



How Can I Receive Income, Tax-Free?

Do you need extra cash to supplement your retirement income? How about to help pay for college expenses? Wouldn't it be nice if these extra income sources were available to you on a tax-free basis?

Life insurance, in addition to traditional coverage, offers a means to do this by allowing you to deposit significant amounts of money in addition to the

minimum required premium to pay for the life insurance.

Imagine your premium being invested into 2 different accounts. The first is a small account, where the actual cost of the insurance goes to pay the premium. Once the money is deposited into this account, it is spent by the company to pay the actual cost of the insurance. The rest of the money goes into a type of "holding tank." This holding tank is then invested into the life insurance carrier's portfolio.

By merging your money with millions of dollars from other investors, the insurance companies are able to achieve better, safer gains than any individual could achieve. In return, the carrier gives the consumer a piece of that interest, which is then credited back to the owner's account as a growth in the cash value of the account.

There are two main ways that the policy holder can take money out of their account.

1. They can make a withdrawal from the cash value at any time, which is subject to ordinary income taxes.
2. However, most insurance policies offer the ability to take a loan from the policy because, according to the IRS, **loans are not taxed** and so these loans from the policy come out tax-free so long as all the funds are not withdrawn from the policy. The death benefit acts as a sort of collateral until the loan is repaid and, in case the loan is never repaid, the difference is simply subtracted from the death benefit and the difference goes to your beneficiaries **tax-free!**