Beneficiary Newsletter

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The Company You Keep®

Securing Your Retirement Dollars

Managing money is a lifetime challenge — one that can be made easier with planning. Planning for retirement is especially important to ensure that those "golden years" are pleasurable and financially secure.

Three elements contribute to a well-constructed retirement plan: Social Security, a company pension, and personal savings. If you currently are employed and if you have met the requirements, you will receive a certain amount of income from Social Security when you retire. You also may be eligible to participate in your company's pension plan, if one is offered. However, building your personal savings and other assets for retirement may be more challenging, since it involves determining how much of your income you have left to invest after meeting your current financial obligations.

How can you build up your personal income for the retirement years? In addition to taking advantage of the options you may have with your life insurance policy, there are other retirement products that can help you accumulate money, such as individual retirement accounts, salary reduction plans, Keogh plans and annuities.

Individual Retirement Accounts (IRAs)

An individual retirement account, which you may open as long as you are earning income, can be an essential part of your retirement plan. In general, if you, or you and your spouse, are not covered by a company pension plan, you may contribute up to $4,000* in 2006 to a traditional IRA and deduct your contribution from your taxable income. (That number is increase to $5,000 in 2006 and 2007 if the IRA owner is age 50 or older.) In a one-income family, additional contributions may be made on behalf of a non-earning spouse. If you are eligible for a company pension, you still may be able to make a tax-deductible IRA contribution if your income is below a certain level. Otherwise, you may make only a non-deductible contribution to an IRA; however, those contributions will earn tax-deferred interest until the money is withdrawn. Even if you or your spouse is an active participant in a retirement plan, you still may be able to make a tax-deductible IRA contribution if your income is below a certain level. Because IRA money is designated for retirement, there may be tax penalties if you withdraw money before age 59½. You must start to withdraw when you reach age 70½.

In addition to the tax-deductibility of contributions to traditional IRAs, earnings in a traditional IRA grow on a tax-deferred basis, free from taxes until the money is withdrawn. Unlike a traditional IRA, money contributed to a Roth IRA is not tax-deductible; however, this money will grow, tax-deferred, and neither the principal nor the earnings are taxable when withdrawn (provided that certain conditions are met.) Certain income limitations apply. Note that your combined contribution to a Roth IRA and traditional IRA cannot exceed $4,000* in 2006. Consult with your tax advisor to determine which IRA — Roth or traditional — will best meet your needs.

Salary Reduction Plans

If your employer offers a 401(k), you can put away part of your salary and defer the payment of income taxes until the money is withdrawn. Money may be withdrawn when you retire, or if you become disabled, leave the company, or suffer financial hardship. However, like IRAs, there are strict rules that apply to early withdrawals.

* This amount remains at $4,000 for 2007, and will increase to $5,000 in 2008. For years beginning after 2008, the maximum annual contribution amount will be indexed for inflation.

Keogh Plans

If you are self-employed, even part-time, you may have a Keogh plan and put away still more tax-sheltered money for retirement. Contributions are deductible and grow on a tax-deferred basis. You may put your Keogh money into any of the investment vehicles available for an IRA. Unlike a traditional IRA, you may contribute to a Keogh as long as you are earning income from self-employment, even after age 70½. However, you must start to withdraw money from your Keogh at age 70½, so you may be withdrawing at the same time you are contributing.

Annuities

While you can outlive the proceeds of your IRA, your Keogh plan or your investments, some annuities provide you with the option of receiving a guaranteed income for life.

Immediate annuities generally are purchased by people of retirement age. Such plans provide income payments at once or soon after purchase. They usually are purchased with a lump-sum payment. Deferred annuities are plans under which you arrange to have income payments start at some future date. Interest on the money contributed builds up on a tax-deferred basis. Such plans often are used by younger people to save additional money for retirement. Under a deferred annuity, if you die before the annuity payments begin, the accumulated value of your contract is paid to your designated beneficiary. An annuity has tax advantages. In a deferred annuity, the interest credited to your account builds up free of current income tax. You pay no tax until you get the annuity's benefits. If you withdraw the accumulated value of your annuity contract before retirement age, however, there can be significant tax penalties, and current taxes will have to be paid.

To learn more about how life insurance and annuities can help you protect your family and your financial future, contact your New York Life agent, call 1-800-864-3095 or return to www.newyorklife.com/beneficiary and click on the Consult an Agent button.

Remember, as you begin to assess which investment options are appropriate for you, do not forget to take advantage of the information you can get from financial planners, insurance agents, attorneys and other professionals. New York Life and its agents do not provide tax, legal, or accounting advice. Please consult with your professional advisors regarding your particular situation. Note that there are limitations and restrictions associated with the plans and products mentioned above.

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