Retirement and Legacy Arrangement

The Retirement and Legacy Arrangement (RALA) is an innovative strategy designed to address multiple wealth planning objectives, including retirement, estate and asset protection planning. If properly designed, funded and maintained, the RALA strategy can be utilized to supplement your retirement income while creating a legacy for your family in a tax-advantageous and asset protected manner.

What does RALA do?

RALA is a planning technique that is primarily designed to:

- Supplement financial needs in retirement with primarily income tax-free cash flow.
- Create a considerable income tax-free and estate tax-free legacy for heirs or selected beneficiaries.
- Protect the legacy from the heirs' (or beneficiaries') creditors.

While the main purpose of life insurance is for death benefit protection, the primary dual objectives of the RALA strategy are supplementing retirement income and creating a legacy for heirs (or other beneficiaries). If the RALA plan is structured properly, the legacy you may create for your heirs (or other beneficiaries) may also be protected from judgment creditors (note that laws for creditor protection vary by state).

How does RALA work?

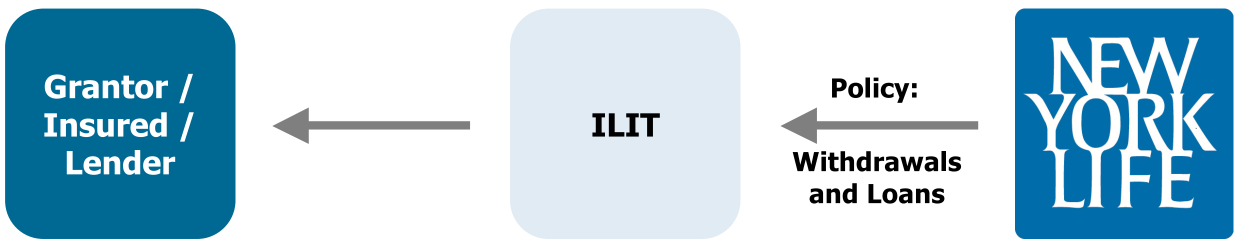
The basic order of the RALA strategy consists of the following:

- You create an irrevocable life insurance trust (ILIT) to purchase and own a cash value life insurance policy on your life (e.g., a NYLIC Custom Whole Life Insurance Policy).
- You lend cash to the ILIT in exchange for an interest bearing note.
- The Trustee of the ILIT utilizes the cash (loan proceeds) to pay premiums on the life insurance policy.
- During your retirement years, the Trustee supplements your retirement income by making payments on the promissory note to you.[1]

[1] The ILIT should be designed to grant the Trustee access to cash values and loans from the life insurance policy. Note: loans and withdrawals will decrease the cash surrender value and death benefit of the life insurance policy.

- At death, you leave an income and estate tax free and asset protected legacy pursuant to the terms of the trust for the beneficiaries of the ILIT in an amount equal to the life insurance policy's death benefit proceeds less any outstanding premium loans and accrued interest.

While the structure of the note and the type of life insurance product chosen are important, the key to a successful RALA turns largely on the design of the ILIT. The ILIT must contain the appropriate provisions (1) to make you the owner of the trust assets for income tax purposes; (2) to exclude the death benefit legacy from your taxable gross estate for estate tax purposes; and, (3) to incorporate appropriate asset protection provisions to shield the legacy from the heirs' (or other beneficiaries') creditors.



Protect your retirement and leave your legacy.

The RALA strategy presents the opportunity to safeguard a portion of your retirement portfolio and to provide a greater level of stability for assets used to implement this arrangement. Through proper RALA design you may be able to reposition your available liquid assets in a structure that may potentially reduce income and estate tax liability. In addition to safeguarding your assets, supplementing your retirement income and saving potential Federal estate taxes, the RALA technique will assist you with creating a valuable legacy for your heirs or beneficiaries that may be protected from their creditors.