

IRA Legacy MAX

An advanced solution to help reduce estate taxes and increase the account value that is passed on to heirs.



Our Goal is Your Legacy[®]



Individual Retirement Account Legacy Maximization

Concept Profile

Many retired clients have over funded their lifetime retirement income needs. In other words, they have accumulated more assets or sources of income than they will ever need, whether due to thriftiness, inheritances, or employee benefit plans, such as 401(k) accounts and IRAs. The focus here should be on pre-tax retirement vehicles that will reside in the client's IRA. The accumulation aspects of pre-tax planning of the IRA are significant, but the estate planning potential and inflexibility make it a disaster waiting to happen. There may be a federal income tax and an estate tax combination that could quickly erode the IRA by up to 75% of its value. You must also keep in mind that there is a third tax known as a generation skipping transfer tax, which is imposed if the grandchildren are designated as beneficiaries. Clients who wish to minimize estate taxes and leave a majority of their assets to their families should consider IRA Legacy Maximization. To employ this strategy, a client must be sure that they will not need the portion of the IRA to implement this strategy.

How Does IRA Legacy Max Work?

1. Invest the IRA assets designated for repositioning in a single-premium immediate annuity (SPIA), which provides a lifetime income for the client. This is particularly attractive since there are no market fluctuation risks to contend with, the income is 100% guaranteed, and the client cannot outlive the income.
2. The monthly distribution from the IRA account is all-taxable but there are no penalties if secured after age 59 1/2. The after-tax distribution from the single-premium immediate annuity is then used as payment for the lowest cost life insurance policy premium and also to cover any taxes due from the distribution. The policy insures the client for their lifetime with a fixed cost.
3. The owner and beneficiary of the life insurance policy is the irrevocable life insurance trust, which keeps the proceeds out of the client's estate for federal estate tax purposes.
4. The number of irrevocable life insurance trust beneficiaries dictates the gift tax exclusion allowable. If the allowable exclusions are exceeded by the insurance costs, a portion of the \$1 million lifetime gift exemption can be used to make up the difference.

Summary

This estate planning strategy is not for everyone. But it can be effective in leveraging assets with life insurance that a client would not need during their lifetime – creating a larger estate for heirs.

Clients often work their whole lives to save for a rainy day or for their retirement without fully considering thoughtful estate provisions for family members.

Sometimes, clients see that they have more assets and income than what will be needed for the future, even taking into account inflationary pressures and the possibility of longer life spans. The best client for this approach should be reasonably healthy in order to make the cost of the insurance component viable when matching up with the cash flow from the single premium immediate annuity.

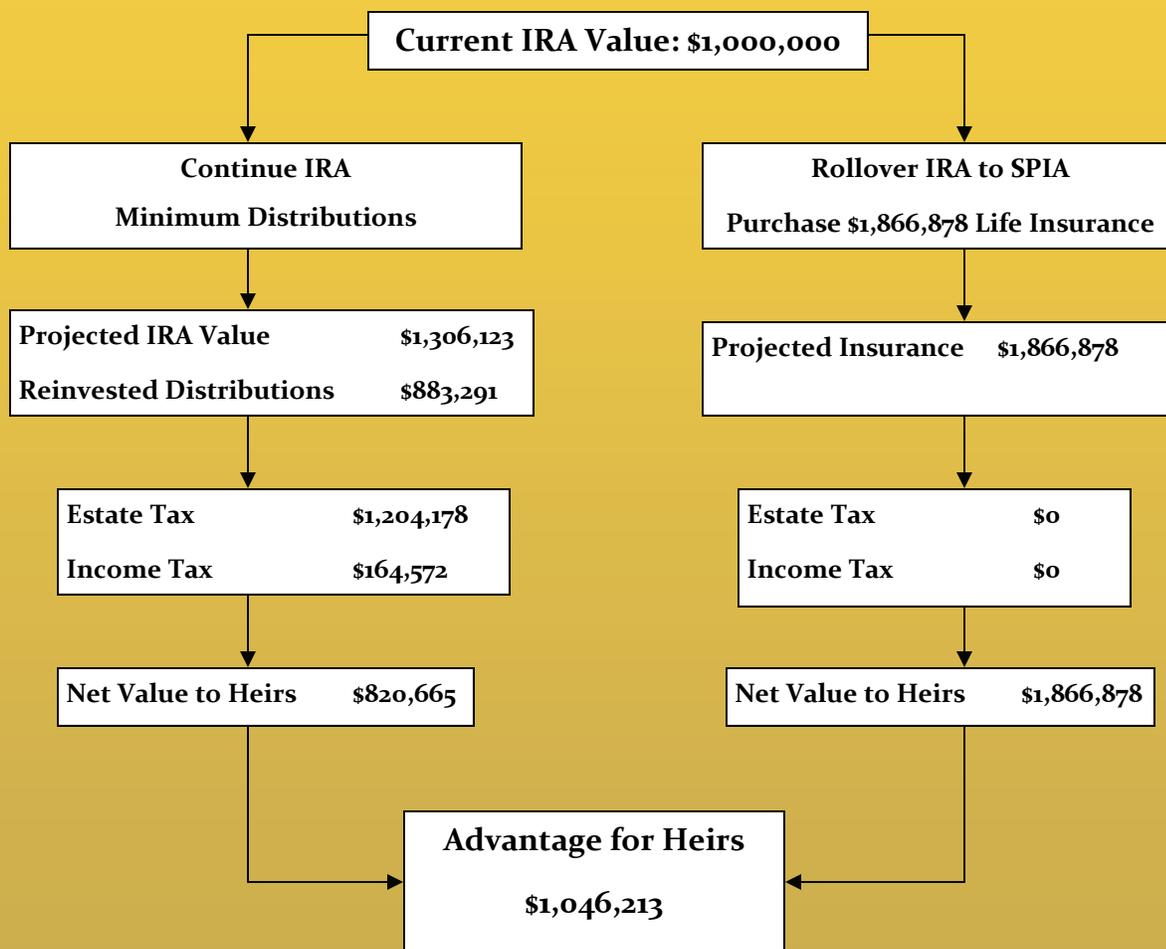
1. If pre-tax vehicles are not available, the estate-maximization strategy works for after-tax investments, such as CD's and municipal bonds.
2. Federal income tax to IRA beneficiaries is eliminated. All federal estate tax on the IRA is eliminated.
3. The single premium immediate annuity has no estate tax implication since it has no IRS value. Generally, it ends at death.
4. There is no estate taxation for the client's heirs: a guarantee that the life insurance proceeds will pay a certain amount certain to the beneficiaries.
5. If paid to an irrevocable life insurance trust, money is protected from creditors and is distributed according to the provisions of the irrevocable life insurance trust.
6. Beneficiaries can plan with an unencumbered, probate-free, tax-free inheritance.



Individual Retirement Account Legacy Maximization

The following is a comparison of your current traditional IRA and Legacy Max. Legacy Max can help reduce estate taxes and increase the account value that is passed on to your heirs.

You can take withdrawals from your traditional IRA to pay the premiums on a life insurance policy which will reposition your asset and allow your beneficiaries to receive the death benefit income tax free and potentially avoid estate taxes upon your death.



The IRA illustrated does not reflect applicable sales and management fees or administrative costs charged by the current issuer. The charges, if included, would affect the figures illustrated. The assumed rate of growth of the IRA is 5%.

The estate tax calculation shown in this illustration are based upon the estimated size of your estate and the estate tax rates found in Section 2001 of the Internal Revenue Code. All rates illustrated are subject to change. Calculations assume use of the Unified Credit and assume no marital deduction is available. Estate tax calculations reflect the Economic Growth and Tax Relief Reconciliation Act of 2001 resulting in reduced estate taxes in 2002 through 2009 and elimination of the estate tax in 2010. In year 2011 and beyond, the calculations assume the estate tax law in place prior to the Act. Unless new legislation is passed, the Act will be repealed in 2011 and estate tax in effect prior to the Act will be reinstated.

Either the total IRA payment, the after tax payment or a specified amount can be used as premium toward the life insurance policy.

Calculations assume all premiums qualify for the gift tax annual exclusion. To the extent that this is not true, estate taxes could be understated and gift tax consequences would not be illustrated.

The net surrender value and net death benefit amounts illustrated are based on current policy interest rate and cost assumptions. The values illustrated are not guaranteed. They assume that the illustrated non-guaranteed elements of the policy will continue unchanged for all years shown. This is no likely to occur, and actual results may be more or less favorable than those shown.



IRA Legacy Maximization

Legacy Maximization Profile

Name

Date

Agency/Office

Telephone Number

Let's work together to help others reach their vision of their ideal future.

Who can you introduce us to that:

- *Is age 71 or older and generally healthy?*
- *Has an IRA value of \$1 million or more?*
- *Have a net worth in excess of \$4 million?*
- *Have complained about having to take distributions from their IRA's?*
- *Often discuss family or charitable events during investment reviews?*

Let's help others who:

- *Are fun and easy to work with.*
- *Accept advice well.*
- *You have a high-trust relationship with.*
- *Will appreciate help in reaching their goals and improving their situation.*

Please list the names and telephone numbers of three qualified clients who you would like to help and who fit the above descriptions.

Thank you for taking the time to help others reach their financial goals.

Name

Telephone

1. _____

2. _____

3. _____