values illustrated are based on the illustrated policy interest rate and current cost assumptions.

The values illustrated are not guaranteed. They assume that the illustrated non-guaranteed elements of the policy will continue unchanged for all years shown. This is not likely to occur, and actual results may be more or less favorable than those shown. This page must be accompanied by the basic Policy Illustration, which includes the guaranteed elements of the policy and other important information.

SFG Federal Retirement Benefits

Withdrawal Schedule

Retire in 2 years
Spend 42 years in retirement
Amount Needed at Time of Retirement = **$ 968,280.95**
Annual Interest Rate = 6% (compounded Annually)
Annual Inflation Rate = 0%
Amount Withdrawn (at the beginning of) each Year = $ 60,000.00 (in today's dollars -2014)

Year	Beginning Balance	Withdrawal Amount	Earnings	Remaining
2016	$ 968,280.95	$ 60,000.00	$ 54,496.86	$ 962,777.81
2017	$ 962,777.81	$ 60,000.00	$ 54,166.67	$ 956,944.48
2018	$ 956,944.48	$ 60,000.00	$ 53,816.67	$ 950,761.14
2019	$ 950,761.14	$ 60,000.00	$ 53,445.67	$ 944,206.81
2020	$ 944,206.81	[illegible]	[illegible]	[illegible]
2021	$ 937,259.22	[illegible]	[illegible]	[illegible]
2022	$ 929,894.77	$ 60,000.00	$ 52,193.69	$ 922,088.46
2023	$ 922,088.46	$ 60,000.00	$ 51,725.31	$ 913,813.77
2024	$ 913,813.77	$ 60,000.00	$ 51,228.83	$ 905,042.59
2025	$ 905,042.59	$ 60,000.00	$ 50,702.56	$ 895,745.15
2026	$ 895,745.15	$ 60,000.00	$ 50,144.71	$ 885,889.86
2027	$ 885,889.86	$ 60,000.00	$ 49,553.39	$ 875,443.25
2028	$ 875,443.25	$ 60,000.00	$ 48,926.60	$ 864,369.85
2029	$ 864,369.85	$ 60,000.00	$ 48,262.19	$ 852,632.04
2030	$ 852,632.04	$ 60,000.00	$ 47,557.92	$ 840,189.96
2031	$ 840,189.96	$ 60,000.00	$ 46,811.40	$ 827,001.36
2032	$ 827,001.36	$ 60,000.00	$ 46,020.08	$ 813,021.44
2033	$ 813,021.44	$ 60,000.00	$ 45,181.29	$ 798,202.72
2034	$ 798,202.72	$ 60,000.00	$ 44,292.16	$ 782,494.89
2035	$ 782,494.89	$ 60,000.00	$ 43,349.69	$ 765,844.58
2036	$ 765,844.58	[illegible]	[illegible]	[illegible]
2037	$ 748,195.26	[illegible]	[illegible]	[illegible]
2038	$ 729,486.97	[illegible]	[illegible]	[illegible]
2039	$ 709,656.19	[illegible]	[illegible]	[illegible]
2040	$ 688,635.56	$ 60,000.00	$ 37,718.13	$ 666,353.69
2041	$ 666,353.69	$ 60,000.00	$ 36,381.22	$ 642,734.92
2042	$ 642,734.92	$ 60,000.00	$ 34,964.09	$ 617,699.01
2043	$ 617,699.01	[illegible]	[illegible]	[illegible]
2044	$ 591,160.95	[illegible]	[illegible]	[illegible]
2045	$ 563,030.61	[illegible]	[illegible]	[illegible]
2046	$ 533,212.45	$ 60,000.00	$ 28,392.75	$ 501,605.19

FEGLI BASIC $180,000 to age 65
$48,000 Free for Life after age 65

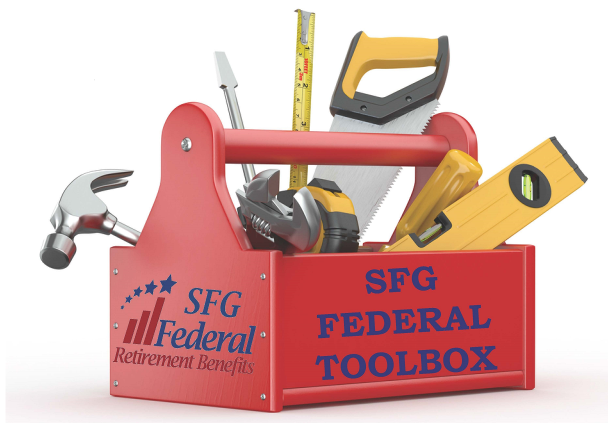
$300,000 30yr Term Principal $151.20/month
Or (Super Preferred Rating)
$350,000 30yr Term Principal $175.31/month

$500,000 Treasury Index UL $446.95/month
Or
$500,000 Symetra Classic UL $445.75/month

2047	$ 501,605.19	$ 60,000.00	$ 26,496.31	$ 468,101.50
2048	$ 468,101.50	$ 60,000.00	$ 24,486.09	$ 432,587.59
2049	$ 432,587.59	$ 60,000.00	$ 22,355.26	$ 394,942.85
2050	$ 394,942.85	$ 60,000.00	$ 20,096.57	$ 355,039.42
2051	$ 355,039.42	$ 60,000.00	$ 17,702.37	$ 312,741.79
2052	$ 312,741.79	$ 60,000.00	$ 15,164.51	$ 267,906.29
2053	$ 267,906.29	$ 60,000.00	$ 12,474.38	$ 220,380.67
2054	$ 220,380.67	$ 60,000.00	$ 9,622.84	$ 170,003.51
2055	$ 170,003.51	$ 60,000.00	$ 6,600.21	$ 116,603.72
2056	$ 116,603.72	$ 60,000.00	$ 3,396.22	$ 59,999.95
2057	$ 59,999.95	$ 59,999.95	$ .0	$ .0
Totals		**$ 2,519,999.95**	**$ 1,551,719.00**	

Government	Age 65	Age 70	Age 75	Age 80	Age 85	Age 90
FEGLI Option B	$100,932	$100,932	$100,932	$100,932	$100,932	$100,932
Survivor Spouse	$126,587	$188,870	$254,329	$323,128	$395,436	$471,433
Total Gov. Cost	**$227,519**	**$289,802**	**$355,261**	**$424,060**	**$496,368**	**$572,365**
Pension Max						
Principal 30yr Term	$22,089	$32,607	$43,125	$53,643	$63,285	$63,285
Symetra UL	$56,165	$82,910	$109,655	$136,400	$163,145	$189,890
Total Pen Max Cost	**$78,254**	**$115,517**	**$152,780**	**$190,043**	**$226,430**	**$253,175**
Total Savings	**$149,265**	**$174,285**	**$202,481**	**$234,017**	**$269,938**	**$319,190**

SFG Federal Retirement Benefits



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