

Today, more than ever, life insurance makes sense for those who have experienced losses in the recent recession, but still want to provide a financial legacy.

Using a Risk-Averse Strategy to Immediately Restore your Financial Legacy

THE RECENT RECESSION has been a severe setback for many people who have been diligently saving and investing for retirement. Many who were counting on leaving a financial legacy to loved ones are now scrambling to find a strategy that will help rebuild their assets.

But with continuing economic uncertainty, there are legitimate concerns about relying on the stock market to deliver the returns needed to restore assets that have been lost. Many people are wondering how they can protect their investments from further losses and still provide a legacy for beneficiaries.

What are my options for restoring a “lost legacy”?

Option 1: Stay the Course

Rather than liquidate a portfolio that has suffered losses, some might choose to stay the course by remaining invested with a diversified portfolio. However, a decision to stay the course carries uncertainty and may raise questions such as:

- Is it going to be possible to restore the account back to its original value?
- How do I make up for the lost time and benefits of compounded growth?
- Will a diversified portfolio produce the types of returns it did over the last decade?

Option 2: Prevent Additional Losses

Another response is to transfer investments into a conservative portfolio with a fixed rate of return. However, the cost of this approach could be a lower expected rate of return that will increase the number of years it will take to recoup losses.

Option 3: Restore your Financial Legacy with Life Insurance

For decades financial professionals have understood the value of life insurance and guaranteed death benefits. Today, in the wake of a severe recession, it makes more sense than ever. And, with Transamerica Life Insurance Company’s valuable benefits, life insurance offers significant advantages for those who want to provide long-term financial security for their loved ones, because it:

- Eliminates the uncertainty of whether lost assets can be restored and how long it will take
- Provides a guaranteed value that will be passed on to loved ones¹
- Protects your legacy from market risk
- Provides federal income-tax-free benefit to loved ones that can be structured as a monthly guaranteed income stream, instead of just a one time, lump sum distribution²

How life insurance can restore a lost legacy?

Charles, a 70-year-old, is retired. His portfolio had significant losses due to the recent recession.

Charles’ Portfolio

Pre-recession balance: \$1,000,000

Current balance: \$500,000 (due to market losses)

His Objectives

- Offset the balance lost by recession
- Create and secure a financial legacy for loved ones
- Structure payments so loved ones won’t have to manage large sums of money

The Strategy

Charles uses a portion of his account to purchase a \$500,000 10-year TransTermSM life insurance policy with an initial annual premium of \$5,335 for 10 years.³

If he passes away within the next 10 years, the Income Protection Option on the TransTerm policy enables him to have \$75,000 paid out upon his death to provide for the immediate needs of his loved ones and a \$2,000 monthly guaranteed income stream for the next 25 years. While only paying for \$500,000 in life insurance, the payments for his loved ones total \$675,000. If he outlives the 10-year time-frame and still hasn't recouped his market losses, he can still continue coverage by increasing his premiums.

Summing It Up

With the purchase of life insurance, Charles is able to:

- Immediately “restore” the \$1,000,000 financial legacy for his loved ones
- Guarantee that this \$500,000 death benefit will be free from future market volatility
- Keep his remaining investments allocated in a diversified portfolio

The time-cost of attempting legacy repair by staying the course

If Charles decided not to make any changes to his current portfolio, how long would it take to restore his account value back to the previous balance of \$1,000,000? (Assuming he can find the right mix of investments to produce these rates of return.)

Years to restore account to \$1,000,000	Rate of Return
8 years	10%
10 years	8%
15 years	5%

Life insurance was developed to provide peace of mind for individuals who want to protect and provide for their families. Today, more than ever, life insurance makes sense for those who have experienced losses in the recent recession, but still want to provide a financial legacy.

¹ All guarantees are based on the claims-paying ability of the insurance company.

² A portion of each monthly payment and a portion of the final lump sum are reportable as interest income. The policy illustration provides the tax-reportable percentage for each monthly income payment and the final lump sum based on a 3% guaranteed minimum interest rate and the illustrated face amount. Upon the insured's death, the actual taxable portion of each monthly payment will be calculated and communicated to the beneficiary(ies) based on the actual payout amounts.

³ Quote based on a TransTermSM 10 Male, aged 70, Preferred Nonsmoker with the Income Protection Option.

TransTermSM 10 (Policy Form No. ICC10-410) is a non-participating, flexible premium universal life insurance policy issued by Transamerica Life Insurance Company, Cedar Rapids, IA 52499. **Higher premiums may be necessary to maintain coverage starting in year 11 for TransTerm 10, and payment at any time of premiums that are insufficient to continue coverage may result in termination of coverage.** Policy form and number may vary and this policy may not be available in all jurisdictions. Insurance eligibility and premiums are subject to underwriting. In most states, in the event of suicide during the first two policy years, death benefits are limited only to the return of premiums paid.

Transamerica Life Insurance Company (“Transamerica”) and its representatives do not give tax or legal advice. This material and the concepts presented here are provided for informational purposes only and should not be construed as tax or legal advice.

Although care is taken in preparing this material and presenting it accurately, Transamerica disclaims any express or implied warranty as to the accuracy of any material contained herein and any liability with respect to it. This information is current as of May 2011.

From *The Source*, a newsletter from Transamerica Insurance & Investment Group.



Transamerica Life Insurance Company

an **AEGON** company