

LIFE INSURANCE AS A RETIREMENT SUPPLEMENT

Virtus IUL III for retirement planning



Retirement planning can be challenging. With life expectancies increasing, many clients will find themselves needing to provide their own income for 30 years or more – funding both leisure and the necessary expenses of day-to-day life. Virtus Indexed Universal Life (IUL) III can help as a retirement-income supplement. The unique crediting aspects of indexed products, combined with the tax efficiencies and flexibility of life insurance, offer alternative methods of dealing with traditional problems. When combined with more common retirement funding sources, Virtus IUL III can help move your client's golden years to platinum.

Taking on risk to catch up

Many people begin diligent retirement planning too late in life, often not starting until their 40s (or even later). Because it is much easier to accumulate money for retirement with a longer time frame, those clients who need to catch up from delayed planning often take on more risk in their chosen investments. While the upside potential may help them reach their goal, this leaves them susceptible to market downturns. Imagine a 58-year-old who was 100% invested in stocks in 2007 and the challenges that were subsequently faced in trying to recoup losses.

Time to consider Virtus IUL III

Unlike traditional equity-based vehicles, Virtus IUL III provides a floor on investment losses of 0%*. If that same 58-year-old had money in a Virtus IUL III, their money would not have increased in 2008, but they wouldn't have seen any investment losses either. Recovering from a 0% return is much easier than recovering from a 25% loss, especially nearing retirement.

Having a 0% floor for interest crediting can help during the distribution phase too. When your clients experience negative returns in other assets, having Virtus IUL III to rely on for supplemental retirement income may help provide a potential buffer that will allow the other assets to recover value. This can be a unique and useful retirement tool.

It's true that IUL doesn't have all the "upside potential" of a traditional equity vehicle. But that's usually just fine with many individuals concerned about retirement. They still want their cash value to grow as much as possible, but they're usually equally, if not more concerned about protecting what they have in case of a market downturn. They're looking for balance, and that's what a responsibly designed IUL can provide.

Considering the impact of taxes

We don't know what a client's tax rate will be in retirement. Many assume they'll pay lower taxes, but that ignores the fact that they will have likely paid off their mortgage and no longer have the responsibility of supporting children (hence fewer deductions). Even if marginal rates are lower, more tax could still be paid due to the loss of deductions and credits, and there's also the potential for tax on any Social Security income. Tax diversification can be an important planning tool. Income taken from Virtus IUL III doesn't appear on the 1040, which may help keep a retiree out of higher tax brackets and potentially reduce taxation on other benefits.

Guarantees for flexibility in retirement

Virtus IUL III offers several attractive choices and guarantees for retirement planning. First, the ability to move between index and standard loans** can be a significant advantage to a policyowner.

The different loan types may suit different needs depending on each client's circumstances at the time. For additional details on both loan types, refer to the Virtus IUL III Marketing Guide, Form 10210LMA.

Second, the ability to change both premium and renewal allocations gives a policyowner a powerful tool to move their assets between investment options. If interest rates are high, perhaps a 50% allocation to the fixed account makes sense. If they're low, maybe it's 0%. With three different indexes available for the assets, an element of asset allocation is available. Finally, the ability to move large premiums into investment accounts slowly through the automatic transfer provision (also known as "dollar cost averaging") adds even more flexibility for the policyowner. This ensures that not all of a client's assets are tied to one or two segments during the life of the policy.

A sound alternative

Many clients are searching for alternative options in today's low-interest-rate environment. Virtus IUL III may be a sound solution for retirement planning. Indexed crediting rates can help eliminate fears that a pure equity investment can't, while still providing for significant upside potential. Taxation is different for IUL than many other traditional retirement planning vehicles, which may allow for more effective tax planning in retirement. And with flexible options, policyowners aren't tied to a specific choice that may not suit later risk tolerances or economic conditions. If you talk to clients about using life insurance as part of their retirement plans, consider the benefits of Virtus IUL III.

Contact Advanced Planning at 877.665.2468 (option 1, 3) for more information.

* The policy's account value may still decline due to cost of insurance charges and expenses deducted.

**Once a loan option is selected, you cannot switch for 12 months.

If tax-free loans are taken and the policy lapses, a taxable event may occur. Withdrawals (partial surrenders) and loans from life insurance policies classified as modified endowment contracts may be subject to tax at the time the withdrawal or loan is taken and, if taken prior to age 59½, an additional 10% federal tax may apply. Withdrawals and loans reduce the death benefit and cash surrender value.

The Index Accounts are accounts that earn interest based, in part, on the growth of a corresponding stock market index, excluding dividends. When premiums are allocated to Index Accounts the dollars are not invested directly in any index or security.

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