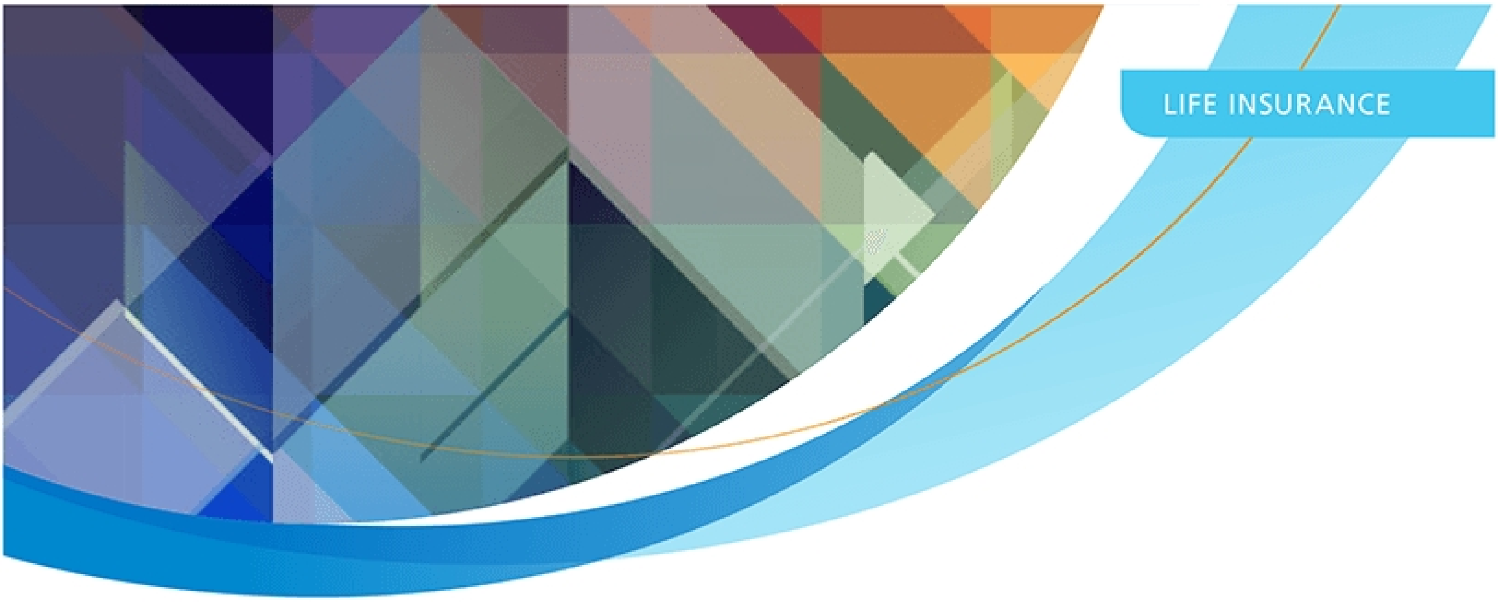


LIFE INSURANCE RETIREMENT SUPPLEMENT

Custom Report

PREPARED FOR

Valued Client

PREPARED BY

Sunshine Financial Solutions

DATE

04/08/2021

FOR USE WITH THE GENERAL PUBLIC

Ohio National Financial Services®

Life Insurance as a Retirement Supplement

Summary

As you accumulate wealth and retirement savings, it is very important to make sure your retirement nest egg is secure. There are risks that could jeopardize your retirement income: for example, the uncertainty of future tax rates makes it impossible to know the extent to which taxes will reduce certain distributions from qualified retirement accounts. Moreover, many assets that you might own, such as stocks, mutual funds and real estate are subject to unpredictable losses at any given time.

Life insurance can help balance your retirement portfolio. First and foremost, life insurance provides an income tax-free death benefit to protect and potentially replace lost income for your beneficiaries. But in addition, accumulated cash values inside permanent life insurance can help supplement your retirement income, provide tax diversification, and hedge against a number of other risks.*

Plan design

The concept of using life insurance as a retirement supplement begins with the purchase of a permanent life insurance policy that builds cash value. You must be insurable to purchase a policy covering your life, and features and flexibility vary by product.

Permanent life insurance provides flexibility and options for distributions in retirement. In your retirement years, you can have tax-advantaged access to the cash value build-up in the policy through properly structured loans and/or surrenders to tax basis. Unlike a qualified plan, there is no 10% penalty tax on distributions prior to age 59½. (Importantly, the policy should not be a Modified Endowment Contract (MEC) to obtain tax-advantaged access to policy cash values.) There are also no Required Minimum Distributions (RMDs) at any particular age, and you are free to adjust the timing and amounts of available cash value withdrawals. In addition to supplementing retirement income, this cash can be used for other lifetime needs, including college expenses, major purchases, unplanned emergency expenses, or providing financial support to others.

* Loans and withdrawals, if taken, will reduce the death benefit. Loans and withdrawals from life insurance policies that are classified as modified endowment contracts (MECs) may be subject to tax at the time that the loan or withdrawal is taken and, if taken prior to age 59½, a 10% federal tax penalty may apply. If tax-free loans are taken and the policy lapses or is surrendered, a taxable event may occur.

Risk management

Permanent, cash value life insurance can reduce various risks inherent in most retirement plans:

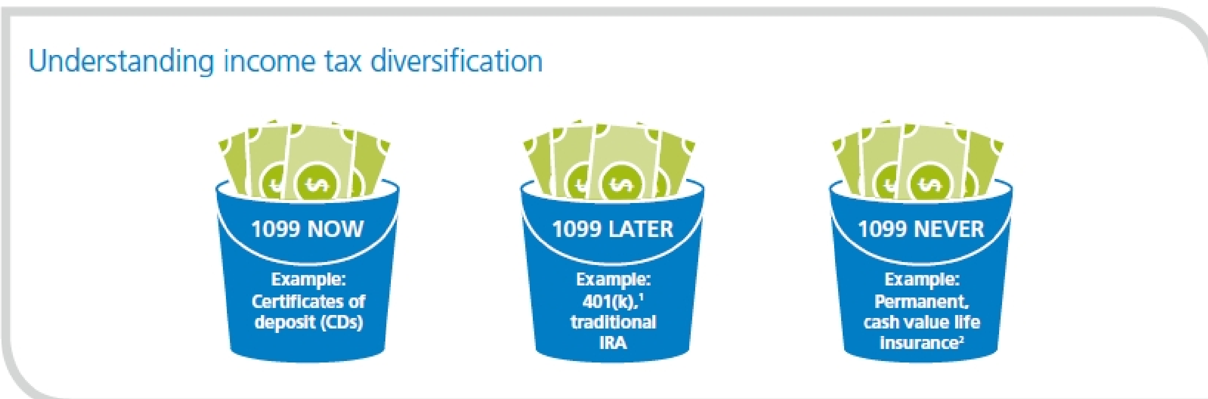
Mortality risk. If you die earlier than expected, your retirement savings plan may not be complete. This could leave your spouse and heirs without enough funds to maintain their standard of living. Simply put, life insurance protects against dying too early.

Investment risk. Depending on where your money is invested, there is a risk that your expected returns will not achieve the assumptions you build into your retirement savings plan. Life insurance cash values can be accumulated over time to help offset investment risk. You can also use the policy to avoid "locking in" losses from other assets. For example, if the market experiences a downturn during your retirement years, you may want to avoid selling and taking distributions from funds invested in the stock market (which would make it impossible for those funds to grow again in the account). Alternatively, if you have a cash value life insurance policy with accumulated values, you could tap into policy cash values to supplement your retirement income and give your market-based assets time to recover. Further, unlike many investment products, life insurance cash value typically does not experience sudden swings in value. Generally, it is a much more predictable asset, depending on the type of policy selected. This can help reduce volatility risk in your retirement portfolio.

Tax risk. It is impossible to predict the future of income tax rates, and income taxes ultimately reduce the amounts you receive from pre-tax retirement accounts. Consider that taxable dollars in traditional retirement savings vehicles such as 401(k)s and traditional IRAs are taxed at distribution (when income is taken from the account), and the uncertainty of future tax rates increases the difficulty of planning for retirement distribution amounts. Life insurance cash value, on the other hand, can be accessed without current taxation (when properly structured), providing certainty that reduces overall tax risk and improves tax diversification.

Tax diversification

The use of permanent, cash value life insurance can help diversify your retirement portfolio and hedge against risks inherent in traditional retirement vehicles. The tax diversification possibilities are equally beneficial. Think about your retirement portfolio in terms of the IRS Form 1099 (the informational return that reports various types of income you receive during the year). Will the majority of your retirement assets generate a 1099 this year ("1099 now"), at some point in the future ("1099 later"), or even better, not at all ("1099 never")? Pre-tax income from most tax-advantaged retirement plans, including 401(k) plans, pension plans, traditional IRAs, and other retirement savings vehicles such as non-qualified deferred annuities, will generate a 1099 to you in the future at the time of withdrawal or distribution. This makes it difficult to plan, as future tax rates are uncertain, and taxes can reduce the amounts you ultimately receive.



If most of your retirement assets are in the 1099 later category, consider supplementing your retirement portfolio with assets in the 1099 never category. For example, using after-tax dollars to fund a Roth IRA works towards this planning goal.* However, not everyone can contribute to a Roth IRA. Even if you are able to contribute to a Roth IRA, annual contributions are capped at a relatively low threshold. As an alternative, eligibility for life insurance is based primarily on age and health. There are no income limits, and annual premium contributions are only limited by the policy's size, design, and MEC limits. Even if you cannot contribute to a Roth IRA, you may be able to purchase a permanent life insurance policy. And like the Roth IRA, accessing the cash in the policy is an excellent way to hold certain funds in the 1099 never category, when properly structured.

*Under current IRS guidelines, and assumes appropriate guidelines are followed to receive income tax-free distributions. Please note distributions from a Roth IRA may still generate a 1099, but with coding to indicate the distribution is nontaxable.

[1] Assumes no Roth provision.

[2] Loans and withdrawals, if taken, will reduce the death benefit. Loans and withdrawals from life insurance policies that are classified as modified endowment contracts may be subject to tax at the time that the loan or withdrawal is taken and, if taken prior to age 59½, a 10 percent federal tax penalty may apply. If tax-free loans are taken and the policy lapses, a taxable event may occur.

1099 worksheet

The chart below can help determine the current tax diversification of your retirement income assets. Check the accounts you'll be using in retirement, then list them below according to the type of 1099 they would generate.

Retirement savings opportunities[1]

- ☐ Money Market Accounts, CDs
- ☐ Savings Accounts
- ☐ 401(k) Plan
- ☐ Deferred Compensation Plan
- ☐ Pension Plan
- ☐ Tax-sheltered Annuity
- ☐ Traditional IRA
- ☐ Roth IRA
- ☐ Roth 401(k)
- ☐ Rental Property Income
- ☐ Royalty Income
- ☐ Non-qualified Deferred Annuity
- ☐ SIMPLE IRA
- ☐ SEP IRA
- ☐ Stocks
- ☐ Bonds
- ☐ Incentive Stock Options
- ☐ Municipal Bonds

1099 now	1099 later	1099 never[2]

[1] This worksheet is not all inclusive of all retirement assets.

[2] Under current IRS guidelines, and assumes appropriate guidelines are followed to receive income tax-free distributions. Please note some distributions from this category may still generate a 1099, but with coding to indicate the distribution is nontaxable.

In addition, accessing policy cash values creates the possibility to move *other* assets into a lower tax bracket or, even better, eliminating all taxes on them. For example, since you can vary the amount and timing of loans taken, you may be able to effectively manage your tax bracket by accessing assets in the 1099 later category up to (but without crossing) the desired tax threshold, and using the life insurance policy for the balance of your income needs. Moreover, you might reduce or eliminate taxes on certain income or benefits by accessing the policy's cash value and taking smaller or no distributions from taxable retirement assets. For example, Social Security recipients might have to pay tax on most of their Social Security benefits or on none of them, depending on their other taxable income and particular situation. Where properly structured, loans from accessing cash in the policy are not subject to income tax and do not increase total taxable income, so using them to supplement your income needs may reduce your taxable income, while reducing or eliminating taxes attributable to Social Security benefits accordingly.*

Life insurance retirement supplement report

This report highlights the positive impact of using the cash value of life insurance as part of tax diversification planning. The report illustrates your projected supplemental retirement cash flow from the policy in the "After-Tax Retirement Cash Flow" column. Further, if investments are tax free, you must calculate and know the tax-equivalent yield. Tax-equivalent yield incorporates a current tax bracket to determine the rate of return needed in taxable vehicles versus a vehicle, such as properly structured life insurance, that allows income tax-free access to funds. The "Tax Equivalent Rate of Return" column uses your estimated tax bracket in retirement—as input by your financial professional—to demonstrate such a yield. In other words, a fair comparison of life insurance cash values with pre-tax retirement accounts must include a calculation of the impact of income taxes on cash when withdrawn (and not just the investment's projected returns).

For example, assume Jane will be in a 30% combined state and federal income tax bracket in retirement. She has pre-tax money in her 401(k) at work that is currently earning a 5% return. However, distributions from that account will be reduced by income taxes. Jane also has a permanent, cash value life insurance policy. In her first year of retirement, assume the policy's internal cash value rate of return is 3.2%. Remember that properly structured policy loans and/or surrenders to basis are not taxable. This means that a fair comparison of the life insurance cash values to Jane's 401(k) must include a calculation of the tax-equivalent yield. Based on Jane's 30% tax bracket, her tax-equivalent yield in the life insurance policy cash value is actually 4.57% (which is 3.2% divided by (1-30%). And in addition to cash values, the life insurance policy features a death benefit that will not be reduced by income taxes.

*Policy loans, if taken, reduce the death benefit. If the policy loan and loan interest are not repaid and the policy terminates, a taxable event may occur.

Ohio National Financial Services®
Ohio National Life Insurance Company
One Financial Way
Cincinnati, Ohio 45242

Prepared by Ohio National's Authorized Representative
Sunshine Financial Solutions
2255 Glades Rd
Ste 324A

Valued Client
Female, Age 50, Preferred Nonsmoker
Total Stated Amount: $547,574
Dividend Option: Purchase Paid-up Additions
First Annual Policy Premium: $20,000.02

Prestige Max III
Participating Whole Life Illustration

LIFE INSURANCE RETIREMENT SUPPLEMENT
Illustrated Dividend Scale

		COST		SUPPLEMENTAL RETIREMENT CASH FLOW							
END OF YR AGE	YR	ANNUALIZED PREMIUM PAID IN CASH BEG YEAR	CUMULATIVE PREMIUM PAID IN CASH BEG YEAR	CASH VALUE	RETIREMENT CASH FLOW BEG YEAR	INCOME TAX PAYABLE	AFTER TAX RETIREMENT CASH FLOW	CUMULATIVE CASH FLOW RECEIVED	TAX EQUIVALENT RATE OF RETURN	NET DEATH BENEFIT END YEAR	COMBINED TOTAL BENEFIT END YEAR
51	1	20,000	20,000	0	0	0	0	0	-153.85	547,574	547,574
52	2	20,000	40,000	8,564	0	0	0	0	-104.07	552,921	552,921
53	3	20,000	60,000	25,821	0	0	0	0	-56.30	558,367	558,367
54	4	20,000	80,000	43,759	0	0	0	0	-34.96	563,853	563,853
55	5	20,000	100,000	62,400	0	0	0	0	-23.58	569,373	569,373
56	6	20,000	120,000	81,786	0	0	0	0	-16.72	574,970	574,970
57	7	20,000	140,000	101,939	0	0	0	0	-12.22	580,638	580,638
58	8	20,000	160,000	122,877	0	0	0	0	-9.08	586,344	586,344
59	9	20,000	180,000	144,627	0	0	0	0	-6.79	592,085	592,085
60	10	20,000	200,000	167,229	0	0	0	0	-5.05	597,874	597,874
61	11	20,000	220,000	190,938	0	0	0	0	-3.66	604,280	604,280
62	12	20,000	240,000	215,795	0	0	0	0	-2.53	611,246	611,246
63	13	20,000	260,000	241,838	0	0	0	0	-1.60	618,740	618,740
64	14	20,000	280,000	269,101	0	0	0	0	-0.82	626,688	626,688
65	15	20,000	300,000	297,634	0	0	0	0	-0.15	635,075	635,075
66	16	0	300,000	290,784	16,993	0	16,993	16,993	0.44	602,099	619,092
67	17	0	300,000	283,651	16,993	0	16,993	33,986	0.89	570,221	604,207
68	18	0	300,000	276,221	16,993	0	16,993	50,979	1.25	545,016	595,995
69	19	0	300,000	268,493	16,993	0	16,993	67,972	1.53	529,189	597,161
70	20	0	300,000	260,437	16,993	0	16,993	84,965	1.76	512,920	597,885
71	21	0	300,000	252,049	16,993	0	16,993	101,958	1.96	496,235	598,193
72	22	0	300,000	243,292	16,993	0	16,993	118,951	2.12	479,076	598,027
73	23	0	300,000	234,139	16,993	0	16,993	135,944	2.25	461,423	597,367
74	24	0	300,000	224,546	16,993	0	16,993	152,937	2.37	443,242	596,179
75	25	0	300,000	214,467	16,993	0	16,993	169,930	2.46	424,483	594,413
76	26	0	300,000	203,780	16,993	0	16,993	186,923	2.53	405,025	591,948
77	27	0	300,000	192,466	16,993	0	16,993	203,916	2.59	384,913	588,829
78	28	0	300,000	180,491	16,993	0	16,993	220,909	2.64	364,149	585,058
79	29	0	300,000	167,799	16,993	0	16,993	237,902	2.67	342,664	580,566
80	30	0	300,000	154,354	16,993	0	16,993	254,895	2.69	320,455	575,350
81	31	0	300,000	140,075	16,993	0	16,993	271,888	2.69	297,445	569,333
82	32	0	300,000	125,089	16,993	0	16,993	288,881	2.69	273,916	562,797
83	33	0	300,000	109,400	16,993	0	16,993	305,874	2.68	249,849	555,723
84	34	0	300,000	92,995	16,993	0	16,993	322,867	2.66	225,222	548,089
85	35	0	300,000	75,832	16,993	0	16,993	339,860	2.64	200,050	539,910
86	36	0	300,000	75,256	0	0	0	339,860	2.60	192,705	532,565
87	37	0	300,000	74,381	0	0	0	339,860	2.57	185,302	525,162
88	38	0	300,000	73,184	0	0	0	339,860	2.53	177,781	517,641
89	39	0	300,000	71,616	0	0	0	339,860	2.49	170,086	509,946
90	40	0	300,000	69,644	0	0	0	339,860	2.44	162,165	502,025

NOTE - This illustration is not valid without accompanying footnotes.

This illustration is not a life insurance policy or contract.

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Ohio National Financial Services®
Ohio National Life Insurance Company
One Financial Way
Cincinnati, Ohio 45242

Prepared by Ohio National's Authorized Representative
Sunshine Financial Solutions
2255 Glades Rd
Ste 324A

Valued Client
Female, Age 50, Preferred Nonsmoker
Total Stated Amount: $547,574
Dividend Option: Purchase Paid-up Additions
First Annual Policy Premium: $20,000.02

Prestige Max III
Participating Whole Life Illustration

LIFE INSURANCE RETIREMENT SUPPLEMENT
Illustrated Dividend Scale

		COST		SUPPLEMENTAL RETIREMENT CASH FLOW							
END OF YR AGE	YR	ANNUALIZED PREMIUM PAID IN CASH BEG YEAR	CUMULATIVE PREMIUM PAID IN CASH BEG YEAR	CASH VALUE	RETIREMENT CASH FLOW BEG YEAR	INCOME TAX PAYABLE	AFTER TAX RETIREMENT CASH FLOW	CUMULATIVE CASH FLOW RECEIVED	TAX EQUIVALENT RATE OF RETURN	NET DEATH BENEFIT END YEAR	COMBINED TOTAL BENEFIT END YEAR
91	41	0	300,000	67,183	0	0	0	339,860	2.38	153,882	493,742
92	42	0	300,000	64,096	0	0	0	339,860	2.32	144,975	484,835
93	43	0	300,000	60,384	0	0	0	339,860	2.24	135,352	475,212
94	44	0	300,000	56,084	0	0	0	339,860	2.16	124,906	464,766
95	45	0	300,000	51,309	0	0	0	339,860	2.07	113,424	453,284
96	46	0	300,000	46,302	0	0	0	339,860	1.98	100,798	440,658
97	47	0	300,000	41,223	0	0	0	339,860	1.89	86,890	426,750
98	48	0	300,000	36,613	0	0	0	339,860	1.81	71,403	411,263
99	49	0	300,000	33,512	0	0	0	339,860	1.75	53,942	393,802
100	50	0	300,000	33,919	0	0	0	339,860	1.75	33,919	373,779

This report assumes that the illustrated non-guaranteed elements will continue unchanged for all years shown. This is not likely to occur, and actual results may be more or less favorable than those shown.

This supplemental illustration must be accompanied by an NAIC illustration.
Please refer to this basic illustration for guaranteed elements, underlying assumptions, and other important information.

If the policy is surrendered, or if it lapses, there could be significant tax consequences.
The Tax Equivalent Rate of Return is calculated based on the Cash Value and the Tax Rate of 35%.

NOTE - This illustration is not valid without accompanying footnotes.

This illustration is not a life insurance policy or contract.

Advantages and tradeoffs

Like any planning strategy, there are both advantages and tradeoffs when using cash value life insurance to supplement your retirement portfolio. Here are several important considerations to keep in mind.

Advantages	Tradeoffs
• Available cash values can be accessed during your lifetime on a tax-advantaged basis through properly structured loans and surrenders to basis without a 10% penalty for pre-59½ distributions, provided the policy is not a MEC • No RMDs that may be applicable to other retirement vehicles • Cash values accumulate on a tax-deferred basis • Minimizes a number of risks inherent in other retirement plans when properly used as a retirement supplement • Provides tax diversification opportunities • No income phase-outs or contribution limits, but to maintain tax-advantaged access to cash values, policy premiums should be properly spread out to avoid classifying the policy as a MEC • Affords some creditor protection, which varies by state (consult a creditor protection attorney in your area to discuss)	• You must be insurable to purchase a new life insurance policy on your own life, and insurance may not be cost-effective, given your age and/or health at later points in life • Not intended to replace other retirement planning; potential growth in a well-diversified portfolio is often necessary to adequately provide for retirement • Policy cash values take time to grow and may not exceed cumulative premium payments for several years • Cash values may increase at rates lower than other market-based assets • Failing to understand the premium structure of your contract may lead to a policy lapse and possible tax liability • Death benefit is reduced by any “living benefits" distributions including any loan interest charges

This custom report must be accompanied by a valid NAIC illustration(s) and/or term quote(s). For complete insurance details, refer to the attached illustrations(s) and/or quote(s).

Loans and withdrawals, if taken, will reduce the death benefit. Loans and withdrawals from life insurance policies that are classified as modified endowment contracts (MECs) may be subject to tax as the time that the loan or withdrawal is taken and, if taken prior to age 59½, a 10% federal tax penalty may apply. If tax free loans are taken and the policy lapses or is surrendered, a taxable event may occur.

Life insurance policies contain exclusions, limitations, reduction of benefits and terms under which the policy may be continued in force or discontinued. For complete coverage, contact the company for additional information.

Products are issued by The Ohio National Life Insurance Company and Ohio National Life Assurance Corporation. Product, product features and rider availability vary by state. Guarantees are based on the claims-paying ability of the company. Dividends are not guaranteed. Issuers not licensed to do business in New York.

The Ohio National Life Insurance Company | Ohio National Life Assurance Corporation
One Financial Way | Cincinnati, Ohio 45242 | 513.794.6100 | ohionational.com
Post Office Box 237 | Cincinnati, Ohio 45201-0237

Ohio National Financial Services®
Life changes. We'll be there.®