

Understanding the Potential Tax Advantages of Life Insurance

In our environment, people are challenged with providing for their families as best they can today, while also planning for the future. One way to help ensure you're getting the most out of your money is to work with your tax professional to understand the tax treatment of the financial tools you're using. This is important for your short term and longer term goals. It's also important that you have a proper balance between them.



A New Look on Life

Cash value life insurance offers the advantage of a tax-free death benefit and the potential for income tax-free withdrawals and policy loans provided the policy is properly structured and remains in force.¹

The Tax Control Triangle

Assets generally fall into one of three categories.



These assets are funded with after-tax dollars, may have the option for tax-deferred growth and may be distributed income tax-free. This category includes cash value life insurance, Roth IRAs and municipal bonds.



These assets are funded with after-tax dollars and every year the owner receives a 1099 form for any interest or dividends earned. This category is often beneficial for its high liquidity and includes cash, checking, savings accounts, CDs, money market accounts and non-qualified brokerage accounts.



These assets typically provide tax-deductible contributions and tax-deferred growth, but upon distribution, are taxed as ordinary income. This is often the only category many Americans utilize for retirement and includes 401(k) and 403(b) accounts, traditional IRAs, SEP/SIMPLE accounts, pensions and other qualified retirement plans.

This document is designed to provide introductory educational information on the subject matter. Brighthouse Financial does not provide tax or legal advice. You should consult your attorney and/or tax advisor before making financial investment or planning decisions. Please see footnote references and additional disclosures on back.

For more information, please contact your financial professional.

- ¹ Distributions from a life insurance policy through withdrawals of certain policy values (up to cost basis) and loans are generally not taxed as income provided you follow certain premium limits which prevent your policy from becoming a Modified Endowment Contract (MEC). Distributions taken during the first 15 years may be subject to tax. Loans and withdrawals will generally reduce the cash value available and the death benefit payable. If policy loans are taken, there may be income tax consequences if you permit the policy to lapse or if the policy is surrendered or exchanged.
- ² Assuming the funds have been held in the account for at least five years and owner has reached age 59½ at the time withdrawals are taken.
- ³ Municipal bond interest is generally tax-free for regular federal income tax purposes.
- ⁴ Traditional IRA contributions may be deducted if certain criteria are met.

Brighthouse Financial life insurance policies have limitations, exclusions, charges, termination provisions and terms for keeping them in force. There is no guarantee that any of the variable investment options in this product will meet its stated goals or objectives. The cash value can be subject to market fluctuations so that, when withdrawn, it may be worth more or less than its original value. Guarantees are subject to the claims-paying ability and financial strength of the issuing insurance company.

Brighthouse Financial does not provide tax or legal advice. Please consult your tax advisor or attorney for such guidance.

All guarantees are subject to the claims-paying ability and financial strength of the issuing insurance company.

Life Insurance:

- Not A Deposit • Not FDIC Insured • Not Insured By Any Federal Government Agency
- Not Guaranteed by Any Bank or Credit Union • May Go Down In Value



Brighthouse Life Insurance Company
11225 North Community House Road
Charlotte, NC 28277
brighthousefinancial.com

Brighthouse Life Insurance Company of NY
285 Madison Avenue
New York, NY 10017