

# CASE STUDY

Sales Builder Concepts at Work

## OPTIMIZING AN IRA WITH LIFE INSURANCE

It's important to talk to your clients about how the current beneficiary designations on their qualified plans could be impacted by the SECURE Act. See how this planning idea can help minimize the taxes from an inherited IRA and allow assets to continue tax-deferred growth through the use of life insurance.

### CLIENT PROFILE:

- Female, age 60, Preferred Non-Nicotine
- 32% income tax bracket
- \$800,000 IRA account balance
- Assumed annual earnings of 5% on IRA
- Assume IRA Owner passes in Year 17

### DOES YOUR CLIENT FIT THIS CRITERIA?

- They plan to leave the IRA asset to a beneficiary(ies) upon death.
- Has adequate retirement income to fully meet their needs through other sources. Doesn't need to use RMDs for income.
- Has a desire to leave a larger legacy to their beneficiary(ies).

SUMMARY OF IRA OPTIONS	LUMP SUM	10 YEAR RULE	10 YEAR RULE w/ Life insurance in an ILIT
Estate Tax on the IRA at death of owner:	\$0	\$0	\$0
Income Tax on RMDs to Valued Client	\$223,919	\$223,919	\$148,443
Income Tax on Distributions to the Beneficiary	\$260,247	\$403,729	\$148,443
Total Tax Paid	\$484,166	\$627,648	\$428,095
<b>Net Distribution to Beneficiary</b>	<b>\$553,028</b>	<b>\$857,924<sup>1</sup></b>	<b>\$1,492,386<sup>2</sup></b>
<b>Present Value at 3.40% of Net Distributions to Beneficiary at Time of Valued Client's Death</b>	<b>\$553,026</b>	<b>\$634,986<sup>3</sup></b>	<b>\$1,410,416<sup>4</sup></b>

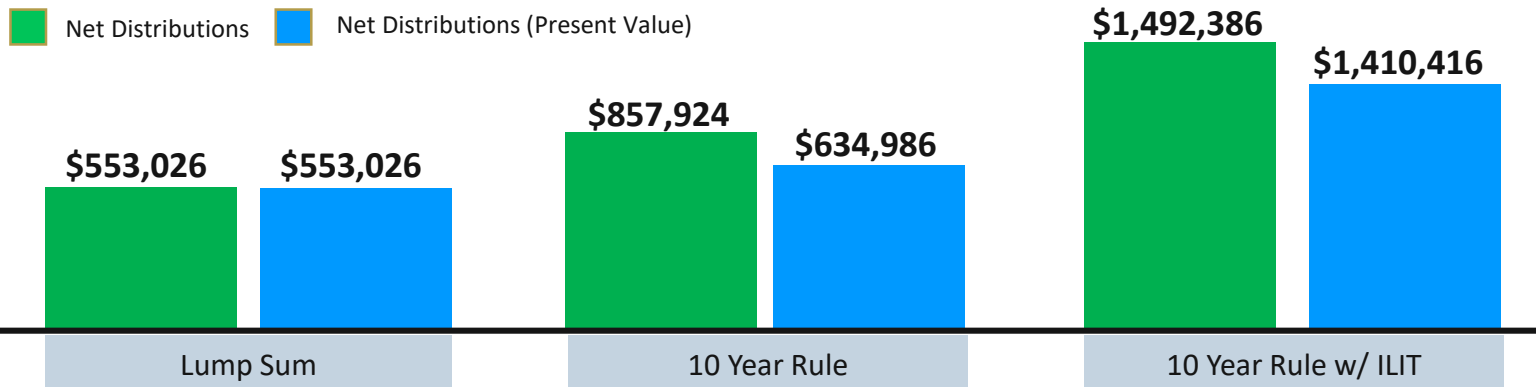
<sup>1</sup>Net Distribution equals total After-Tax Distributions to the beneficiary in year 27 or 10 years from owner's death

<sup>2</sup>Net Distribution equals total After-Tax Distributions to the Beneficiary in year 27 or 10 yrs from owner's death, plus Life Insurance Proceeds net Estate Taxes

<sup>3</sup>The Present Value represents the current value of the Total After-Tax Distributions to Beneficiary in yr 17

<sup>4</sup>The Present Value represents the current value of the Total After-Tax Distributions to Beneficiary in yr 17 plus Life Insurance Death Benefit net Estate tax.

### HOW MUCH MORE WILL BENEFICIARIES RECEIVE USING LIFE INSURANCE?



This supplemental illustration compares the federal income and estate tax impact of passing the IRA value directly to beneficiaries versus using all or a portion of your IRA's current value for the purchase of life insurance. This supplemental illustration is hypothetical and is not intended to serve as a projection. Investment fees, including potential redemption charges, are not reflected in this supplemental illustration.

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