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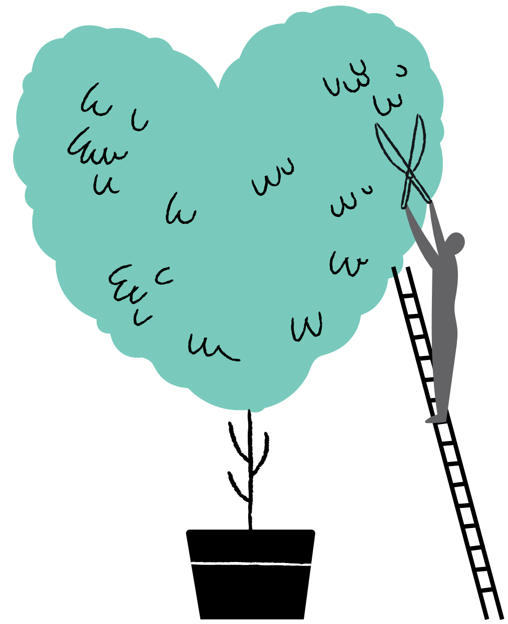
# Modified Endowment Contract



A life insurance product used in estate preservation that lets you transfer potentially significant proceeds to loved ones or organizations, and it may have some tax advantages too.

You've worked hard to provide for your loved ones. You've also worked hard to build assets over and above what you need for your day-to-day living expenses. If you have a need for life insurance coverage, you may want to consider using those assets to fund a type of life insurance called a modified endowment contract, or MEC.

Since a MEC is a life insurance contract, it provides you with these important life insurance benefits:

- Defers income taxes on any cash value growth, as long as you don't take money out of the contract.
- Provides a death benefit to your beneficiaries that's typically not subject to income tax.[1]
- Bypasses probate on death proceeds that are paid to a beneficiary other than the estate.

These factors allow you to leave a lasting legacy to help the people and causes that are close to your heart.

## What is a MEC?

When premiums paid into a life insurance contract exceed certain Internal Revenue Code limitations, the contract is considered a MEC. When this happens, any distributions you take from the contract during your lifetime are taken on a gain-out first basis and may be taxable and subject to a penalty if under the age of 59½.

## Is a MEC right for you?

Funding life insurance as a MEC may make sense for you if you:

- Have a need for a death benefit.
- Have substantial assets that aren't needed for living expenses.
- Wish to leave an income tax-free legacy for loved ones.
- Want the potential for tax-deferred growth of cash value.
- Want the availability to take distributions from the contract but don't expect to.

[1]State and federal inheritance and estate taxes may apply.

## How MECs are different from other insurance contracts

A MEC differs from other life insurance contracts in certain ways:

- MEC distributions, such as withdrawals, loans and loan interest, automatic premium loans, collateral assignments and certain dividends, are treated as receiving the gain in the contract first. For non-MEC contracts, distributions are generally treated as receiving the investment in the contract first. In either case, you'll normally pay ordinary income tax on any gain distributed.
- A standard 10% penalty tax applies to the taxable portion of any MEC distribution taken prior to the contract owner reaching age 59½, unless an exception applies.

## Before you purchase

If you're thinking about purchasing a life insurance contract that could be classified as a MEC, consider these possibilities:

- Dividends, while not guaranteed, can be paid out if they're earned. They also may be taxable.
- All MECs issued to the same contract owner in the same calendar year are treated as one contract for purposes of determining gains on the distributions.
- Exchanging a MEC for another contract does not eliminate its MEC status.

## Compare a MEC with other options

The products described in this chart have unique strengths and weaknesses, not all of which are included in this high-level overview. Review the options carefully to help determine which is best suited for you and your financial goals. This comparison assumes that the deferred annuity, mutual fund and CD are not tax-qualified accounts.

### CD[1]

- Lump sum only.
- Provides a guaranteed rate of return on your investment. Investment yields are based on current interest rate at time of purchase.
- Any interest is taxed annually as ordinary income.
- Withdrawals available. Early surrender penalties, interest charges and taxes may apply.
- Fees and expenses apply that can affect the value returned.

### Mutual Fund

- Can be funded over time.
- Short- and long-term capital gains and dividends taxed annually.
- Potential loss of value.
- Withdrawals available. Investment gains are subject to tax upon withdrawal. Tax and sales charges may apply.
- Death proceeds receive a step-up in cost basis to the beneficiary.
- Fees and expenses apply and affect the value returned. Potential loads on purchases may also apply.

### MEC

- Generally funded with a lump sum, with the ability to make ongoing payments.
- Options available for guaranteed investment growth and death benefit, depending on the product selected.[2,3]
- Cash value grows tax-deferred.
- Loans and withdrawals available. Tax and surrender fees may apply.[4,5]
- Regular income tax on a gain-out first basis plus 10% penalty for withdrawals prior to age 59½ on gains.
- Death benefit generally income tax-free to beneficiaries.
- Evidence of insurability is required.
- Fees and expenses including cost of insurance apply that affect the cash value.

### Deferred Fixed Annuity

- Can be funded over time.
- Investment growth at a minimum interest rate and death benefit are guaranteed.[2] Investment yields based on current interest rates.
- Any investment growth is tax-deferred.
- Withdrawals available. Tax and surrender fees may apply.
- Regular income tax on a gain-out first basis plus 10% penalty for withdrawals or surrenders prior to age 59½ on gains are subject to taxation.
- Gains are taxable to beneficiaries as ordinary income.
- Fees and expenses apply that affect the value returned.

### Non-MEC Cash Value Life Insurance

- Can be funded over time, subject to IRS limits.
- Options available for guaranteed cash value growth and death benefit, depending on the product selected.[2,3]
- Cash value grows tax-deferred.
- Withdrawals available. Regular income tax applies.[4,5]
- Tax-free loans.[6]
- Death benefit generally income tax-free to beneficiaries.
- Evidence of insurability is required.
- Fees and expenses including the cost of insurance apply that affect the cash value.

All products have fees and expenses that may impact the cash value or value returned.

[1] Investing in securities involves risks such as fluctuating principal, and they may lose value. CDs offer a fixed rate of return. The value of a CD is guaranteed up to $250,000 per depositor, per insured institution, by the Federal Deposit Insurance Corp. (FDIC), an independent agency of the United States government.

[2] Guarantees are backed by the financial strength and claims-paying ability of Thrivent.

[3] Some life insurance products have the potential for loss.

[4] Loans and surrenders will decrease the death proceeds and the value available to pay insurance costs which may cause the contract to terminate without value. Surrenders may generate an income tax liability and charges may apply. A significant taxable event can occur if a contract terminates with outstanding debt. Contact your tax advisor for further details. Loaned values may accumulate at a lower rate than unloaned values.

[5] Basis recovered first, then gain.

[6] A significant taxable event can occur if a contract terminates with outstanding debt.

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[2]Ratings are based on Thrivent's financial strength and claims-paying ability but do not apply to investment product performance.

The rating also refers only to the overall financial status of the company and is not a recommendation of the specific policy provisions, rates or practices of the insurance company.

## Get guidance from someone who gets you.

Your financial advisor can discuss the benefits of a Modified Endowment Contract with you in greater detail to see if it's a good fit for your retirement strategy.

**Investing involves risk, including the possible loss of principal. The mutual fund prospectus contain more information on investment objectives, risks, charges and expenses, which investors should read carefully and consider before investing. Available at thrivent.com.**

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