



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).

	LUMP SUM	10 YEAR RULE	10 YEAR RULE w/ <i>Life insurance in an ILIT</i>
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
Net Distribution to Beneficiary	\$553,028	\$857,924¹	\$1,492,386²
Present Value at 3.40% of Net Distributions to Beneficiary at Time of Valued Client's Death	\$553,026	\$634,986³	\$1,410,416⁴

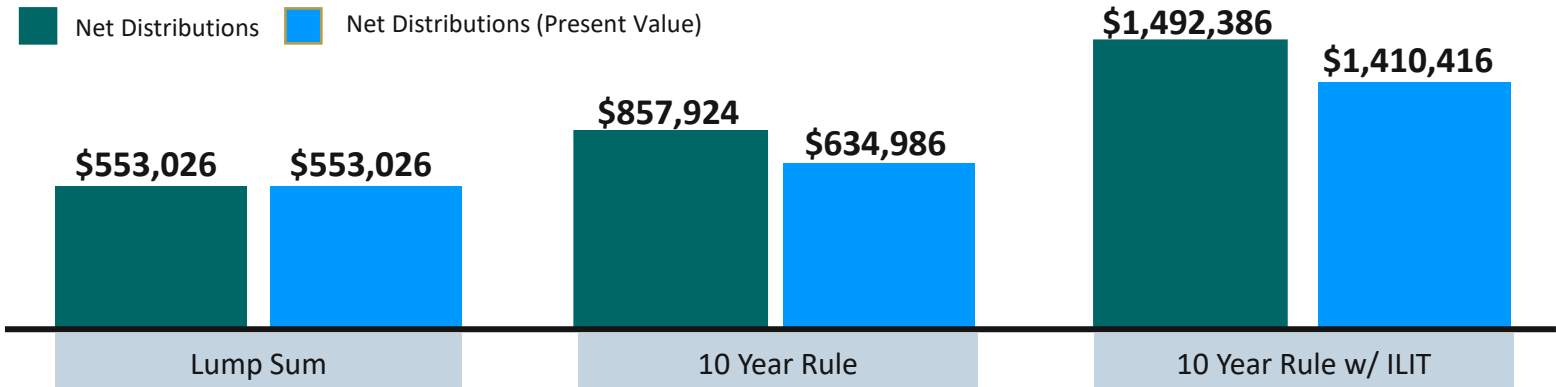
¹Net Distribution equals total After-Tax Distributions to the beneficiary In year 27 or 10 years from owner's death

²Net 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

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

⁴The 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.

Information in this report should not be used in any actual transaction without the advice and guidance of a professional Financial Advisor. In some instances a Tax Advisor and/or Attorney should also be contacted for counsel. Although the information contained here is presented in good faith, it is General in nature may require additional consideration of other matters. This report is for informational purposes only.

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