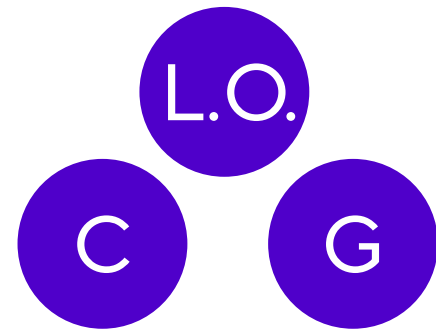


### Option 1: IRA Income Tax Offset

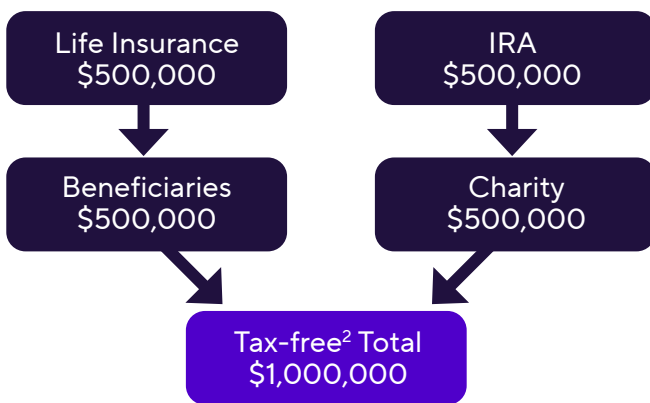


This is not an actual case. This hypothetical example is for illustrative purposes only.

### 3 Circles: Where will your money go?



### Option 2: IRA Income Tax Elimination



<sup>2</sup> Based on current federal income tax laws.

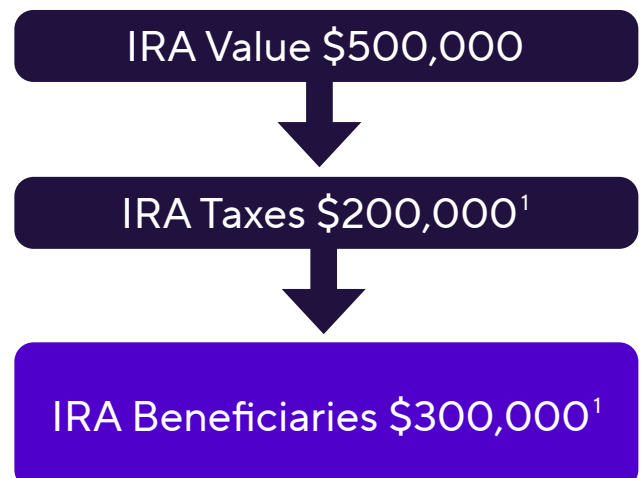
### 2 Questions:

1. If things go the way you have planned, what's going to happen to your IRA?
2. Why haven't you given it to them already?

### 3 Point Value Proposition:

1. Allows you to keep your IRA in your care, custody and control;
2. Potentially increase value to your beneficiaries;
3. Mitigate investment risk by using life insurance that has guaranteed premiums and death benefits

### Your Current IRA Plan



<sup>1</sup> Assumes a 40% combined federal and state tax bracket.

## WHERE WILL YOUR MONEY GO?

L.O. = Loved Ones

C = Charity

G = Government

Ask your client to cross out the one they would LEAST like to get their money when they're done with it. In most cases your clients will chuckle and cross out Government.

"Dear Client, that's why I wanted to talk to you today. I suspected that you might feel this way. That's why today I want to introduce you to a couple of insurance options that may help create a significant value for you to pass to your loved ones and charities, without you losing control over the money, and without losing a significant portion of your wealth to income taxes."

## 2 QUESTIONS AND 3 POINT VALUE PROPOSITION

Ask:

"If things go the way you have planned, what's going to happen to your IRA?"

[most likely the answer is: "my loved ones/kids"]

Why haven't you given it to them already?

[most likely answer is: "we may need the \$\$"]

So I wanted to talk to you about a couple of insurance options that can:

1. Allow you to keep your IRA in your Care, Custody and Control for the rest of your life, in case you need it...
2. Potentially increase value to your beneficiaries... And
3. Mitigate investment risk by using life insurance that has guaranteed premiums and death benefits.

Would you like to see how an idea like that might work for you?"

## IRA INCOME TAX OFFSET OPTION

Consider a hypothetical example using a \$500,000 IRA:

Your client could purchase a \$200,000 Guaranteed Universal Life (GUL) policy. When the insured dies and the children inherit the IRA, they also inherit the \$200,000 life insurance death benefits, which are paid to them income tax-free<sup>2</sup>.

The children can use the life insurance death benefits to pay the \$200,000 of taxes they owe for inheriting the IRA.

Now, without being reduced by the burden of taxes, the children get to keep the entire \$500,000 IRA, **increasing their inheritance by over 65%** compared to the children's originally expected after-tax inheritance of \$300,000!

In fact, if they used the life insurance to pay the income taxes on their IRA, they would have choices:

1. They could liquidate the IRA and invest the entire \$500,000 into their investment portfolio where they may have (a) complete liquidity; and (b) no RMD's; OR
2. Under current law, they could deplete their IRA over 10 years, continuing tax-deferral, and using the life insurance to pay the income taxes on their distributions as they are taken out.

Either way, the beneficiaries are significantly further ahead financially than they were in the absence of the Tax Offset plan.

<sup>1</sup> Assumes a 40% combined federal and state tax

<sup>2</sup> Based on current federal income tax laws.

## IRA INCOME TAX ELIMINATION OPTION

Starting with the same \$500,000 IRA, we purchase a \$500,000 life insurance policy.

But this time, instead of using the death benefits to pay the taxes, the \$500,000 death benefit goes to the children income tax-free.

The charity then becomes the beneficiary of the \$500,000 IRA. If done properly and the charity is a qualifying 501(c)(3) organization, their inheritance of \$500,000 is also income tax-free<sup>2</sup>.

**Add it all up, and the combined legacy is now \$1,000,000, which is more than triple the children's original after-tax legacy of just \$300,000.**

**That's pretty motivating.**

Of course in both the Income Tax Offset Option and the Income Tax Elimination Option, doubling or tripling the beneficiary's inherited value does come at a cost – the premiums on the life insurance. But, depending on the client's health and other factors, that cost could make sense for your client.

