



Life Insurance Retirement Plan

A Guide for Advisors with High-Income Clients

by Sam Barnett

Many high-income clients quickly reach contribution limits on traditional retirement accounts such as 401(k)s and IRAs. After those limits are reached, additional savings are typically directed into fully taxable investment accounts.

For clients with long time horizons and significant earnings power, this creates a planning challenge: how to continue accumulating assets in a tax-efficient way while managing future tax exposure.

One strategy used in this context is the Life Insurance Retirement Plan (LIRP). A LIRP is not a qualified retirement plan. It is a planning strategy that uses permanent life insurance, most commonly whole life or indexed universal life, to build cash value that can later be accessed for supplemental retirement income.

When structured properly, the policy's cash value may be accessed through policy loans that are generally not treated as taxable income. This allows the strategy to function as an additional source of tax-advantaged retirement capital.

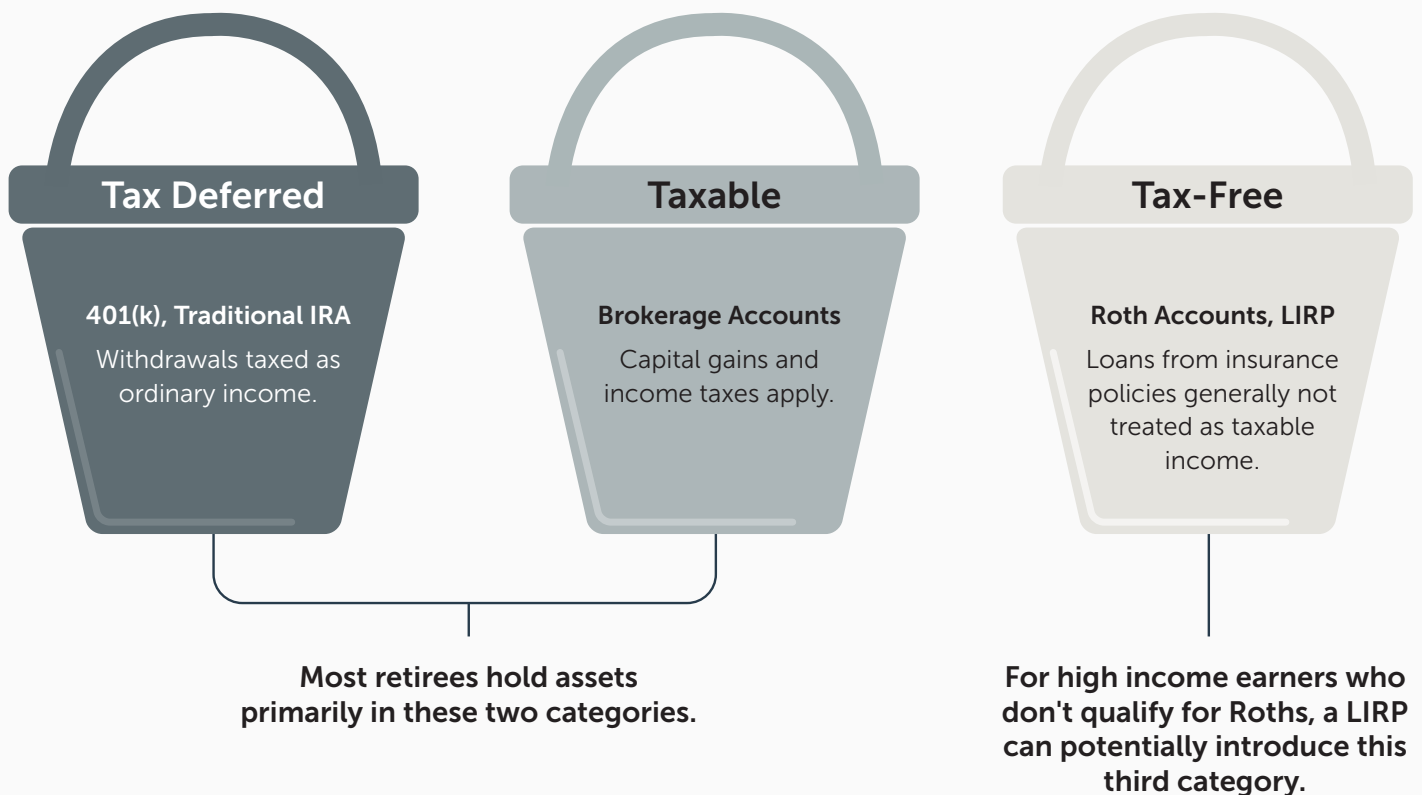
For advisors, the strategy can serve as a complement to traditional retirement planning, particularly for high-income clients who have already maxed out their qualified account contributions.

How Advisors Use LIRPs

A LIRP should not be positioned as a replacement for traditional investments. Instead, it can serve as a complementary planning tool that addresses several structural challenges in modern retirement planning.

Tax Diversification

One of the primary uses of a LIRP is to introduce an additional tax treatment bucket within a retirement plan. **This structure can give advisors greater flexibility when managing retirement income and tax exposure.**



Managing Future Tax Uncertainty

Many retirees accumulate a large portion of their wealth in tax-deferred accounts like traditional IRAs and 401(k)s. These vehicles offer tax advantages during the accumulation phase, but withdrawals are taxed as ordinary income. If tax rates increase in the future, or if retirees face large RMDs (Required Minimum Distributions from traditional IRAs), this can create significant tax exposure. A LIRP may provide an alternative source of income that does not increase taxable income. This can provide additional flexibility when structuring withdrawals across different accounts.

Extending Tax-Advantaged Savings Capacity

High-income professionals often reach contribution limits on retirement accounts early in their careers. Once those limits are reached, additional savings typically flow into taxable brokerage accounts. Because permanent life insurance policies do not have the same contribution limits as qualified plans, a LIRP can provide an additional structure for long-term tax-advantaged accumulation.

Combining Retirement Income and Legacy Planning

Unlike most retirement savings vehicles, permanent life insurance also provides a death benefit for beneficiaries.

This allows advisors to address two objectives simultaneously:



Supplemental Retirement Income



Wealth Transfer or Legacy Planning

For some clients, the ability to combine both goals within a single structure can be appealing.

Creating a Potential Volatility Buffer

Certain policy designs, particularly IUL and VUL, allow cash value to grow using market-linked crediting strategies while an IUL can limit direct downside exposure.

Some advisors incorporate LIRPs into broader retirement income strategies as a pool of capital that is less sensitive to market volatility. This may provide flexibility during market downturns.

Why Advisors Are Considering LIRPs

Several structural shifts in retirement planning have made strategies like LIRPs more relevant for certain clients.

Longevity Is Increasing. So Is Longevity Risk.

Retirement timelines are expanding. Advances in healthcare and preventative medicine are steadily increasing life expectancy, particularly among higher-income populations.

Some experts now recommend that **affluent individuals** plan for lifespans approaching

100
years or longer.¹



A retirement that lasts 30 to 40 years significantly increases the pressure on savings and requires more flexible income planning.

For clients who have already maximized qualified retirement accounts, additional long-term accumulation strategies may be necessary.

Traditional Retirement Income Sources are Declining

Historically, retirees relied on three primary sources of retirement income: **pensions, social security and personal savings**. Today, two of those pillars are becoming less reliable.

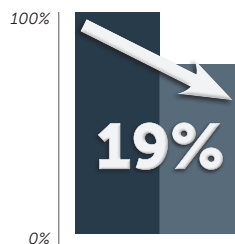
Private-sector pensions have largely disappeared.



15%

of private-sector workers now participate in a defined-benefit pension plan, compared with a majority several decades ago.²

Social Security also faces long-term funding pressure.



According to projections from the Social Security Trustees, **benefits could be reduced by roughly 19%** by the mid-2030s if structural reforms are not implemented.³

A Realistic Perspective on LIRPs

A Life Insurance Retirement Plan should not be viewed as a replacement for traditional investments. Instead, it is best understood as a tax management strategy built around permanent life insurance. When properly designed, a LIRP can complement an existing retirement strategy by providing an additional source of tax-advantaged capital and retirement income flexibility. However, the strategy also involves insurance costs, long time horizons, and policy design considerations. Because of these factors, it is not appropriate for every client.



Ideal Client Profile

LIRPs tend to work best for:

- High-income earners who have maximized retirement plan contributions in 401(k)s, IRAs, Roth accounts and the like.
- Clients with long planning horizons, typically more than 10 to 15 years (47 – 55 years of age)
- Clients who understand policy loan mechanics and long-term performance implications
- Clients who can afford to fund the policy aggressively early to build cash value efficiently
- Clients who already have life insurance coverage in place to meet legacy/protection goals since LIRP policy design minimizes insurance costs (for lower death benefit) and maximizes cash value accumulation (for higher withdrawals)

When a LIRP May Be Less Appropriate

In other circumstances, the strategy may be less effective—particularly when cash flow is constrained and consistent funding becomes difficult. The client could also anticipate needing liquidity within the first decade.

A LIRP's success also depends heavily on proper design. If the policy is not structured carefully, the accumulation of loans can increase the risk of lapse.

Additionally, positioning the strategy as inherently “better than” Roth or traditional retirement accounts can create unrealistic expectations, rather than framing it as a complementary solution within a broader planning approach.

The Real Value of a LIRP

Optionality

One way to understand the role of a LIRP is through the concept of retirement income flexibility. Permanent life insurance policies offer several structural features that are uncommon in traditional retirement vehicles:

Access to policy cash value through loans that are generally not treated as taxable income

No required minimum distributions

No income limits on contributions

A permanent death benefit

Cash value protection under state insurance laws in many jurisdictions

However, that flexibility comes with insurance costs and long-term commitment requirements. As a result, LIRPs are typically most appropriate for clients who value the optionality these features provide and have the financial capacity to fund the policy over time.

A Practical Framing

A useful way to think about a LIRP is this:

- **IT IS NOT** an investment substitute.
- **IT IS** a tax arbitrage strategy wrapped in an insurance structure.

When the design is correct and the client profile fits, it can be a valuable addition to a retirement plan. When those conditions are not present, the strategy may not be appropriate. Like many financial planning tools, the value of a LIRP ultimately depends on how it is implemented and who it is used for.



Partner With Covr to Execute These Plans for Clients

Covr provides advisors with the expertise, tools, compliance infrastructure and product access necessary to design and implement insurance-based planning strategies for their clients.

To start a conversation about LIRP design or other insurance strategies, contact your Regional Insurance Consultant.

Reach out: hello@covrtech.com.

About Covr

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Sam Barnett

Covr CEO, Sam Barnett, is a seasoned insurance and insurtech executive with 20+ years of leadership across Lincoln Financial, Global Atlantic/KKR, and VIBE Insurance. He scaled distribution, led national sales and strategy, and most recently served as CEO of VIBE, driving agency and RIA growth.

¹ Lin, Natalie. "Ric Edelman Expects Living Past Age 100 to Force Major Savings Mindset Change." *PLANADVISER*, 24 Apr. 2023, www.planadviser.com/ric-edelman-expects-living-past-age-100-force-major-savings-mindset-change/.

² Bureau of Labor Statistics, U.S. Department of Labor. "15 Percent of Private Industry Workers Had Access to a Defined Benefit Retirement Plan." *The Economics Daily*, 19 Apr. 2024, www.bls.gov/opub/ted/2024/15-percent-of-private-industry-workers-had-access-to-a-defined-benefit-retirement-plan.htm. Accessed 17 Mar. 2026.

³ Social Security Administration. "Social Security Board of Trustees: Projection for Combined Trust Funds One Year Sooner than Last Year." *SSA Press Office*, 18 June 2025, www.ssa.gov/news/en/press/releases/2025-06-18.html. Accessed 17 Mar. 2026.

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