The Bombshell Battle Plan:

How to Defend
Against the
IRS' Secret Weapon

Post 2020
SECURE Act

David & Todd Phillips

Executive Summary

Meet the Authors

David T. Phillips is a nationally recognized consumer advocate for insurance, annuities and estate planning with 47 years of experience. He is the author of bestselling books – Estate Planning Made Easy, The 10 Most Common Estate Planning Mistakes and How to Avoid Them, The Family Bank Strategy and The Bombshell Battle Plan, How to Defend Against the IRS' Secret Weapon.

Mr. Phillips has been a featured speaker at a multitude of investment conferences around the globe and a guest on national television including: CNN, Fox News, CNBC, Money Talks, and Bloomberg. Mr. Phillips is CEO and founder of Estate Planning Specialists. With clients in every state, his companies have assisted thousands of Americans properly plan their estates.

Mr. Phillips graduated from Brigham Young University. He is an active member of his church and coached the Arizona State University Water Ski Team from 1994-2006, winning the National Championships in 2001. David and his wife, Jane, have four children and eleven grandchildren.

Todd Phillips is the President of Estate Planning Specialists and Phillips Financial Services. Todd has been helping people across the country with their insurance and investments since 1995. His talent is in assimilating the intricacies of the various investments and breaking them down for the firm's nationwide clientele.

In addition to his duties as President of Estate Planning Specialists, Todd holds Series 7, 63 and 66 licenses. He has authored The Future of Retirement Savings, IRA Leverage Strategy, How to Hedge Against the Coming LTC Crisis, and The Optimum Wealth Protector.

In 1998, Todd graduated from Arizona State University with Honors and was a Four-Time All-American water skier. He enjoys playing and coaching soccer with his wife, Camille, but his greatest passion is being daddy to six of the cutest little girls in the world: Jocelyn, Brinly, Amelia, Juliette, Annalise, and Brielle.

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HOW TO MAXIMIZE YOUR IRA -

- ELIMINATE YOUR OUT-OF-POCKET CONVERSION TAX
- CREATE A TAX-FREE MULTI-GENERATION FINANCIAL LEGACY
- GENERATE TAX-FREE INCOME FOR LIFE
- MITIGATE THE OPPRESSIVE FAMILY TAX OF THE 2020 SECURE ACT

Taxes! Taxes! Oh, how we hate to pay taxes.

No matter what side of the political fence you are sitting, we Americans flourish on the infrastructure and protection our taxes provide. But no one I know wants to pay more than what is fair.

Several years ago I attended a seminar at Arizona State University hosted by the department of economics. Among the guest speakers was a former US Treasury official. During the Q & A, he was asked by one of the students, “What about the deficit? What is Washington doing to pay it off? Shouldn’t the national debt be the greatest concern for lawmakers?”

His answer was quick and to the point. “The Treasury isn’t that concerned about the deficit because we have ‘off-balance sheet assets’ that will eventually pay off the deficit. Americans have $18 trillion in ‘qualified’ savings accounts that will soon be taxed at an average rate of 30% when taken as income. Not to mention the 45% estate tax when passed to a non-spousal beneficiary.”

He then explained that investors assume all of the investment risks and are doing a pretty good job of growing the IRS’s future tax revenue by making money in their ‘qualified’ deferred accounts like the IRA, 401k, 403b, SEP, and Defined Benefit Pension Plans. He went on to emphasize that the IRS has nothing but time and is just waiting for Boomers to start taking their tax-deferred savings to live on and then to tax their beneficiaries after they die.

The audience was speechless. We all felt defiled. Was this all part of a scheme from the beginning? Or did they wing it like a TV pilot that surprisingly takes off and needs 12 more episodes overnight?

Regardless, here we are. The SECURE Act easily became a law on January 1, 2020 and almost $28 trillion in “qualified accounts” and trillions more in Tax-deferred Annuities, all just waiting for the tax hammer to hit. Fortunately, the federal lifetime estate and gift tax exclusion is now $11.58 million, so most Americans will miss out on the opportunity of paying the additional 40% in federal estate taxes, losing up to 80% of their “qualified” money to taxes when inherited by their family. But most will lose at least 30% to 40% to income taxes.

So what are your options? How can you mitigate the tax bite?

Later, in this report I will disclose two top secret strategies. One that will actually eliminate all income taxes and the other that will let someone else pay the conversion taxes for you. But the bottom line holds true for you and everyone else that owns a "qualified" account – When you take money out and put it in your pocket; an income tax will be due to the IRS. When your children inherit your IRA, they will have to pay taxes, and now with the passage of the SECURE Act they will have to pay all income taxes within a 10 year time frame. It's a fact of life in America today.

I know you hate to hear those words, but since it was deducted from your pay and you earned tax-deferred interest through the years, when you pierce the bubble, someone has to pay income taxes. By 2030 there will be 70 million Americans over the age of 65, most paying taxes on tax-deferred investments. This is what the IRS has been waiting for all these years.

A few months ago, while preparing an Estate Analysis for a client, he revealed that his IRA was worth $11,000,000. How could that be you may ask, when you cannot contribute more than $6,000 ($7,000 if you're age 50 or older) into an IRA in any given year?

He explained that as a physician he was able to set aside a sizable portion of his income into his defined benefit retirement plan and was fortunate to be able to parlay it into a tax-deferred fortune with superb investing. Subsequently, he rolled the funds into an IRA. He called because he was concerned that now with the SECURE Act the law of the land his children would be faced with an enormous federal estate and income tax bill at his passing. He didn't want them to be forced to liquidate any of his IRA or their inheritance to pay the eventual tax bill. The $1,000,000 plus IRA isn't a rarity these days. So how can you best navigate the tax bombshells?

IRA Rules of Engagement

No matter the type of tax-deferred retirement account you have; there are basically only two phases – the Accumulation Phase and the Distribution Phase. During the Accumulation Phase, all interest and gains accumulate and compound tax-deferred. During the Distribution Phase, income taxes are due April 15 of the year following the distribution. There are two key milestones to keep in mind about taking money from a traditional IRA:

1) **Age 59 ½.** Most distributions before age 59 ½ are subject to a 10% penalty tax that is added to your regular income tax. There are some exceptions to the rule, such as withdrawals for deductible medical expenses and Rule 72t, but for the most part, this 10% surtax is one that you can count on when accessing deferred money early.

2) **Age 72.** After reaching this age milestone, you must begin annual Required Minimum Distributions (RMDs) from your Traditional IRA and usually from other retirement plans as well. There is one exception. If you are still working, own less than 5% of the company you work for and your plan permits, you may not have to take RMDs from your current employer's retirement plan, such as a 401k.

The R in RMD stands for **Required,** and the cost of ignoring this withdrawal requirement is steep. If you fail to take your RMD after turning 72, a 50% penalty is imposed. For example: Suppose Sally has an initial RMD of $18,248. If she only takes $16,000 from her IRA by the deadline, she will be $2,248 below the minimum. Her tax penalty will be $1,124 (50% of $2,248).

Moreover, Sally is still required to take her missed RMD, and report the taxable income from her IRA distribution in the year she takes the distribution.

Let your Custodian do the Counting?

As you can imagine, determining your RMD can involve a substantial amount of number crunching. Any mistake might generate too-small of an RMD and the 50% penalty. So you need to be careful.

IRA custodians are required to send out letters to IRA owners early each year, calculating their RMD or at least offering to do so. However, using the numbers provided by the IRA custodian could be a mistake. You need to make sure their math is accurate.

IRA custodians report to the IRS too, so the tax collectors know who must withdraw from their IRAs. It was recently reported that the IRS may soon step up their efforts to catch taxpayers who inaccurately report their RMDs. Bottom line – there is no room to get sloppy during the Distribution Phase – be it forced or voluntary.

Mix and Match IRA RMDs

Many have more than one IRA. If that's your case, you must calculate the RMD for each IRA to determine your total RMD for the year. Once that number is calculated, you can take your RMD from any or all of your IRAs.

If you have a SEP IRA or a SIMPLE IRA, you include those values in addition to your traditional IRAs when aggregating RMDs. Inherited IRAs have separate RMDs and therefore aren't used toward your personal RMD.

Expert's Recommendation: Unless you have a special reason to keep multiple IRAs, consider consolidating them when you reach the 72 RMD stage. This will make your life simpler in your 70's and beyond.

When do Your RMDs Start?

Your retirement accounts become subject to RMDs the year you reach age 72, for everyone that has not yet reached age 70.5 by the end of 2019. If you had already reached age 70.5 and were retired by the end of 2019, you will likely fall under the previous RMD rules as it pertains to your IRAs. If you are still working past age 70.5 or now 72 and enrolled in a 401(k) plan at work, it will be subject to RMDs the year you retire (if allowed by your 401(k) plan). However, if you are a 5% owner or more in the company, you will be subject to RMDs when you hit age 70.5 if prior to the end of 2019, and from January 1, 2020 on out when you reach age 72. IRAs are subject to RMDs at age 72, regardless of whether you are still working.

You need to withdraw your RMDs by Dec. 31 of the year that it is due. However, for the first year you owe an RMD, you have to take it by April 1 in the year following the year you reach age 72. If you push your first RMD to the April 1 deadline, be aware you'll have two RMDs for that year, as the following year's RMD will also be due by year end.

Calculating your RMD

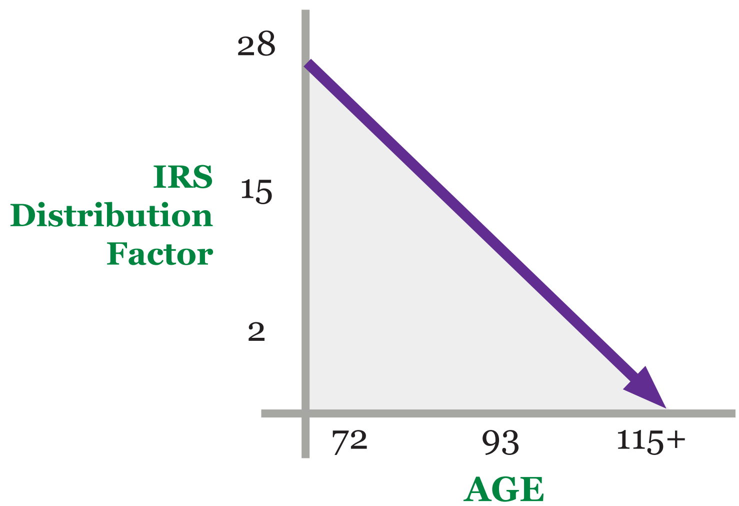
Fortunately, in 2002 the RMD tables were revised, and one's first RMD was significantly reduced from 7% to 3.91%. For example, for every $100,000 in account value at age 72, $3,906 must be withdrawn annually versus $7,225 that was required before 2002. Who knows how long this Congressional grace will continue?

The amount of your RMD depends on two things: your age and the amount in your IRAs on calculation day. Here's how you typically calculate your RMD:

FIGURE 1

IRA Required Minimum Distribution Table

AGE	IRS Distribution Factor	AGE	IRS Distribution Factor
70	27.4	93	9.6
71	26.5	94	9.1
72	25.6	95	8.6
73	24.7	96	8.1
74	23.8	97	7.6
75	22.9	98	7.1
76	22	99	6.7
77	21.2	100	6.3
78	20.3	101	5.9
79	19.5	102	5.5
80	18.7	103	5.2
81	17.9	104	4.9
82	17.1	105	4.5
83	16.3	106	4.2
84	15.5	107	3.9
85	14.8	108	3.7
86	14.1	109	3.4
87	13.4	110	3.1
88	12.7	111	2.9
89	12	112	2.6
90	11.4	113	2.4
91	10.8	114	2.1
92	10.2	115+	1.9



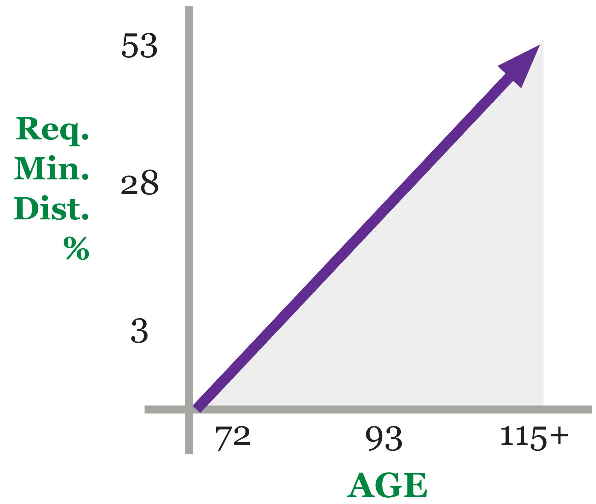
1. Look up the IRS Uniform Lifetime Table. You can find it in **Figure 1**, based on the IRS Distribution Factor or **Figure 2**, The RMD Table converted to percentages.
2. Find your age as of December 31 of the year for which the RMD is due.
3. Find your IRS Distribution Factor in the table, which is, in essence, your estimated life expectancy.
4. Divide your Factor into the prior year-end account balances of all of your IRAs. That figure is the amount you **must** take as income or pay the 50% penalty.

IRS Uniform Lifetime Table

FIGURE 2

(Converted to %)

Age of IRA Owner	Required Minimum Distribution Percent	Age of IRA Owner	Required Minimum Distribution Percent	Age of IRA Owner	Required Minimum Distribution Percent
70	3.6496	85	6.7567	100	15.8730
71	3.7736	86	7.0921	101	16.9492
72	3.9062	87	7.4626	102	18.1818
73	4.0485	88	7.8740	103	19.2308
74	4.2016	89	8.3333	104	20.4082
75	4.3668	90	8.7719	105	22.2222
76	4.5455	91	9.2592	106	23.8095
77	4.7169	92	9.8039	107	25.6410
78	4.9261	93	10.4166	108	27.0270
79	5.1282	94	10.9890	109	29.4118
80	5.2475	95	11.6279	110	32.2581
81	5.5865	96	12.3457	111	34.4483
82	5.8479	97	13.1579	112	38.4615
83	6.1349	98	14.1845	113	41.6667
84	6.4516	99	14.9254	114	47.6190
				115+	52.6316



Let's assume, Sally reaches age 72 by the end of 2020. On the Uniform Lifetime Table, at age 72 an IRA participant has a life expectancy of 25.6 years. If Sally had $500,000 in her IRA on December 31, 2020, she would divide $500,000 by 25.6 to get $19,531. That's the RMD Sally must take by April 1, 2021.

As we age, the factor increases. So, next year if Sally's accounts are still valued at $500,000; her RMD will be $20,242 ($500,000 divided by the IRS distribution factor of 24.7).

Some qualified account investors have turned away from stocks (volatile) and bonds (low-yielding) in recent years. Alternatively, they have focused their attention toward real estate, private businesses, and precious metal accounts.

- **The catch:** Stocks, bonds, annuities and other traded securities are easy to value for the purpose of determining RMDs. You simply look at the traded prices on December 31 of each relevant year.

  That's not always the case with illiquid assets, such as the medical office building you bought to hold inside your IRA. Nevertheless, the IRS requires the IRA custodian to put a value on all IRA assets and RMDs must be calculated based on that value.

  If the value is too high, you will withdraw too much from your IRA, pay too much in tax, and sacrifice untaxed wealth accumulation inside the account. If on the other hand, the value is too low, you'll under-withdraw and take insufficient RMDs. This will expose you to the 50% penalty.

Expert's Recommendation: Before reaching your RMD age, you should eliminate risky investments and exchange your hard-to-value assets for safe money investments like an Indexed Annuity. Call our office and ask our president, Todd Phillips, which annuities are currently the best performers so your RMD calculation won't be a problem and you can enter the world of growth without risk. There comes a time when you absolutely should take your chips off the table, and age 72 seems to be a logical time to begin making the switch.

The SECURE Act – New Rules for IRA Owners

There is no doubt that the SECURE Act will have a devastating financial impact on all non-spousal inheritors of an IRA, but how will in effect the benefactor? How has it changed those of us that currently are saving or have saved in a qualified account?

There are six ways the SECURE Act will impact those of us with IRAs:

- **Required Minimum Distribution Start Age is Now 72**

  As just stated, prior to the SECURE Act, if you had money in a traditional IRA or an employer-sponsored retirement plan and were retired, you were required by law to start making withdrawals at age 70 ½. But for those who haven't turned 70 ½ by the end of 2019, the SECURE Act pushes out the RMD date for most situations until age 72. By delaying RMDs, you supposedly will have more time to grow retirement nest egg without it being drained by distributions and taxes.

- **Additional Roth IRA Planning Opportunities**

  With the new start age, those that haven't already started RMDs, will have and additional two years to convert their IRA to a Roth without having to worry about the impact of required distributions. With the goal of converting your Roth at the lowest tax bracket possible, the extra two years can be a blessing.

- **Increased Savings Opportunities**

  Before the SECURE Act you couldn't contribute to a tax-deductible IRA after 70 ½. Beginning in 2020 those over age 70 ½ will be able to continue to make an IRA deposit up to the maximum of $7,000 a year for both husband and wife. This will allow for the concept of dollar-cost-averaging to continue beyond retirement and will span what we call The RMD Neutralizer Strategy.

  With the Neutralizer Strategy you take an IRA distribution, of $14,000 and then you offset that income with a new deposit of $7,000 for you and $7,000 your the spouse, thus negating the income and subsequent income tax. You then proceed to invest the new deposit.

- **Guaranteed Lifetime Income**

  The SECURE Act encourages the use of a lifetime income annuity distribution option. The key to a happy retirement according to the Wall Street Journal is a lifetime stream of income. Now that income annuities will soon be a part of your IRA, you will be able to convert your IRA dollars into guaranteed income.

- **The End of the Conduit or Pass-Through Trust**

  In the past, many people used trusts as the beneficiary of their qualified accounts, with a "pass-through" feature that let the beneficiary stretch out the tax benefits of the inherited account. The benefit of the trust was, in part, to help manage the inherited retirement account and to provide protection from creditors. However, many of these trusts provided the beneficiary with access to "only the RMD due each year." But because the SECURE Act stipulates that ALL monies must be distributed within 10 years, the Conduit Trust in most cases should be replaced with an Accumulation Trust.

This correction can be done by "decanting" the Conduit Trust and changing it to an Accumulation or Dynasty Trust. Our recommended national law firm of The Durfee Law Group is well versed on this absolutely necessary fix. Feel free to call them at 480 324 8000, mention this report, Estate Planning Specialists and they will help you make the repair.

The SECURE Act – New Rules for IRA Beneficiaries

Because of the SECURE Act, the distribution rules for non-spousal beneficiaries have drastically been changed. The blessed "Stretch IRA" is dead. Gone forever! Since January 1, 2020 an inherited IRA by a non-spousal beneficiary must now be paid out over 10 years (The "10-Year-Rule"). What this means in simple terms is that each beneficiary can decide if they want to:

1) **Take all the money as a single sum and pay all the income tax in the year following the passing of the grantor.** Since 80% of all IRA monies are currently left to a beneficiary and most non-spousal beneficiaries spend their inherited IRA within 180 days, there is very good likelihood that this will be the trend. The IRS loves this scenario.

2) **Take uneven distributions through the years.** Remember, whenever money is withdrawn from the inherited IRA an income tax, based on the tax bracket of the beneficiary in the year they take the distribution, will be assessed.

3) **Take equal distributions of 10% each year for the 10 years.** Again, an income tax will be due and payable April 15th of the year following each distribution. A $1,000,000 inherited IRA by one non-spousal beneficiary, earning zero interest through the years, would be required to report $100,000 additional income to their top line each year for 10 years. Imagine the impact that kind of income will have on their total income tax for those 10 years? This is the "off-balance sheet assets" the IRS agent was describing.

4) **Receive the inherited IRA and then let it cook for a maximum of 10 years.** On December 31, of the year celebrating the 10th year death day of the grantor, if zero funds have been taken, a one-time income tax will be assessed to the beneficiary. This move is called "The Knock-Out Punch." The best of all worlds for the IRS, because, most likely the inherited IRA will earn interest through the years and all the growth plus the principle will be counted as income to the beneficiary all in one year. In 10 years, who can guess what the top tax bracket will be? My guess is substantially higher than today's top 37% bracket. You will also need to consider the income tax bracket of their stage of residence. This tax will also need to be paid on any and all withdrawals.

While there were several good provisions of the SECURE Act, the 10-Year Rule isn't one of them. It is an estate planning game changer. No longer do we have a choice. Taxes will be paid within 10 years or else! At least we have a target to shoot at and believe me there is a solution, a way to get back what Congress just took away. But more on that later.

The 10-Year Rule will apply to all non-spousal inherited IRA monies with the exception of:

- A beneficiary who has a disability or chronic illness. At the time of this writing, it hasn't been determined who will make the call as to whether or not the beneficiary is disabled.
- A beneficiary who is not more than 10 years younger than the deceased IRA owner.

FIGURE 3

The SECURE Act - Payout Comparison

Old Stretch IRA Rules

YEARS AFTER	AGE	OLD RMD FACTOR	WITH DRAWN	TAXES DUE	NET INCOME	IRA BALANCE
0	40	43.6	-	-	-	$1,000,000
1	**41**	**42.7**	**$23,419**	**$7,026**	**$16,393**	**$1,046,581**
2	42	41.7	$25,098	$7,529	$17,569	$1,092,987
3	**43**	**40.7**	**$26,855**	**$8,056**	**$18,798**	**$1,140,761**
4	44	39.8	$28,662	$8,599	$20,064	$1,189,946
5	**45**	**38.8**	**$30,669**	**$9,201**	**$21,468**	**$1,240,427**
6	46	37.9	$32,729	$9,819	$22,910	$1,292,236
7	**47**	**37.0**	**$34,925**	**$10,478**	**$24,448**	**$1,345,323**
8	48	36.0	$37,370	$11,211	$26,159	$1,399,510
9	**49**	**35.1**	**$39,872**	**$11,962**	**$27,910**	**$1,454,812**
10	50	34.2	$42,538	$12,762	$29,777	$1,511,133
		TOTAL	**$322,138**	**$96,641**	**$225,496**	**$1,511,133**

New 10 Year Rule

YEARS AFTER	AGE	OLD RMD FACTOR	WITH DRAWN	TAXES DUE	NET INCOME	IRA BALANCE
0	40	-	-	-	-	$1,000,000
1	**41**	-	**$133,063**	**$39,919**	**$93,144**	**$866,932**
2	42	-	$133,063	$39,919	$93,144	$794,554
3	**43**	-	**$133,063**	**$39,919**	**$93,144**	**$717,110**
4	44	-	$133,063	$39,919	$93,144	$634,245
5	**45**	-	**$133,063**	**$39,919**	**$93,144**	**$545,579**
6	46	-	$133,063	$39,919	$93,144	$450,706
7	**47**	-	**$133,063**	**$39,919**	**$93,144**	**$349,193**
8	48	-	$133,063	$39,919	$93,144	$240,573
9	**49**	-	**$133,063**	**$39,919**	**$93,144**	**$124,350**
10	50	-	$133,063	$39,919	$93,144	$0
		TOTAL	**$1,330,630**	**$399,189**	**$931,441**	**$0**

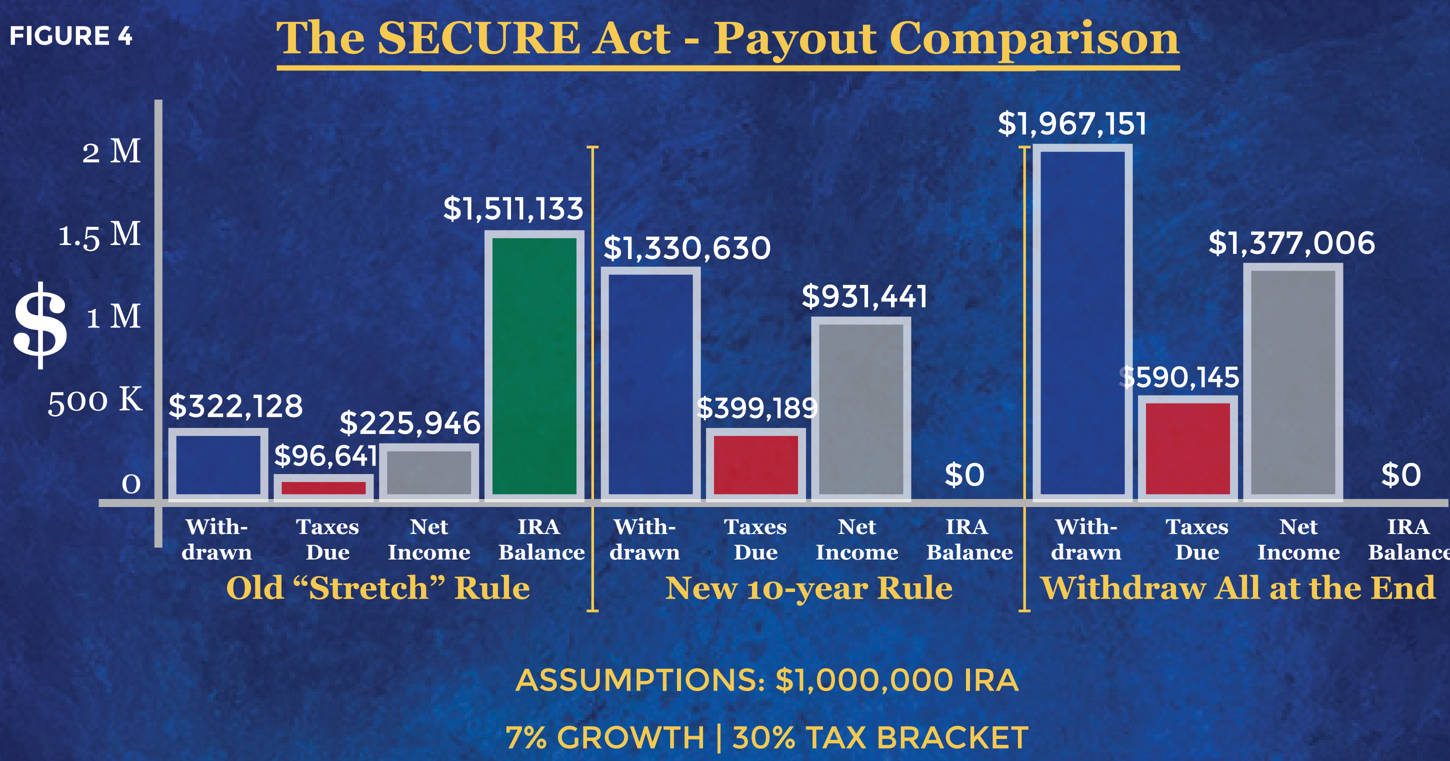
Withdraw All at the End

YEARS AFTER	AGE	OLD RMD FACTOR	WITH DRAWN	TAXES DUE	NET INCOME	IRA BALANCE
0	40	-	-	-	-	$1,000,000
1	**41**	-	**$0**	**$0**	**$0**	**$1,070,000**
2	42	-	$0	$0	$0	$1,144,900
3	**43**	-	**$0**	**$0**	**$0**	**$1,225,043**
4	44	-	$0	$0	$0	$1,310,796
5	**45**	-	**$0**	**$0**	**$0**	**$1,402,552**
6	46	-	$0	$0	$0	$1,500,730
7	**47**	-	**$0**	**$0**	**$0**	**$1,605,781**
8	48	-	$0	$0	$0	$1,718,186
9	**49**	-	**$0**	**$0**	**$0**	**$1,838,459**
10	50	-	$1,967,151	$590,145	$1,377,006	$1,967,151
		TOTAL	**$1,967,151**	**$590,145**	**$1,377,006**	**$0**

ASSUMPTIONS: $1,000,000 IRA

7% GROWTH | 30% TAX BRACKET

FIGURE 4



The Stretch vs. The SECURE Act – The Numbers

I was recently reading a report on the ramifications of the SECURE Act by a reporter that was apparently blind. She boasted of all the wonderful gifts the new legislation gave us. Never once did she mention the death of the Stretch IRA. I guess to some, perhaps those with tiny IRAs, the loss isn't that significant. But to those with substantial IRAs, the tax consequences are huge. Figures 3 and 4 lay it out. Take a moment and digest this comparison. Let me warn you however, don't study it on a full stomach. You could lose it. The truth is you already lost and you didn't even have a choice.

Prior to January 1, 2020 you could designate how your beneficiaries would receive their inherited IRA; lump sum, piece by piece or via the Stretch throughout their lifetime. If we assume that your 40 year old beneficiary, Parker inherited your $1,000,000 and earned 7% each year and paid 30% in federal income taxes and zero state income tax, with the Stretch he would have paid a total of $96,641 in income tax over the first 10 years, leaving an IRA balance of $1,511,133 to Stretch throughout the remainder of his life.

With the new SECURE Act 10-year rule, Parker's top line income will now increase by $133,063 each year for 10 years, skyrocketing his total tax payment over the 10 years to $400,000, four times greater. In addition, your IRA will be gone forever, proving once again that IRAs should be spent down or converted to a Roth ASAP. Granted Parker will still have the net after-taxed balance of $931k, but that is a far cry from $1.5 million he would still have with the Stretch. If he waits the entire 10-year limit to take any withdrawals, the tax liability will soar to almost $600,000 at the 30% effective tax bracket. Considering however,Parker's income will increase for that 10th year by almost $2,000,000 his tax bill will most likely top $1,000,000. Considering that you persevered and sacrificed current income in order to accumulate your retirement account, it is a travesty that the rules have totally changed in the top of the 9th inning. Fact is, the SECURE Act is law. The Stretch IRA is gone forever and so we better plan accordingly. Let the pillage begin!

“Your retirement account beneficiary form is the single most important document in your estate plan because it guarantees that the individuals you name as beneficiaries of what may be the single largest asset you own – your retirement savings – will indeed get that asset when you are gone.”

Ed Slott – CPA, National IRA Expert

- A minor child who receives the inherited IRA will take required minimum distributions based on the minor child’s life expectancy until they reach the age of majority in most states, and then the 10-year distribution period will begin.

Note: The new SECURE Act rules do not apply to an inherited IRA received prior to January 1, 2020.

If you are planning to only withdraw the Required Minimum Distribution from your retirement account, you most likely will leave an account balance to your beneficiaries.

This factor, along with increased longevity, and the passage of the SECURE Act, has created a need, greater than ever to properly plan the distribution of your retirement accounts. What most people don’t realize is that with a little pre-planning, their “qualified accounts” can still be **stretched out** over multiple generations. And you can control the distribution to your heirs through predetermined beneficiary distribution elections. By failing to preplan you could actually forfeit up to 80% of the remaining balance to the IRS in the form of estate and income taxes. Not to mention that your lifetime savings could be wasted away!

A Helpful Example:

Robert Simpson is a 65-year old engineer, with $500,000 in an IRA that he rolled over from a 401k he had with a former employer. His wife Jean is 62. They have twins: Steve, 37 with no dependents and Rachael, 37 who has three children. Their son Steve has a difficult time with money and usually spends it as fast as he gets it. Rachael and her husband, on the other hand, are very responsible and do very well.

With the income he will receive as a consultant, his social security and pension payouts from another source, Robert has no need to withdraw from his IRA. He plans on letting it continue to compound until Required Minimum Distributions are required in seven years. He has listed Jean as his primary beneficiary and his children as the secondary (contingent) beneficiaries.

Assuming his IRA compounds at 5%, net of fees, his account value in seven years will have grown to **$703,550** with an RMD at year-end of **$24,482**. His life expectancy is 20 years or to age 85, his total RMDs through the years would have paid out **$519,542** and the account balance at death would be **$689,471**. Jean would be 82 years old at that time and would roll Robert’s IRA into her own account and begin RMDs lasting until her passing at age 88. Her total distribution of **$314,290** leaves a balance of **$606,926** to be inherited by the children. If properly pre-planned, their daughter Rachael can take her half - $303,463 - and chose one of the following options:

1) Take full or partial distribution and pay income taxes the next April.

2) Disclaim the inheritance and pass it to her children or grandchildren.

3) Take uneven distributions over 10 years and pay income taxes on each withdrawal.

4) Make 10 equal withdrawals of 10% each year for 10 years.

5) Allow the inherited IRA to continue to accumulate for 10 years and pay a one-time tax on the interest and principal.

The **non-spousal beneficiary** must roll the funds into an inherited IRA, and it must be a trustee to trustee transaction. In other words, it must be a pre-selected option on the IRA or 401k beneficiary designation form, and no funds can be personally received and then transferred. ***It can't be an afterthought.***

If Rachael elects to apply the 10-Year Rule, and the balance of the inherited IRA earns 5% each year she would receive **$37,428** each year for 10 years. Assuming she is in the 24% tax bracket she would receive a net total of **$284,453** through the years. Had she taken it all in the first year the additional $303,463 of income would have vaulted her into the top tax bracket. Had she waited until the 10th year to take the distribution the account would have grown to **$494,309**, resulting in an enormous tax consequence.

Robert also wanted to make certain his son Steve doesn't blow his inherited IRA. So, on his beneficiary designation form on his "Qualified" deferred Annuity that he secured, he provided the stipulation that Robert could only receive the inherited IRA through the **10-Year Rule** distribution method. In this example, it would also begin at age 64 with a payment of **$37,428** in the first year with total net payout of **$303,463** over the 10 years. Any unused balance would go to Steve's designated beneficiary.

By properly exercising the **10-Year Rule**, a total payout of **$1,322,209** would be received. Furthermore, the original IRA owner's wishes are clear and concise, with no second guessing and full control is exercised for multiple generations.

Should a Trust Be Your Designated Beneficiary?

An IRA Trust (see Figure 14) as your "qualified" account beneficiary makes sense if you want to create:

- Spendthrift beneficiary protection – Robert recognizes that Steve is a spendthrift who may squander his inheritance. As such, Robert wants to make certain that if there is any money left in his IRA, it will be disbursed according to a certain schedule over the maximum 10 years instead of a lump sum payment.

  Robert also wants to make certain that Steve only uses his IRA inheritance for specific purposes, such as financing his education, a down payment on a home, an emergency fund, etc. Robert can ensure these conditions are met by designating a trust, which incorporates his desired distribution options as the beneficiary. The trustee of the trust would then be responsible for complying with the provisions of the trust.

- Protection for children from a previous marriage – Robert may want to ensure that his current wife, Mary receives income from his other assets while guaranteeing that his children, from a previous marriage (Rachel and Steve), receive any remaining IRA funds. A properly drafted trust can provide for that type of specific designation and distribution objective.

- Fail safe beneficiary designations. "Qualified" accounts seldom pass via a will. Instead, an IRA inheritance is determined according to beneficiary designation forms that you fill out when you open up the accounts or amend them later. Naming a trust as your beneficiary will provide undisputed specific guidance so that a financial legacy will be distributed, when and how you want up to the legal limits. The key with a trust is that it has to be drafted before you pass away. So prior planning is paramount.

- Financial protection for minor beneficiaries. By statute we can't leave our property to minors. If it is your intention to pass your IRA to your minor beneficiaries, you'll have to choose between naming a custodian for the children or creating a trust for the benefit of minors, which will in turn be the beneficiary. With a trust you can limit their access to the money which would otherwise come under their control when they reach the ages of majority (18 in most states).

The Proper Trust Based on the SECURE Act

Because the SECURE Act still permits minors to receive their portion of an inherited IRA beyond the 10-Year Rule, until they reach the age of majority, a Conduit Trust could be used. Many assume that a regular Bypass Trust, Dynasty Trust or a Revocable Living Trust can have the same tax impact as a specific IRA Trust. This is false assumption as there are many pitfalls that abound with this approach. These traditional trusts may contain boilerplate language that is fine with other assets but could be extremely detrimental when an IRA is concerned.

For the past 25 years, when needed, we have recommended The Durfee Law Group to prepare properly designed IRA Dynasty Trusts for our clients. The firm's founder and senior partner, Rick Durfee has written a best-selling book on the subject, *Your IRA - Asset or Ambush?* Rick has agreed to provide a complimentary copy for our readers by calling 1.480.324.8000.

Designating a trust as the beneficiary of an IRA can be an effective tool, but has a cost associated with its' creation. Furthermore, an IRA Trust is usually only recommended when your IRAs are in excess of $500,000 or your beneficiaries are minor children or have special needs. The use of an insurance company's beneficiary form inside an IRA Stretch Annuity is significantly more economical and can be just as effective.

Whether you decide to use an IRA Dynasty Trust or an IRA Annuity, make certain you name it as the beneficiary on your custodian's IRA beneficiary designation form. Otherwise, it will not be considered the beneficiary of your IRA. Forgetting this crucial last step is a common and an unforgivable costly mistake.

Special Note: Don't name a trust as your IRA beneficiary because you think it offers tax benefits. It doesn't. If, however, you have concerns as to how your loved ones will handle the IRA they will inherit, a trust can provide protection. Make certain you work with an attorney who is competent about the IRA rules for trust beneficiaries and understands the benefits of using sub-trusts to stretch out the distribution to the maximum.

Most Custodians Do Not Perform 10-Year Rule Distribution Duties

An inherent problem of the 10-Year Distribution rule will be that most IRA custodians, and virtually all 401k custodians, have not participated in multi-generational IRA distributions. It requires the ability to spread IRA distributions to a multitude of potential beneficiaries over 10 years and keep track of who gets what, when then get it and how much they get. This distribution plan begins with a unique beneficiary form that makes certain your "qualified" accounts are distributed to all your non-spousal beneficiaries.

An ideal "qualified" retirement account custodian must:

1) Guarantee the principal
2) Guarantee a minimum rate of return
3) Administer the distributions of all beneficiaries **at no cost**
4) Provide binding beneficiary language to make certain you control the distribution well beyond your lifetime
5) Periodically review and revise your beneficiary designation form when needed

Today in reality only a handful of life insurance companies that our firm works with have mastered the art of proper "qualified" retirement account multi-generation distribution and accountability, based on the current laws and provisions. These companies offer an easy to complete, binding beneficiary form that will logically distribute your IRA the way you want for multiple generations.

Another Example Might Be Helpful:

Doug Wilson is just turning 72 and will need to begin taking his Required Minimum Distribution at the end of the year. At that time his IRA with be worth $500,000. His first RMD next year is $19,531. If he earns a net 5% (after investment fees), even after receiving his first year RMD, his account value will have grown to **$506,752**.

At 5% net return his RMD for subsequent years will be:

Year 2 - $19,123
Year 3 - $20,038
Year 4 - $20,995
Year 5 - $21,996
Year 6 - $23,043

On Doug's 78th birthday he passes away on December 31. The total of his RMDs for the six years of withdrawals would have been **$123,443**. Because his account earnings were higher than the distributions, his remaining account balance will be **$531,033** the day he passes on.

Doug was a widower and had listed his only son Matthew, (single, an architect making $150,000 annually and age 54 when his dad dies), as the beneficiary of his IRA. Before he met with us, his IRA custodian was **Schwab** and they made it clear that they would only be able to give Matthew a choice to take a lump sum distribution. Doug's total estate was under the federal estate tax exclusion ($11.58 million for 2020), and they lived in a "zero inheritance tax state" so no estate taxes were due. Retirement expert, Tom Hegna, describes the three phases of retirement in his book, "*Don't Worry Retire Happy Happy.*" as the Go Go years slow to the Slow Go years, and the No Go years.

Had Matthew received the **$521,033** lump sum, his tax bracket would have jumped to the highest possible, resulting in **a total federal income tax of $295,568** ($65,100 from income and

$230,568 from his inherited IRA) that would be due 4 ½ months later on April 15. Matthew could also be required to pay state income taxes depending on the state of domicile. Matthew's **net** IRA inheritance would have been slightly over **$300,000** – not **$521,033** as hoped.

After meeting with us, Doug transferred his IRA into a **Indexed Annuity** that provides comprehensive ***Stretch IRA*** language in the beneficiary designation form. On the form, Doug states that Matthew can choose to either receive the IRA account balance in a lump sum, or over 10 years based on the 10-Year Rule.

Because Matthew was a responsible citizen, Doug stated in his beneficiary form that he could make that choice.

One important point to note is that, had Matthew been a spendthrift, a wayward child, or steeped in an addiction, through the beneficiary form of our recommended IRA Annuity, Doug could have put specific qualifications in place to control the distribution. He could have done the same had there been any other beneficiaries. The main idea is to have the ability to choose options. Most custodians can't handle options. A few select insurance companies that we work with have the ability to distribute the distribution of the IRA funds to multiple beneficiaries, that is usually a very important estate planning tool.

Action Item: *Call Todd Phillips at our office, 1.888.892.1102 to find out which companies offer the best annuities in the country and also provide the proper Stretch IRA language in their beneficiary forms.*

Overcoming the Challenges of The Distribution Phase

As previously noted, with the passage of the SECURE Act the IRA distribution phase begins the year you turn 72, unless you are still working and are receiving a 401k match by your employer. During the distribution phase, if the market drops, your RMDs will drop as well. Market losses, fees, and loads are the IRA owner and IRA beneficiary's biggest challenges.

According to ICI's Investment Company Fact Book, 83% of all retirement funds are invested in securities and mutual funds. As you approach 72 and beyond you should not only consolidate your IRAs, you should choose a custodian that will follow your distribution mandates as well as make certain the 10-year rule is followed and not drop all of your IRA into a beneficiary's lap as one lump sum. You should also minimize your risk exposure. While in the distribution phase if your 401k becomes a 201k after a 2008-like market loss, your RMD income will follow accordingly, and that could be a life-style changing event. An event that could end your cruises and begin your in home "Fox News Only" days. So who is the ideal custodian for the "Stretch" distribution of IRAs and 401(k)s? For over 200 years insurance companies have been paying lifetime distributions to fixed annuity owners and beneficiaries without risk.

Fixed Annuities (including Fixed Indexed Annuities) offer unique advantages for those nearing or entering the distribution phase of their qualified retirement accounts. Fixed Annuities are not subject to market fluctuations and guarantee the principal. Most Fixed Annuities also offer a minimum guaranteed rate of return. The interest earnings you receive each year, will in most cases, be greater than the RMD, allowing the account to continue to grow even when distributions are being taken. This means more money left in the account for your heirs.

*“If your IRA or another retirement account is the bulk of your estate and you do not have other funds from which to buy life insurance, **it may pay to withdraw the funds from your retirement account, pay the tax** (and in some cases, even the penalty if you withdraw prematurely) **and put those funds into a life insurance policy** that can be set up to be estate and income tax free. By leveraging your taxable retirement assets into Tax-Free life insurance, you have the ability to turn a highly taxed asset like your retirement account into many times its current value, totally Tax-Free.”*

Ed Slott – CPA, National IRA Expert

Insurance companies, through Fixed Annuities, can make lifetime distributions to IRA owners and their beneficiaries without the usual fees or loads associated with brokerage accounts.
(**See Figure 13**).

Today’s RMD tax rules can provide you and your beneficiaries the gift of a lifetime of income. Unwanted distributions can cause unnecessary taxation and can be avoided by knowing how to unwrap this wonderful gift. Choosing the ideal custodian during the distribution phase of your IRA can make the difference between a guaranteed lifetime income and disaster.

In addition, considering that 70% of the states provide separate creditor protection for annuities, I believe Fixed Annuities are one of the smartest ways to enhance your asset protection, provide a guaranteed income and properly “Stretch” your IRA to you and your beneficiaries.

Beneficiary Strategic Planning

Now with a shorter time period to fully distribute your IRA to non-spousal beneficiaries, forcing them into a higher tax bracket, you need to focus more on tax efficient planning as part of the retirement and estate planning process. This means paying attention to which beneficiary is set to receive the IRA and when. Leaving all of an IRA to a high-income child can now possibly be a bad way to maximize the account’s tax benefits.

Additionally, leaving all of the account to the surviving spouse may no longer make sense. It might be better in some cases to leave some of the IRA to children for tax planning purposes at the death of the first spouse.

For example, let’s say Steve passes away today and leaves a $1 million IRA. In the past, best practice was to just pass that over to his surviving spouse, Mary who might combine it with her own $1 million IRA. Then, when she passed it to her daughter, Roxanne, she could spread the $2,000,000 over many years. However, under the SECURE Act, Roxanne will now be required to receive the principle and any interest over 10 years. This will result in a minimal taxable distribution of $200,000 each year, which would significantly increase her overall tax burden.

Instead, it might be better to split up Steve’s IRA, sending maybe half to Mary and half to Roxanne. This will allow Roxanne to start a 10-year distribution on her father’s $500k IRA, at $50k a year, while leaving the other half to Mary. Once Mary passes away and leaves the remaining $1.5 million to Roxanne, if 10 years had passed, she would have another 10 years to receive the $1.5 million, at roughly $150k per year in income. With this approach the initial $50k of income from her father’s inherited IRA could have been received by Roxanne at a lower tax rate.

The SECURE Act has severely changed the rules of engagement. In the past, there was seldom of reason to not leave everything to the surviving spouse. Now we absolutely have to think things through.

To Roth or Not to Roth.....That is the Question?

The Roth IRA was established by the Taxpayer Relief Act of 1997 (TRA-97) and named for its chief legislative sponsor, Senator William Roth of Delaware. The current annual Roth IRA limit is $6,000 unless you are 50 or older, in that case you can deposit $7,000. The maximum Roth contribution amount applies to all IRA contributions, both traditional and Roth IRAs.

In Robert Carlson's book, "The New Rules for Retirement" he states, "The Roth IRA is one of the most attractive tax-advantaged vehicles Congress has ever created." The reasons for Bob's accolades is simply because once the money is transferred into the Roth, the principal and all the earned interest, is income Tax-Free forever. Tax-Free accumulation and Tax-Free distributions for both the owner and his designated beneficiaries. But with the annual limits rather low, it is difficult to accumulate enough to make a real retirement income difference.

TRA-97 further stipulated that if your income was under $100,000 you could also convert your existing IRA into a Roth. This provision immediately paved the way for establishment of larger accounts. While creating a Roth IRA seemed generous, it came with a huge price tag. Income taxes, both state and federal became due and payable each April 15th of the year following a conversion.

In 2010, President Obama and Congress surprised most savers by lifting the $100k income barrier, allowing anyone, regardless of their income with the ability to convert. This move opened the door to a flood of conversions. 2010 became known as "The Year of the Roth Conversion." At the foundation of the conversion phenomenon was the fact that with the income limitation lifted, one could "roll" their existing retirement account, pension, 401k, 403b, etc. into an IRA and then convert it to a Roth IRA. Pay the conversion income tax and allow it to grow **Tax-Free forever**.

While there are many reasons to transfer your retirement accounts into an IRA, such as, more investment choices, better communication, lower fees, and fewer rules, I believe the main reason is that once the monies are in an IRA they can be converted at will, into a Roth IRA.

Because of the TCJA, the best time to convert is now!

The idea of totally Tax-Free has always been compelling and a reason to convert, however, since the passage of Trump's 2017 Tax Cut and Jobs Act (TCJA) there is a real sense of urgency to convert. The reason, TCJA created what might be the lowest federal income tax rates you will see for the rest of your life. TCJA tax rates are the lowest they have been in 80 years, and are slated to stay this way until 2025 when they will "sunset" back to what they were in 2016. For certain, since the birth of the Roth in 1997, the best time to convert is NOW!

We need to "cut hay today while the sun shines." The strategy most primed to provide big benefits to IRA owners and their future beneficiaries now that the "Stretch" is dead and brackets are so low is the tax move known as "Bracket-bumping," or Tax Bracket Management.

Consider for a moment the 2020 Married filing joint tax rates. Together you and your spouse can earn up to a net $326,600 and the highest federal income tax you will pay will be 24%. After that you jump to 32%. If your income, including Social Security, pension, consulting, etc. is $200,000, you could convert up to $126,600 this year and still remain in the 24% bracket.

The point is that you should consult your tax advisor and consider managing your income by converting as much as you can up to the next bracket. In other words, the goal is to convert IRAs and other accounts like 401(k)s during years when you are paying lower taxes. Today's the day! Current law says we only have five more years and counting down.

2020 Married filing joint Federal income tax rate brackets

TAXABLE INCOME OVER	NOT OVER	TAX IS	PLUS	OF AMOUNT OVER
$0	$19,750	$0	10%	$0
$19,750	**$80,250**	**$1,975**	**12%**	**$19,750**
$80,250	$171,050	$9,23	22%	$80,250
$171,050	**$326,600**	**$29,2118**	**24%**	**$171,050**
$326,600	$414,700	$66,543	32%	$326,600
$414,700	**$622,050**	**$94,735**	**35%**	**$414,700**
$622,050	$0	$167,308	37%	$622,050

Control Through a Roth

By converting to a Roth you gain control over your IRA that you never have had before. For instance, if you anticipate that your taxes will be higher in the future, it is better to convert and pay taxes today. Now, with the passing of the SECURE Act and the implementation of the 10-Year Rule, it might make sense to convert today instead of pushing your non-spousal beneficiaries into a significantly higher bracket when they inherit your IRA.

Furthermore, with the recent elimination of Roth recharacterization that previously allowed for conversions to be undone if investments did poorly or we decided we didn't want the extra income, we now need to be more precise on how much we want to convert each year.

This presents one huge challenge with Roth conversions: You need to do actual planning. IRA planning is not an after-the-fact or on-a-whim task. It needs to be done strategically and be incorporated with your estate, tax, and retirement income goals as well as your current investments and tools you have in place.

Your Qualified Accounts - 20 Key Introspective Questions:

Now that I have established the Rules of Engagement with regard to your "qualified" accounts, you will want to answer twenty key questions to properly plan your next move. Your goal in answering these questions is to determine the "what-ifs" for you personally and then to implement a strategy that will best meet your objectives.

1. What has been your average annual investment return on your "qualified" accounts? In other words, what has been your average, net of expenses, annual interest rate?
2. What is the current value of all your "qualified" accounts?
3. What do you anticipate the value will be when you begin extracting funds, either because you want to or you are forced to by the IRS because of RMDs?
4. On a scale from one to five, five being the highest, what is your investment risk level?
5. Do you intend to "take some chips off the table" during the distribution phase? If so what percentage?
6. Will you need to use all or a portion of your RMDs to sustain your lifestyle?
7. If yes, how long do you anticipate that your money will carry you into retirement?
8. Do you want your income to be received on a monthly or annual guaranteed basis?
9. Who is your primary beneficiary? If it is your spouse will he/she use your RMD factor or will they use their factor, if and when they inherit your "qualified" accounts?
10. Will your spouse roll your IRA into their own IRA or will they keep it attached to your IRA?
11. If your primary beneficiary isn't your spouse, have you contemplated the impact the extra income will have on your non-spousal beneficiary's income tax bracket? Have you determined if they should take 10 equal withdrawals, variable withdrawals, or receive it in one lump sum? Do you have a preference? Do you want to control the distribution?
12. Do you have any beneficiaries you would like to help financially, either immediately or in the future?
13. Have you thought about drafting a trust to establish conditional requirements in order for your beneficiaries to receive your "qualified" funds?
14. Would you like to make certain that your beneficiaries receive a Tax-Free guaranteed inheritance?
15. Have you considered the impact a long-term medical condition would have on your estate? Are you prepared for that possibility?
16. Who is your secondary or contingent beneficiary?
17. Do you think your beneficiaries are likely to spend all of their inherited IRA quickly? If yes, do you want to protect that from happening?
18. Do you anticipate being in a lower or higher income tax bracket when you begin to withdraw your "qualified" money?
19. Have you thought about giving all or a portion of your IRA to a charity at your passing? If yes, have you contemplated the effect your generosity will have on your family?
20. Finally, are you satisfied with the direction your IRA investments are headed?

Take time to contemplate your answers, write them down and then assess your feelings every two years. To complete this personal "qualified" account evaluation in a printable format, **visit epmez.com/20questions**.

The Village has been Pillaged

Now that the SECURE Act is law let's look at an example of how the **"village has been pillaged"**: Scott, 67 leaves a $1,000,000 IRA to his son Eric – a 40-year-old, single professional who earns $120,000 a year. Under previous rules, he could have stretched out distributions over 44 years. The first-year distribution would have been $22,727. Most likely this stretched distribution wouldn't have pushed him into a higher tax bracket.

However, under the new rules of the SECURE Act, if Eric chooses to employ the maximum stretch of the 10-Year Rule, he will receive the inherited IRA over 10 years. In the first year his income will jump $100,000 plus interest. This cash infusion will push his income to $220,000, lifting him to a much higher bracket. The same event will happen each year for the next nine years, increasing the tax bite every year. Furthermore, if tax rates increase in the future, the bite will only be bigger.

Fact is, while Roth Accounts inherited by non-spousal beneficiaries must be totally distributed within 10-years under the SECURE Act, the distributions won't impact their taxable income. Roth conversions allow both parties to take control of their taxes instead of being forced into paying taxes as an IRA beneficiary.

When converting, it is best to take full advantage of the IRA "sweet spot." This is the period between ages 59½ and 72. During this time, RMDs are not yet required and distributions are not subject to early distribution penalties. This allows for maximum flexibility during the distribution phase.

While all of this information is important, if you plan your retirement to perfection, your goal should be to never leave an IRA dollar to your children. My point is simply this: **IRAs were NEVER intended to be a retirement account for our children**. They were never intended to be inherited, they are supposed to be OUR RETIREMENT ACCOUNTS. IRAs are the funds that we are supposed to live on for the rest of our lives. Regardless, by converting to a Roth, the inheritance becomes more palatable, but still not perfect.

Let me be bold. A Roth is only worth what a Roth is worth to the owner. If it is valued at $300,000, it is valued at $300,000, no more! Furthermore, an inherited Roth is only worth what an inherited Roth is worth to your beneficiaries. Nothing more and that is reality.   If your children inherit a $300,000 Roth IRA that is what they inherit.

In addition, where is most IRA and Roth money invested? In the market, at risk. You certainly could put your Roth in a CD, money market or bonds, but your earnings would be a pittance. You therefore are forced to invest it, knowing that a "correction" is coming you have little choice. Or do you?

The Perfect Conversion – The Roth on Steroids

Wouldn't it be perfect if you could transfer Tax-Free dollars to your children by using pennies today? Wouldn't it be perfect if you could control the who, what and when of the distribution? Wouldn't it be perfect if the cash could accumulate Tax-Free and be accessed Tax-Free by you and your children, grandchildren and great grandchildren? Wouldn't it be perfect if for every $1 you transferred it would immediately be worth a minimum of $3, and in some cases up to $10?
It would be like having a Roth on Steroids wouldn't it?

Well I have some great news for those fortunate enough to have read this far……A Roth on Steroids is for real. What is the secret sauce? Permanent life insurance. A Joint & Survivor policy for couples and an individual policy for singles.

Instead of converting all of your "Bracket-Bump" into a Roth, convert a small portion into a Roth of Roids. Not only will you create an immense immediate leveraged life insurance benefit, you will take the investment risk out of the equation and will guarantee that your children will have the cash they will need to pay the tax bill on their inherited IRA, with cash to spare.

The Roth on Roids move will take some planning and qualifying, but it will make your entire plan self-completing, absolutely allowing you the freedom to start spending your IRA with the knowledge that your children will receive a Tax-Free inheritance far greater than the transfer.

Ed Slott summarizes the Roth on Roids strategy best in a recent article when he said: Now that the Stretch is dead….."By far, life insurance is the optimum strategy to replace the stretch IRA, especially for the largest IRAs where more IRA funds would be left to beneficiaries resulting in big tax bills. Life insurance could remove that tax problem, plus provide more funds to beneficiaries and more post-death control with trusts. The elimination of the stretch IRA makes IRAs a less desirable estate planning vehicle and life insurance a much better choice."

What to do With Your Unwanted RMD?

The vast majority of our clients suffer extreme pain and anxiety when receiving their unwanted Required Minimum Distribution. They know it is coming but have done little to plan for it. Because many don't need it, when added to other sources of income, including Social Security, they consider their RMD a dreaded nuisance that shoves them into a higher tax bracket.

So what are your options when it comes to an unwanted and unneeded RMD?

- You could spend it. After all, you have to pay taxes on it, so why not go on that cruise you have on your bucket list. **Remember, however;** once it is spent it is gone forever and it can never create any more dollars for you or your posterity.
- You could roll it into a regular taxed investment. Of course, your investment will have risk and could be reduced with adverse markets. You will be required to pay capital gains taxes and investment fees throughout the year. **Remember, however;** an investment account is **only** worth what an investment account is worth.
- You could give it to a charity. In fact, late in 2015 Congress passed a tax bill that permanently extended the Qualified Charitable Distribution (QCD) provision, that gives those over age 70½ the opportunity to transfer up to $100,000 annually from their IRA to charity while they are alive (not a donor-advised fund or private foundation) and have it count as their RMD without increasing their adjusted gross income. **Remember, however,** once "qualified" money has been donated to a charity, you have lost all future earning power and have **totally disinherited your family forever.**
- You could give it to your children or grandchildren. Again since you have already paid taxes and you personally don't need it, why not give it to those you love? As a grandfather of 11, I like this option best, but **Remember,** a dollar given today is only worth a dollar and can't be controlled once it has been gifted.
- ***Best Option:*** Why not give it to your children or grandchildren in future Tax-Free multiples. Rather than just giving them $1 today and let them capriciously spend it,

guarantee that someday in the future, instead of receiving just $1, ***they will receive $3 - $10, 100% Tax-Free with you, at your option, controlling how it is used.***

How to leverage your RMD to its Greatest Potential: Introducing The RMD Leveraged Strategy - The Perfect Conversion:

Based on the current federal gift tax laws, we can make an annual gift to anyone we want for up to $15,000 without paying a transfer gift tax. A couple with one child could give $15,000 each or $30,000 combined. A couple with five children and four grandchildren could gift $270,000 per year. Once the gift has been made, no future federal or state estate tax can ever be levied against the principle or the growth.

Rather than frivolously waste your RMD, why not leverage the mandatory annual allocation and the annual gift allowance to guarantee a **magnified**, controlled and premeditated tax-free future distribution to your beneficiaries? Cash that they can use to pay taxes, pay for education, start a new business, invest, create a source of income or simply use as needed in life. **Let me give you an example:**

RMD Leverage Strategy Example – George and Sara

George and Sara, both age 72, are in relatively good health. George's IRA is valued at $1,000,000. His first RMD is $39,063 ($1,000,000 ÷ 25.6 = $39,063). They are in the 25% tax bracket, so their net spendable IRA income is **$29,296**. Because of their other investment, retirement, and Social Security income, they don't need his RMD. George and Sara have two children and three grandchildren ages 11, 13 and 15. Both children are well off and have elected to disclaim any IRA inheritance from their parents. They would like to establish a TAX-FREE leveraged inheritance for their grandchildren that would be there to help them with life.

Even though George's RMD factor will increase each year, they decide to transfer (gift) the same amount, $29,296 annually to their three grandchildren via an Family Dynasty Trust (FDT), using only $4,883 of their annual $15,000 gift allowance per grandchild, per grandparent. Note: The FDT is optional, but is especially effective when your beneficiaries are minors.

George and Sara then have the trust transfer, the net $29,296 RMD to acquire an immediate and perpetual Wealth Creation Strategy **$1,591,088** Joint & Survivor Life Insurance (JLS) policy, naming the trust as the beneficiary (**See figures 5 & 6**). When the surviving spouse passes away the insurance company will send a check to the trust for **$1,591,088!** The trust will then distribute the life insurance proceeds **income** and **estate Tax-Free** to the grandchildren based on George and Sara's predetermined terms of their trust.

They will also inherit the balance of George and Sara's IRA and will elect to take the distribution immediately or over 10 years. The grandchildren will be able to use their share of their life insurance proceeds to pay taxes that will be due, pay for their education, make a down payment on a home, pay for medical expenses, a business startup, pay for their children's education, etc. The trust can include specific language and directions so that there is no way their inheritance can be misused.

ROTH IRA vs. Wealth Creation/Family Bank Strategy

JOINT OPTIONS (JLS) | $29,296 ANNUAL NET REQUIRED MINIMUM DISTRIBUTION (RMD)
MALE AGE 72, FEMALE AGE 72 (GEORGE AND SARA)

FIGURE 5

VALUE TO BENEFICIARIES

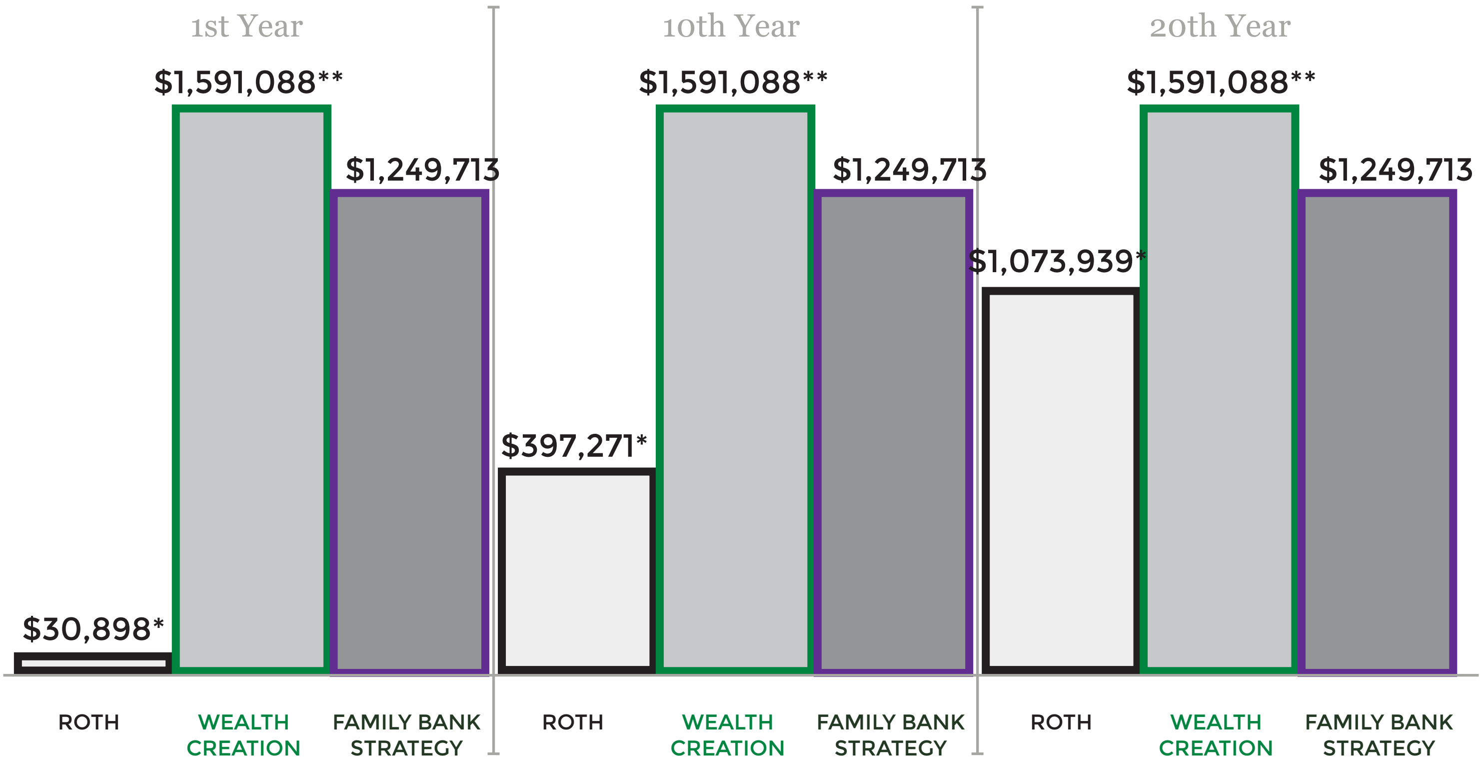
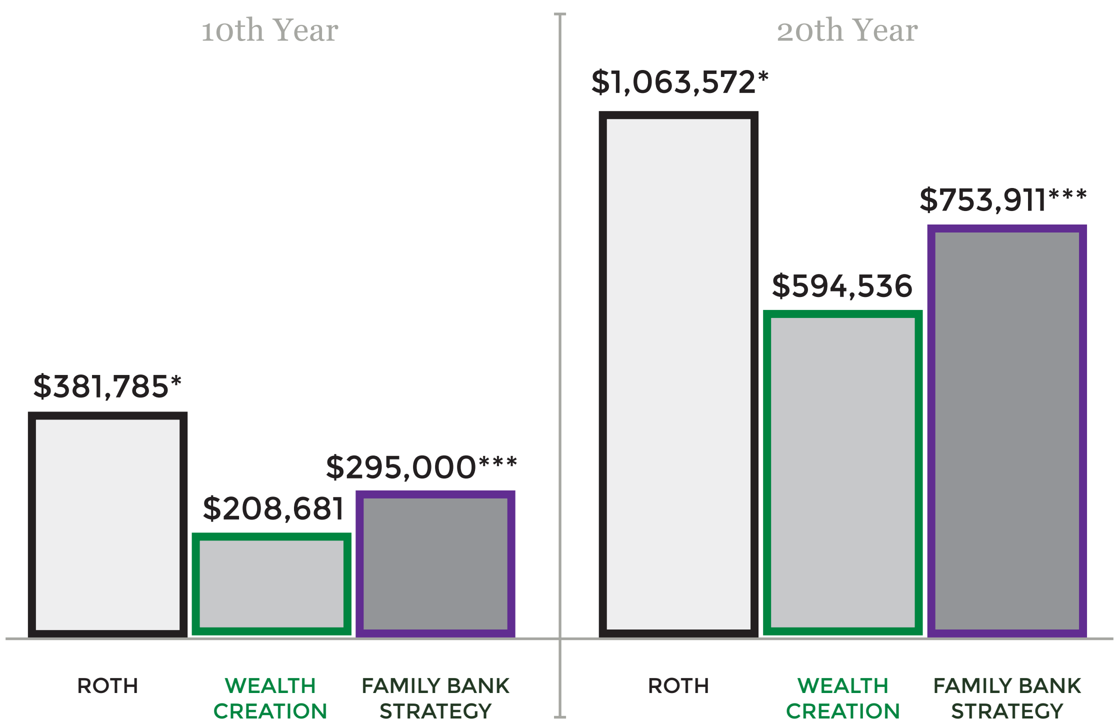


FIGURE 6

ACCOUNT VALUE COMPARISON

REMEMBER, A ROTH IS ONLY WORTH WHAT A ROTH IS WORTH!



*ASSUMING A GROSS RETURN OF 6.47% @ WITH A 1% INVESTMENT FEE. **COVERAGE TO AGE 121.
***ASSUMING AN AVERAGE INDEXED RETURN OF 6.47%

ROTH IRA vs. Wealth Creation/Family Bank Strategy

SINGLE LIFE OPTION | $35,000 ANNUAL DEPOSIT | FEMALE 65 (BONNIE)

FIGURE 7

VALUE TO BENEFICIARIES

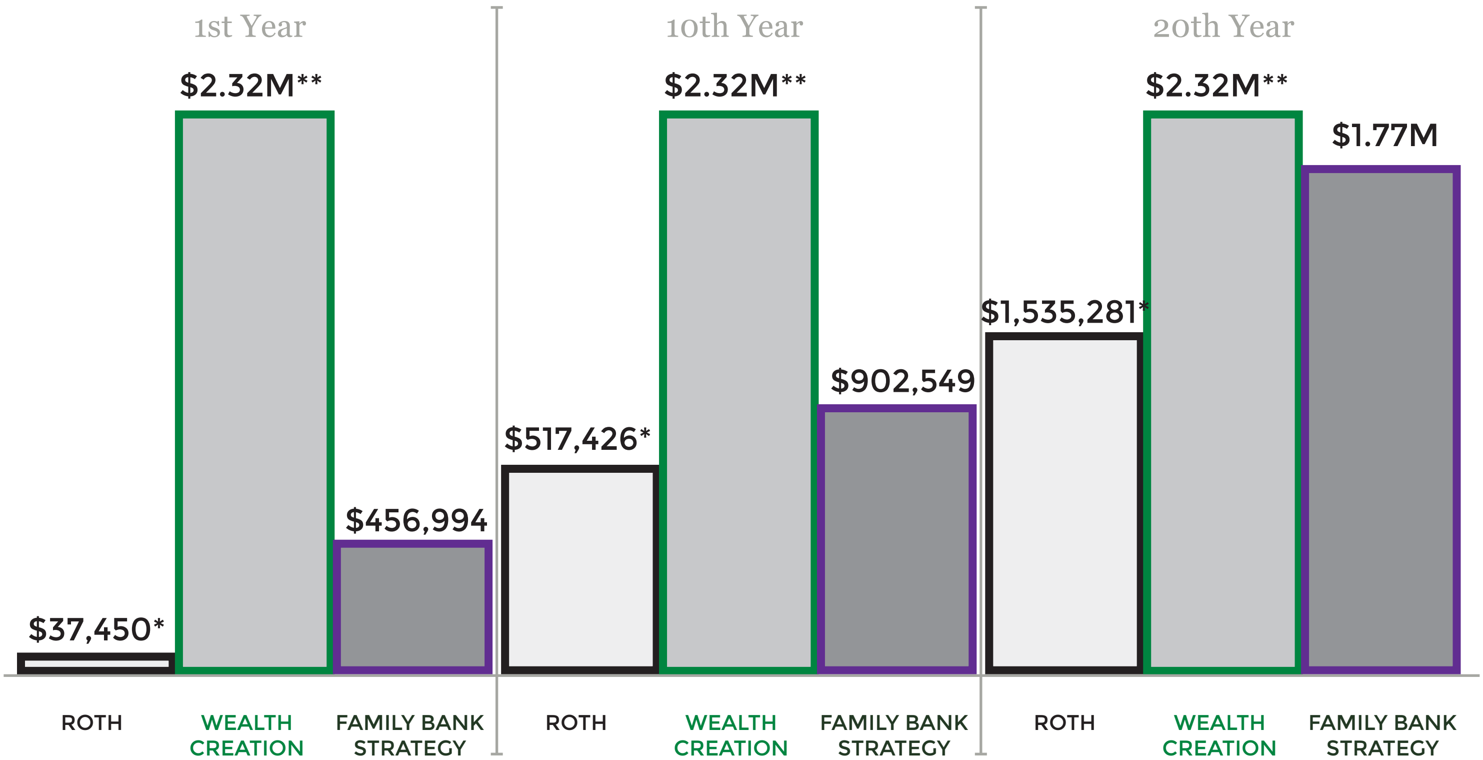
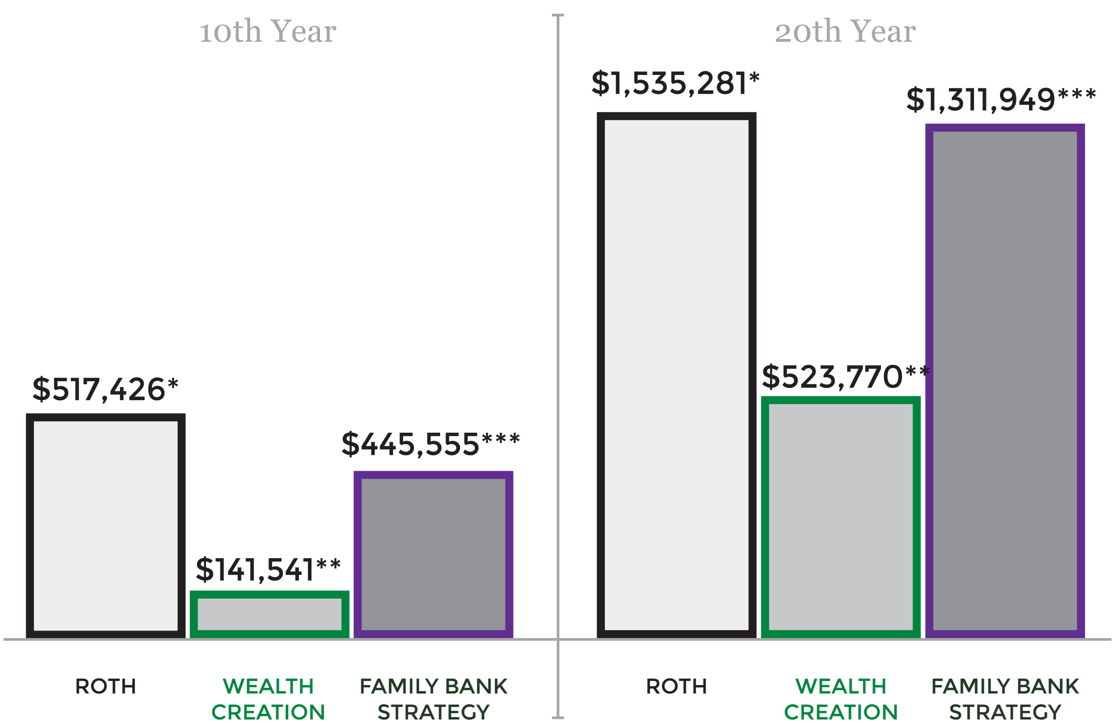


FIGURE 8

ACCOUNT VALUE COMPARISON



*ASSUMING A GROSS RETURN OF 8% WITH A 1% INVESTMENT FEE. **ASSUMING AN AVERAGE INDEXED RETURN OF 5.92%
***ASSUMING AN AVERAGE INDEXED RETURN OF 7%

The bottom line is that George and Sara can leverage their annual net RMD and a portion of their annual gift allowance of $29,296 to create an immediate and perpetual **$1.6 million tax-free estate** thus building a **powerful, productive, positive, posterity**. A common goal shared with most of our clients.

They will also be at liberty to spend their IRA freely knowing that their grandchildren will receive a guaranteed Tax-Free inheritance. This brings true peace of mind. Because George and Sara were married, the use of a Joint and Survivor – JLS (Second-to-Die) policy was the most economical approach, creating maximum leverage. Of course, if you are single, or one spouse is in poor health you can create comparable leverage with an individual permanent life insurance policy, see **Figures 7 & 8**.

RMD Strategy Options

There are two distinct versions of permanent insurance to consider when funding your RMD Leverage Strategy, each having its distinct advantages. In my best-selling book *The Family Bank Strategy*, (Amazon $24.95), I explain in depth the differences. In this forum, I will simply summarize:

1. **The Wealth Creation Option.** This alternative provides a maximum life insurance benefit for the least amount of premium. This strategy is ideal when there is a need for liquidity to pay estate and IRA income taxes or to maximize the leverage. In essence, The Wealth Creation Option is like a Lifetime perpetual Term Life Insurance Policy with some cash value.

    By opting to deposit their net RMD of $29,296 each year to joint age 100, George and Sara would create an immediate and perpetual lifetime benefit of **$1,591,088** regardless of how the markets perform (see **Figure 5**).

    Obviously, the earlier one passes away with The Wealth Creation Option, the greater the leverage generated. In the case of George and Sara, after 20 years (Joint Age 91) they would have deposited $585,920. If the survivor were to pass away at that time, the **$1,591,088** life insurance benefit would be paid to the beneficiaries, income and estate Tax-Free, representing a guaranteed **2.71 to 1 return**.

    The Net **Internal Rate of Return** in 20 years would be 8.78% on their money. Translated, this means that you would need to earn a whopping **11.71%** per year each year for 20 years in another taxable investment to equal the return realized in The Wealth Creation Option, assuming a level 25% tax rate.

    No investment <u>anywhere</u> creates that kind of guaranteed leverage!

2. **The Family Bank Strategy.** This option provides a robust life insurance benefit combined with more Tax-Free cash value that can be accessed through the years, income Tax-Free.

    By selecting The Family Bank Strategy approach, assuming the same annual deposit of $29,296, George and Sara will create an immediate and constant Joint and Survivor life insurance benefit of **$1,249,713**, at “Target” (see **Figure 5**). The main difference between the two strategies is that while the Family Bank Strategy has a slightly lower life insurance benefit and is built on current assumptions, it generates more Tax-Free cash accumulation account. If George and Sara deposit the same $29,296 through the years into The Family

Bank Strategy, assuming a modest Indexed return of **6.47%**, they will create a Tax-Free cash account in 10 years of **$295,000 and $753,911** in 20 years (see **Figure 6**).

The cash account would be available income TAX-FREE and cost free through the years for only family emergencies, education, retirement income, business or investment opportunities. Many use the cash for a guaranteed lifetime Tax-Free income.

In 10 years their Family Bank account balance of **$295,000** would be worth more than the sum of their total deposits and from day one they would have been insured for **$1,249,713!**

Nothing on earth compares! Nothing!

Note: With either the Wealth Creation or Family Bank Strategy alternative you can choose to "Quick Pay-Up" your plan by either making a single sum transfer (Single Deposit), or by selecting to make your deposits ranging from 2 to 20 years. Once your deposits cease, your leverage (life insurance policy) will continue indefinitely.

The Wealth Creation/Family Bank Strategies for Singles

Let's take a look at how the Wealth Creation and Family Bank Strategies for a single insured, stack up to a Roth conversion, see figures 7 and 8. Bonnie, a 65 widow wants to deposit $35k into either a Roth or life insurance, she can't make up her mind. At the end of the first year, assuming 7% net after a 1% investment fee, her Roth will only be worth $37,450. That's it. Had she acquired a Wealth Creation life insurance policy and had passed away, it would have paid out $2,320,000 Tax-Free to her beneficiaries. Granted not a likely scenario, so let's look forward 20 years when she is 85.

Bonnie's Roth, assuming she consistently earned 7%, net after expenses every year, with no market downturn, would have accumulated to $1.5 million. Should Bonnie pass away, the Wealth Creation policy would still be worth $2.3 million and the Family Bank Strategy would have paid out $1.8 million. Both plans would provide significantly more cash than the "at risk" Roth. While that comparison is impressive, I feel that the cash accumulation value comparisons are even more remarkable. In 20 years, with absolutely zero market risk, her Family Bank Strategy tax-free cash account would have increased to $1,311,949, not far behind the Roth that is pure risk, with no guarantees.

While we still recommend the pure Roth conversion, however as you play the "Bracket Bump" game, and convert up to the bottom of the next bracket, **you should consider including either The Wealth Creation Strategy or Family Bank Strategy as part of the equation**.

The IRA Reboot – How to convert your IRA into a Tax-Free cash account and instantly increase your estate, Tax-Free with zero out of pocket expense.

Since RMD's are inevitable, many clients younger than age 72 implement the RMD Leverage Strategy before the IRS forces their hand. I call this strategic move **The IRA Reboot.**

In 2010 there was much talk and interest about converting one's IRA into a Roth IRA. The main reason for all of the excitement was that Congress had previously passed a provisional law that allowed for the taxes generated by a 2010 conversion to be spread over two years with the first tax due April 15, 2012.

Honestly, I had a difficult time understanding all of the hype, after all, the conversion tax was still due, leaving only 75% to 60% net to invest in the Roth. Furthermore, as already noted, **a Roth is ONLY worth what a Roth is worth.**

The IRA Reboot is a much better deal.

With The IRA Reboot you spread your conversion over any number of years you choose and have one of the strongest financial institutions in the world pay the conversion tax for you. By virtue of several little known key provisions in the tax code and through the establishment of a special type of life insurance policy, when the taxes are due the next year after conversion, you borrow the tax liability from the insurance company, using your cash value as collateral for the loan to pay the IRS. The loan, can at your own option, remains outstanding until you pass away and a portion of the life insurance proceeds is subtracted to pay back what you borrowed to pay the tax bill. The balance of the life insurance benefit would be paid Tax-Free to your designated beneficiaries. After the conversion and tax payments, this specially designed permanent life insurance policy will continue to build significant Tax-Free cash value that can be used for virtually anything.

The IRA Reboot is best explained through an example:

Irving is 64, married, in good health and has a $500,000 IRA. He is in the 24% effective tax bracket. On April 1st he decides to Reboot his IRA over the next five years. He first transfers his IRA into a special qualified account. From that account he transfers $105,732 over the next five years into a Max-Funded Indexed Universal Life policy. His immediate Tax-Free life insurance benefit is **$1,320,884** payable to his designated beneficiaries.

A year later, with the help of our office, he secures a loan for $25,375 from the insurance company, using a portion of his cash value as collateral for the loan. The loan will cover his first conversion tax due on April 15th. His tax liability is $25,375 (24% of $105,732). The loan remains outstanding until he passes away and is subtracted from the gross life insurance benefit at that time. Irving repeats the conversion over the next four years. In 10 years the net cash account of his life insurance policy will be: **$406,430**, in 20 years **$661,181** (See Figure 9)! In addition, at the time he initiated his IRA Reboot he added a **$7,000** tax-free monthly Long Term Care benefit, that is payable for 50 months, should he ever be in a position where he cannot perform 2 of the 6 activities of daily living or he becomes cognitively impaired.

By allowing someone else to pay the conversion income tax liability through the IRA Reboot, Irving will have:

- Converted $500,000 from his IRA with zero net out-of-pocket cost.
- Transferred a fully taxable asset of $529,000 out of his estate with zero net out-of-pocket expense.
- Eliminated all future Required Minimum Distributions on the transferred $500,000.

- Created a Tax-Free life insurance benefit of **$1,320,884**.
- An option to compound a Tax-Free cash account that can be used for virtually anything; medical expenses, vacations, education, business opportunities, etc.
- An option to exchange his cash account into guaranteed lifetime Tax-Free income, that will reduce his effective tax bracket.
- An option to secure a Tax-Free Long Term Care Benefit.

In summary, with the IRA Reboot, you can let someone else pay your conversion tax, provide an increased estate for your family, accumulate tax-free wealth or create guaranteed income for life, and include a Long Term Care benefit rider, all without nasty Required Minimum Distributions. A better option than a Roth, and a much better option than a regular IRA!

To receive your personalized example of how The IRA Reboot will impact your taxable IRA, complete and return the RMD Leverage Strategy Analysis Request Form found on page 41 of this Special Report.

Why Wait?

I am often asked: "why shouldn't I wait to leverage my RMD until the IRS forces me to make a withdrawal at 72? I can earn much more in my regular investments than an insurance company in either an annuity or inside The Family Bank Strategy."

While your earning abilities may be astounding, and starting your RMD Leverage Strategy at 72 is better than at 90, you need to be aware of a few key advantages of taking action now before the IRS forces you to move.

1) Your health is usually better at a younger age. The better your health, the more leverage you can generate with the same dollar.
2) By waiting, the cost of insurance will be more, so your dollar won't create as much leverage, see **Figures 10 and 11.**
3) If you choose the Family Bank Strategy approach, approximately 90% - 70% of your deposit will be deposited into a Tax-Free interest earning account, with the balance being used to cover mortality costs. By waiting, the cost of insurance will be greater and less will be deposited into your cash value account.
4) Converting your IRA into either The RMD Strategy or The IRA Reboot at a younger age, up to the bottom of your next tax bracket, you will create significantly more benefit for your family than a simple Roth, that is only worth its account balance.
5) By waiting you may not be able to add the Long Term Care Rider, thus forcing you to "spend down" your assets to cover the exorbitant cost of a long term medical expense.

In short, it is a smart move to transfer a portion of your "qualified" account today while you still can.

FIGURE 9

IRA Reboot

$500,000 IRA TRANSFER (IRVING, AGE 64, PREFERRED RISK)

FUND LIFE POLICY OVER 5 YEARS

FUND

YEAR 1	$105,732
YEAR 2	$105,732
YEAR 3	$105,732
YEAR 4	$105,732
YEAR 5	$105,732

FAMILY BANK POLICY

MINIMUM COVERAGE / MAXIMUM DEPOSIT (NON MEC)

TAX PAYMENTS PAID BY POLICY CASH VALUE

TAX

YEAR 2	$25,376
YEAR 3	$25,376
YEAR 4	$25,376
YEAR 5	$25,376
YEAR 6	$25,376

IRA REBOOT ADVANTAGES

- Zero Out-of-Pocket Cost Wealth Transfer = **$529,000**
- Tax-Free Increase of Estate Value (Initial) = **$1,320,884**
- Taxes Paid Years 2-6
- Net Family Bank Cash Account: Year 20 = **$661,181***
- Net Life Insurance Benefit: Year 20 = **$1,017,281**
- Tax-Free Long Term Care Rider: **$7,000** per month the for 50 months

*Assuming an Indexed Return of 6.38%

With the RMD Leverage Strategy and The IRA Reboot you will:

- Leverage all or a portion of your Required Minimum Distribution by creating an immediate supercharged life insurance benefit that is payable Tax-Free to your beneficiaries!
- Create a cash account, just like a ROTH, that is available for family emergencies, opportunities or to supplement your retirement income, 100% TAX-FREE!
- Create a guaranteed Tax-Free estate, so that no matter how the markets perform, no matter what happens to the economy, no matter how much you spend, your beneficiaries will be guaranteed an inheritance!
- Spread your IRA conversion tax over as many years as you choose and have someone else pay the conversion tax!
- At your option, you can include a true Long Term Care Benefit that will generate a Tax-Free check (up to $11,000 per month) for 50 months should you not be able to perform two of 6 activities of daily living or you become cognitively impaired.

There are only a handful of specialists in the country that can effectively calculate your RMD, calculate your potential tax liabilities, shop the industry, present your options, know what special product is used for the IRA Reboot, prepare the proper Family Dynasty Trust, if needed, and install your Wealth Creation/Family Bank Strategy.

The RMD Leverage Strategy and The IRA Reboot have been a focus of my firm, Estate Planning Specialists for over 30 years.

Your next steps:

1) Complete the RMD Leverage Strategy/IRA Reboot Request Form found on page 41 or go to our website: www.epmez.com/battleplan.
2) Call our office, 1.888.892.1102 and schedule an appointment so we can assess your goals and objectives and prepare your personalized RMD Leverage Strategy/IRA Reboot.
3) Once you have selected the strategy for you, we will do our utmost to get you qualified with the carrier of your choice.

FIGURE 10

Why You Shouldn't Wait

ASSUMPTION: $29,296 CONTINUOUS ANNUAL IRA TRANSFER

WEALTH CREATION STRATEGY – JOINT OPTION (JLS)

	60M-60F	65M-65F	70M-70F
Joint Life Insurance Benefit	$3,914,712*	$2,728,800*	$1,995,878*

*COVERAGE TO AGE 121

FIGURE 11

Why You Shouldn't Wait

FAMILY BANK STRATEGY – JOINT OPTION (JLS)

60Male - 60Female

	Life Insurance Benefit	10th Cash Value	20th Cash Value
Preferred	$2,236,431	$295,000**	$968,938**

65Male - 65Female

	Life Insurance Benefit	10th Cash Value	20th Cash Value
Preferred	$1,763,430	$295,000**	$923,876**

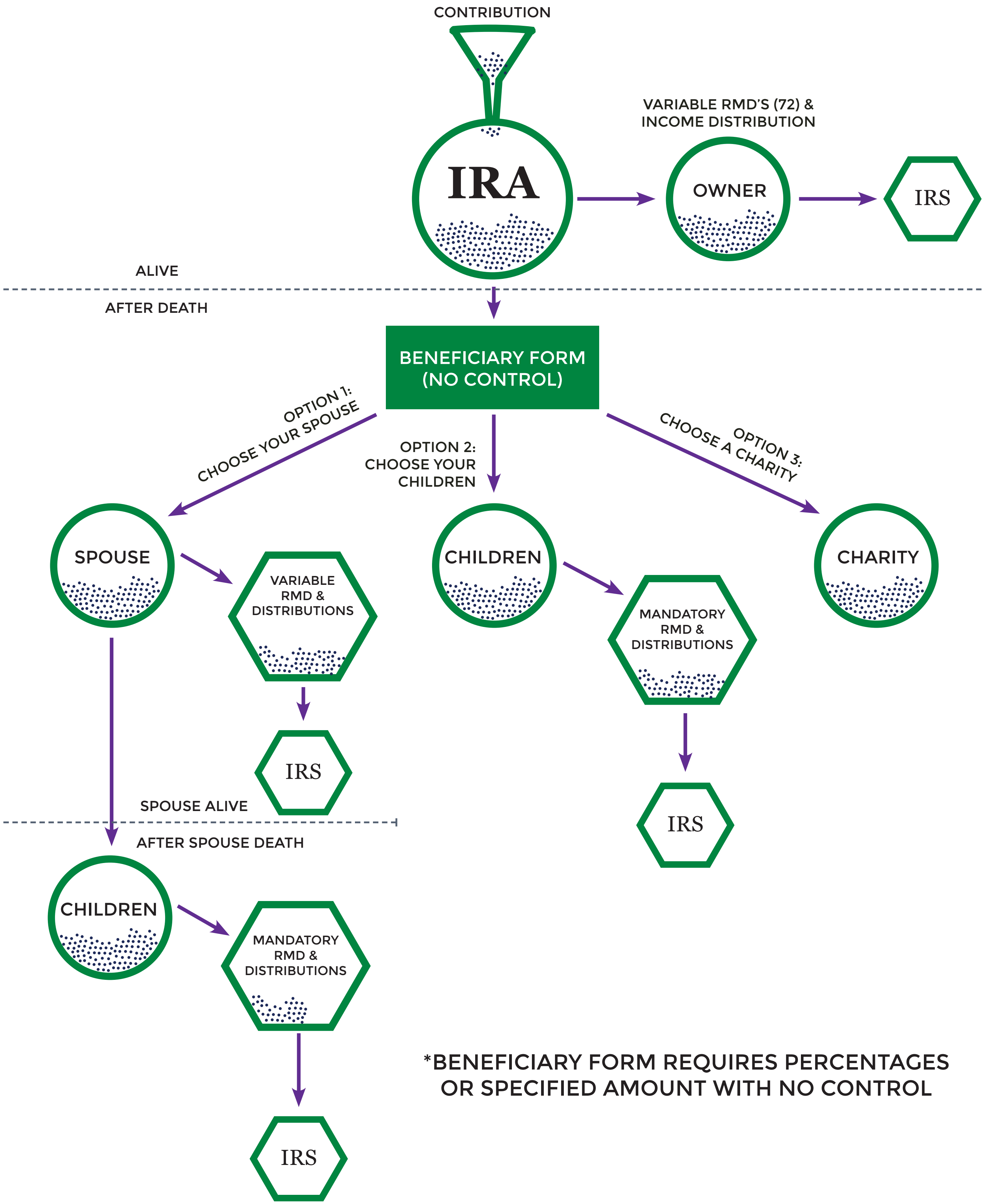
70Male - 70Female

	Life Insurance Benefit	10th Cash Value	20th Cash Value
Preferred	$1,418,930	$295,000**	$809,663**

**CASH VALUES BASED ON AVERAGE INDEXED RETURN OF 5.97%

FIGURE 12

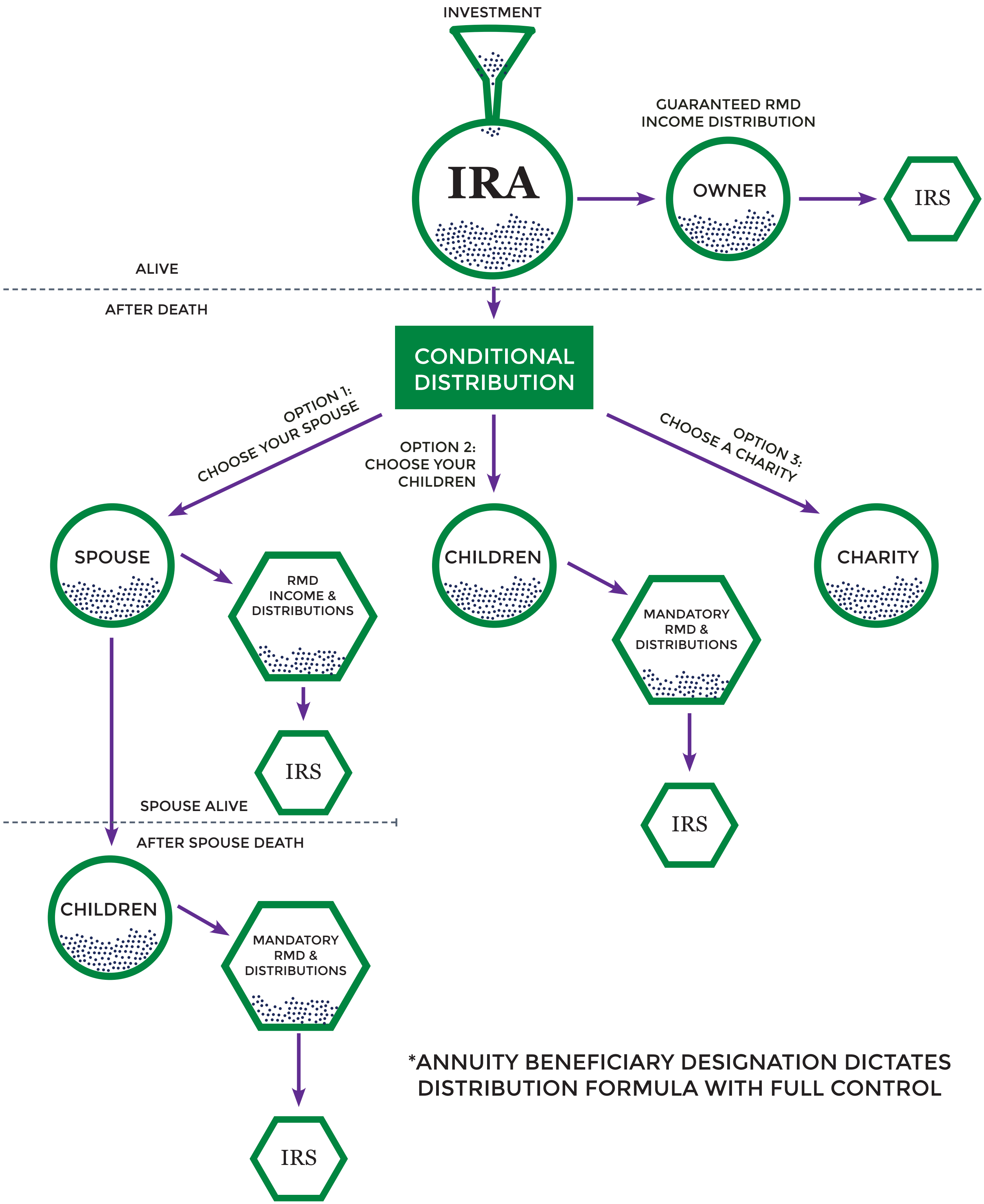
Custodian IRA*



*BENEFICIARY FORM REQUIRES PERCENTAGES OR SPECIFIED AMOUNT WITH NO CONTROL

FIGURE 13

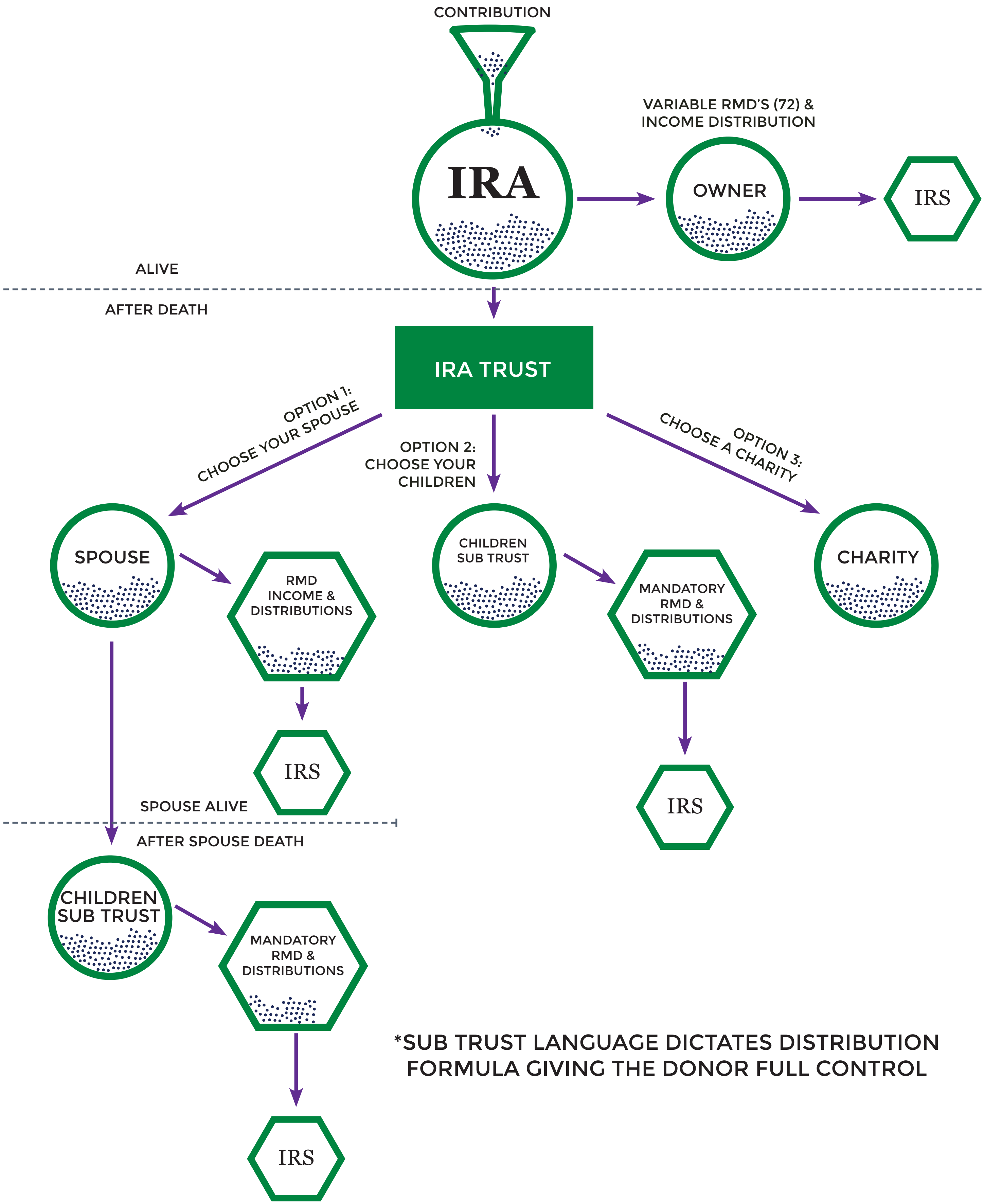
IRA Annuity*



*ANNUITY BENEFICIARY DESIGNATION DICTATES DISTRIBUTION FORMULA WITH FULL CONTROL

FIGURE 14

IRA Beneficiary Trust



*SUB TRUST LANGUAGE DICTATES DISTRIBUTION FORMULA GIVING THE DONOR FULL CONTROL

The IRA with a Twist Strategy

A Twist of Charity with Your IRA

I have been planning estates for over 47 years. It has been an interesting and edifying career. During my tenure I have seen and heard it all. I must admit though in recent years the greatest area of concern has to do with qualified retirement savings, like your IRA, 401k, 403b, or defined benefit plans. I can't tell you how many times I have heard the question, **"How can I pass my IRA to my spouse and my children without them paying income or an estate taxes?"**

Unfortunately, the deck is stacked against you. The IRS recognizes your qualified retirement accounts as an "Off-Balance Sheet Asset." Washington is counting on the taxes it will assess from your IRA, etc. to pay down the deficit and keep the bureaucrats in office. Someday you will pay the piper.

That is unless you give it to a charity.

Before you stop reading because you don't even have a favorite charity, I want to ask a serious series of questions. What if you could find a way to:

- Use your IRA value as needed throughout your life.
- Provide a guaranteed income for life to your surviving spouse.
- Disinherit the IRS.
- Provide Tax-Free funds to your favorite charities.
- Control the investment strategies for the remainder of your life and beyond.
- Most important provide a guaranteed Tax-Free inheritance to your children and your grandchildren…… **WOULD YOU DO IT?**

I hope so. This is the real deal.

Rather than leaving your IRA directly to your children at the passing of the surviving spouse, subjecting those precious tax-deferred funds to income taxes, a smarter move would be to designate a Charity as your ultimate beneficiary. Let me explain.

I call this exciting and powerful concept: The IRA with a Twist Strategy.

With estate planning in the past we have focused on the establishment of a Bypass Trust (also called a Credit Shelter or A/B Trust). Such a trust allows a surviving spouse to benefit from the assets in the trust by receiving an income, all the while keeping the corpus from being included in his or her estate.

For the past two decades or so, a common approach to estate planning for qualified assets was to name the Bypass Trust as the beneficiary of the

IRA account. This would let IRA owners use their IRA to fund the bypass trust, and by doing so reduce the estate tax owed, with income taxes due the year following an income withdrawal.

As you know by now, the 2017 Tax Cut and Jobs Act increased (for the time being) the estate-tax exemption to $11.58 million for a single taxpayer and $23.16 million for a married couple. At the same time, it also locked in new portability rules allowing the surviving spouse to capture, or port, the unused exemption of the spouse who dies first.

So now when dealing with qualified accounts like an IRA, it is customary for income tax purposes, to permit the surviving spouse to roll over the IRA into their own account. The surviving spouse can then withdraw funds from the IRA using the recalculation method that **Stretches** the Required Minimum Deposit (RMD) payments based on their potentially younger age, (if applicable).

Previously, capturing that income tax benefit could result in losing estate-tax protection. Under the new rules, however, the surviving spouse can roll over the IRA and use portability to retain the estate-tax benefit up to the $23.16 million federal estate tax exclusion threshold. It should be noted here that several key states still impose an inheritance tax as high as 19%, so that tax needs to be a consideration during your estate planning if you live in a death tax hungry state.

While in most cases it makes good tax sense to defer the tax liability to children by initially leaving the IRA, etc. to the surviving spouse, it's the tax consequences levied on the second and third generation that has me concerned. When the children inherit your IRA they are going to be hit with a huge tax liability.

Washington knows where the money is. With the enactment of the SECURE Act and the demise of the "Stretch" for non-spousal beneficiaries, taxes are due and payable 10 years after the passing of the grantor, on December 31. The game has changed for the worse.

The IRA with a Twist Strategy.

There's another option you should seriously consider. Rather than just leaving the balance of the qualified account to your children upon the passing of the surviving spouse, subjecting the distribution to income taxes at their tax bracket over 10 years, why not leave it to a charity? **Better still, leave the balance of your IRA to your own personal Family Foundation?**

Because charities are tax-exempt entities, the distribution of your IRA to a charity at the **passing of the surviving spouse,** will not trigger any income tax and of course will avoid any federal estate or state inheritance taxes. In addition by transferring your qualified funds to a Family Foundation instead of directly to specific charities, your posterity will be in control of the charitable distributions indefinitely.

But the problem with this move is that you will totally disinherit your children and grandchildren. **Remember I promised early on that their portion of the IRA inheritance would be received totally Tax-Free. So how can I make that happen when I am proposing you give the balance to a charity?** If you have made it this far in this Special Report you already know the answer – Acquire a permanent life insurance policy and name your posterity as the beneficiary. IT REALLY IS THAT SIMPLE!

We have found Legacy Global Foundation to be one of the premiere administrators of this strategy because your Family Foundation can be established through their self-directed Donor Advised Funds. Without question this is the most cost effective way to make certain your wishes are carried out for generations to come. You can reach them at legacyglobal.org, 480-505-6248.

By the way, if you have children from multiple marriages, The IRA With a Double Twist Strategy may be your best approach. Rather than naming your surviving spouse as the IRA beneficiary, you may want to establish a Charitable Remainder Trust (CRT) and list the CRT as the IRA beneficiary at the passing of the first spouse. With this strategy you can implement provisions that effectively ensure your surviving spouse doesn't drain the IRA balance, thus depriving your children of their rightful inheritance. Furthermore, the CRT will provide a guaranteed lifetime source of income for the balance of his/her life. This move wil also allow you to stretch your IRA distribution to your non-spousal beneficiaries to at a maximum 20 years. Besting the 10-year rule.

The Best Move of All

So today, not tomorrow, you need to apply for a Wealth Replacement Life Insurance policy (preferably a Joint & Survivor policy when applicable) and set it up to be owned outside your taxable estate by a third party (purchased by a Dynasty Life Insurance Trust). Upon your surviving spouse's death, when the charity receives the remainder value of the IRA, your children and grandchildren will receive the equivalent value of the donated IRA in the form of income tax and estate tax-free proceeds from the life insurance company you selected.

You need to do this today because you are most likely healthier now then you will be in the future, and you are most definitely younger today than you will be tomorrow.

An Example Might Help

As with all estate planning strategies there is a proper pattern to follow in order to receive the maximum tax efficiency. It is no different with the **IRA with a Twist Strategy**. Let me share an example:

1. John (age 72) has a $2,000,000 IRA he rolled over from a previous 401k plan that he had with his former employer. His Required Minimum Distributions (RMD) will begin this year and be right around $78,000.

2. Together, John and his wife of 42 years, Cheryl (age 65) acquire a Joint and Survivor Life Insurance (JLS) policy for $2,000,000. Because they are both in good health their annual premium deposit is **$24,866**. John leverages a portion of his IRA Required Minimum Distribution to fund the JLS policy. (Note: If you are not yet being forced to take RMDs, simply make a withdrawal from your IRA or use other after taxed assets to fund the policy). The main reason to acquire the Wealth Replacement life insurance policy in the first place is because of the tremendous leverage generated through life insurance. YOU WILL NEVER BE ABLE TO DEPOSIT MORE THAN YOUR CHILDREN AND GRANDCHILDREN WILL RECEIVE IN LIFE INSURANCE PROCEEDS….NEVER!

3. Simultaneously, John and Cheryl, with our help, establish a Wealth Replacement Life Insurance Trust to hold the $2,000,000 JLS policy. They designate their three children and four grandchildren as future beneficiaries of the trust. Upon approval from the insurance company, they deposit an amount equal to the premium (**$24,866**) into the trust annually as part of their annual Tax-Free gift allowance. Note: You can choose up front or later on how long you want to deposit premium into your JLS policy. For example, you could choose a continuous premium to age 100 or a seven, ten or 15 deposit option. Later, if circumstances change you can alter your premium deposit structure.

4. John and Cheryl establish a Charitable Family Foundation through Legacy Global Foundation's Donor Advised Fund and name their top charities as eventual beneficiaries.

5. John and Cheryl complete a beneficiary change form for John's IRA custodian and designate their Family Foundation as the testamentary contingent or second position beneficiary. Note: Because this is a testamentary (happens at death) strategy, nothing goes to the Family Foundation (unless you decide to actively give while you are alive), until Cheryl passes away.

6. John passes away, his $2,000,000 IRA continues to provide income to Cheryl. She can use a portion of the income to make deposits for the JLS policy if needed.

7. Upon Cheryl's passing the Family Foundation receives the remainder value of the IRA – **income and estate Tax-Free!** The Foundation begins to serve its' purpose of supporting the various charitable causes and charities set forth in the Foundation's bylaws.

8. Upon Cheryl's passing the selected life insurance company will send the $2,000,000 JLS life insurance proceeds (equal to the initial value of the IRA) to the children's Wealth Replacement Life Insurance Trust, **INCOME AND ESTATE Tax-Free.**

9. At that time the Wealth Replacement Trust will begin performing its' responsibility of distributing the $2,000,000 proceeds to the children and grandchildren based on the terms previously established by Cheryl and John. **The key is that all principal will be distributed to the family totally income tax and estate Tax-Free!**

Had the IRA been left directly to the children by Cheryl they would have had to pay income and potential estate taxes, netting **30%-70% less!**

One final thought concerning the $2,000,000 Wealth Replacement life insurance policy. What is the one thing, beside taxes (we just took care of that), that can happen to the value of your IRA?

Because you are ultimately the master of your IRA investments, you could lose it all due to a Madoff scheme, bad timing, or bad choices. I've seen fortunes shrink to almost nothing during market crashes. While I know that isn't your goal, most clients want the option to invest their IRA funds and are hoping to hit the home run, so they keep their IRA at risk. After all, they reason, it's "House Money," therefore I can take a chance.

Although it could be argued that it is poor stewardship to squander your IRA investments, with the **IRA With a Twist Strategy, The RMD Strategy, The Wealth Creation Strategy , The Family Bank Strategy**, you can afford to take some risk because you are assured that eventually your posterity will be GUARANTEED their inheritance from the Tax-Free proceeds from their life insurance policy. With these tax advantage strategies, you can spend as much of your IRA as you want and still leave a gracious inheritance. You can stop flying coach and eating peanuts. You can now fly first class and drink champagne before the plane lifts off.

Because of John and Cheryl's foresight and love for their children and grandchildren, they GUARANTEED their family's Tax-Free inheritance. As long as the premium deposits are made for the JLS policy, no matter what happens to their IRA investments, to the economy, to the real estate market. No matter how much of their estate they spend down the **$2,000,000 will be there for the family - totally and beautifully income tax and estate Tax-Free.** It just doesn't get any better than that!

If you would like to see what the IRA with a Twist Strategy would look like for you personally complete the confidential request form on page 41 or call my Executive Team on our toll free line at 1-888-892-1102 and schedule an appointment with me, so that I can review your circumstances and prepare your personalized IRA With a Twist Strategy Analysis.

Now What Should You Do?

With the arrival of the much anticipated SECURE Act, the retirement planning world has been turned upside down. Furthermore, considering that we have experienced the longest bull market since World War II and taxes are the lowest they have been in 80 years, now is the optimum time to be assertive and make a move. You not only need to plan your estate, the transfer of your assets to the next generations, you need to be forthright and plan for your retirement.

Estate Planning Specialist have joined forces with several top minds in these areas and have created **The Retirement Planning Solutions Suite** to help guide you in your journey. Call our offices today to request the Suite Profile Form, 1 888 892 1102.

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SOLUTIONS SUITE

Suite 1:	Suite 2:	Suite 3:
The SECURE Act Solution	The Retirement Income Analysis	Comprehensive Estate and Financial Plan
$97.50	$497.50	$1,975

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SOLUTIONS SUITE

	Suite 1: The SECURE Act Solution *$97.50*	**Suite 2:** The Retirement Income Analysis *$497.50*	**Suite 3:** Comprehensive Estate and Financial Plan *$1,975*
Comparative Analysis – The Stealth Estate Tax of The SECURE Act - The "old" IRA Stretch rules vs. the new 10-Year Rule.	●	●	●
Comparative Analysis – To Roth or Not to Roth – Should you convert? The impact of taxes on your Qualified Accounts.	●	●	●
Analysis – The Tax Replacement Strategy – How to restore what The SECURE Act took away from your family.	●	●	●
Analysis – Maximize Charitable Giving to reduce taxes and STRETCH your IRA well beyond 10 years	●	●	●
Analysis – The Long Term Care Solution – How to ensure that a Long Term Care event won't deplete your estate	●	●	●
Book - The 10 Most Common Estate Planning Mistakes and How To Avoid Them	●	●	●
Book – The Family Bank Strategy	●	●	●
Report – The Bombshell Battle Plan – How to Defend Against the IRS' Secret Weapon	●	●	●
Report – The Leveraged Care Solution	●	●	●
Analysis – Tax Bracket Management. How to maximize the lowest tax brackets in 80 years!	○	●	●
Retirement Analyzer – Will you outlive your Money?	○	●	●
• **Social Security Optimization**	○	●	●
• **Pension Maximization**	○	●	●
• **The Impact of Sequence of Market Returns on Your Retirement Income**	○	●	●
Legal Review of all of your "Qualified Account" beneficiaries, including IRA Trust Review	○	●	●
Book – The Future of Retirement Savings	○	●	●
Book – The New American Retirement Plan – Bob Carlson	○	●	●
Book – Pay Checks and Play Checks – Hegna	○	●	●
A comprehensive personalized Estate Analysis	○	○	●
A Legal Audit of your Estate Planning Documents	○	○	●
A Comprehensive Financial Plan	○	○	●
• **In Depth Portfolio X-ray Analysis**	○	○	●
• **Income Goal Setting**	○	○	●
• **Cash Flow Analysis**	○	○	●
• **Create your personal endowment**	○	○	●
• **Annual opportunity and trend adjustments**	○	○	●

CONFIDENTIAL

THE ROTH ON STEROIDS ANALYSIS REQUEST FORM

FULL NAME		SPOUSE'S NAME	
DATE OF BIRTH / /	SMOKER Yes ☐ No ☐	DATE OF BIRTH / /	SMOKER Yes ☐ No ☐
EMAIL		PHONE	BEST TIME TO CALL
ADDRESS	CITY	STATE	ZIP CODE

Medical:

1. **Within the past five years have either of you been confined to a hospital, clinic, or medical facility?** Yes ☐ No ☐ **Details of confinement:** ______________________

____

2. **Have either of you been advised by a physician that you have: (Check all that apply)**

☐ Hypertension ☐ Cancer ☐ Heart Disease ☐ Respiratory Disease
☐ Sleep Apnea ☐ Kidney Disorder ☐ Diabetes ☐ Stroke

Financial:

1. **Qualified Accounts (IRA, 401K, etc): $** ______________________
2. **Combined Annual Income: $** ______________________
3. **Combined Net Worth: $** ______________________

Illustrate:

☐ **Yes,** Mr. Phillips, I am interested in finding out how I can leverage my IRA. Please prepare for me, at no cost, my personalized Roth on Steriods Strategy Analysis based on the following information:

1. **Please prepare my illustrations based on:**

☐ An annual deposit of ______________________

☐ My natural "qualified" account RMD, based on my account balance of ______________ and an interest assumption of __________

2. **Please base the above illustration reflecting deposits based on:**

☐ Continuous Annual Deposits ☐ 5 Annual Deposits ☐ 10 Annual Deposits

3. **Which Roth on Steriods Strategy option would you like us to illustrate?**

☐ Wealth Creation Strategy ☐ Family Bank Strategy ☐ Both

4. ☐ **Please prepare my IRA Reboot based on a conversion amount of** __________
5. ☐ **With my IRA Reboot please illustrate income beginning in year** __________
6. ☐ **I would like you to include the Long Term Care Rider in my illustrations.**
7. ☐ **I would like to consider reviewing the IRA With A Twist Strategy.**

MY IRA PROMISES:

1. I will obtain a copy of the IRA beneficiary form for each IRA I own.

2. I will make sure that I have named a primary beneficiary and a secondary (contingent) beneficiary for each IRA I own.

3. If there are multiple beneficiaries on one IRA, I will make sure that each beneficiary's share is clearly identified with a fraction, a percentage or the word "equally" if that is applicable.

4. I will make sure that the financial institution has my beneficiary selections on file and that their records agree with my choices.

5. I will keep a copy of all my IRA beneficiary forms and give copies to my financial advisor and attorney.

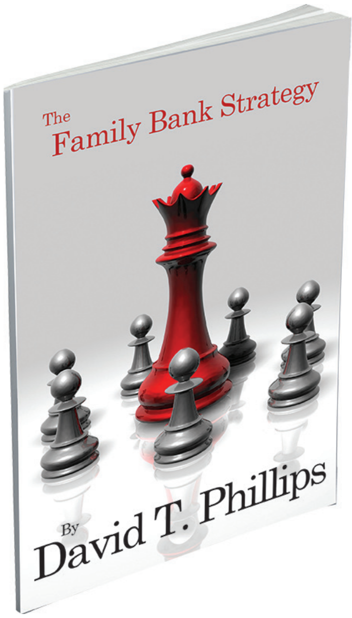
6. I will let my beneficiaries know where to locate my IRA beneficiary forms.

7. I will review my IRA beneficiary forms at least once each year to make sure they are correct and reflect any changes during the year due to new tax laws or major life events such as a death, birth, adoption, marriage, divorce, or some beneficiary forgetting my birthday!

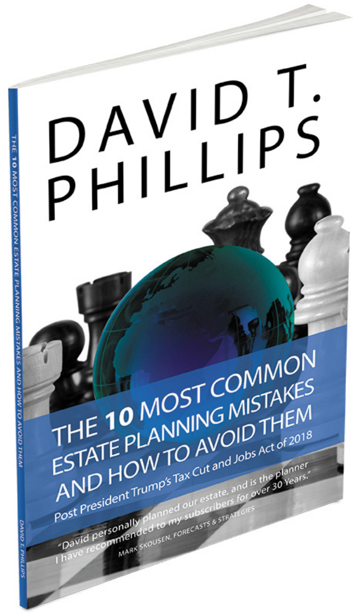
8. I will check the IRA custodial document for every financial institution that holds my IRA funds. I will make sure that the financial institution allows the provisions that are important to me and my IRA beneficiaries.

More from

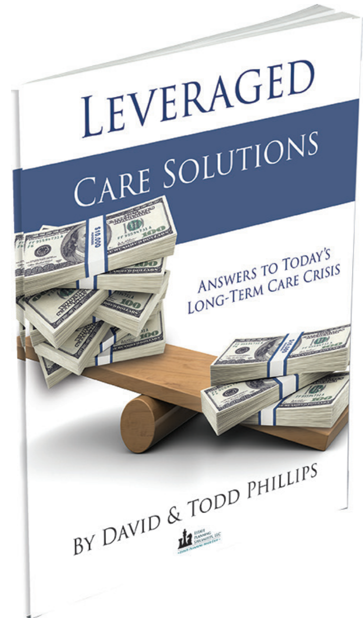
David and Todd Phillips



THE FAMILY BANK STRATEGY

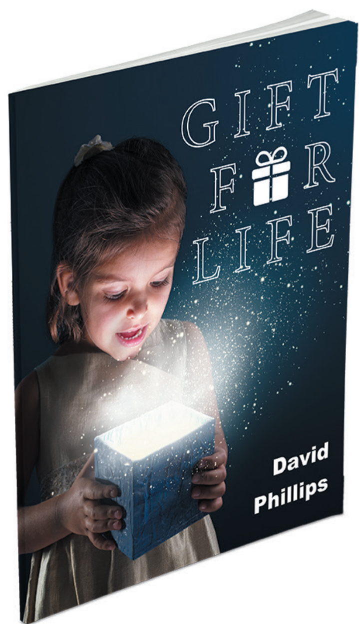


THE 10 MOST COMMON ESTATE PLANNING MISTAKES:
AND HOW TO AVOID THEM

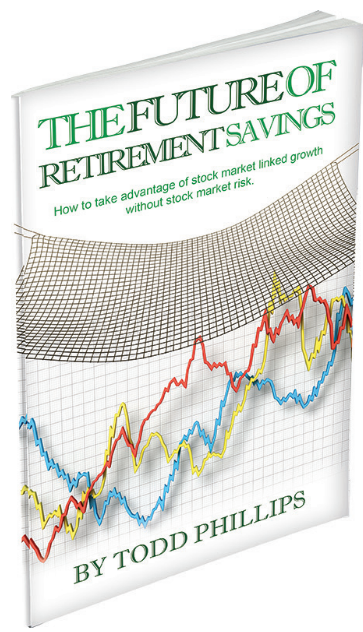


LEVERED CARE SOLUTIONS:
ANSWERS TO TODAY'S
LONG TERM CARE CRISIS

THE RETURN OF PREMIUM
LONG TERM CARE:
SPECIAL REPORT



GIFT FOR LIFE



THE FUTURE OF RETIREMENT
SAVINGS
HOW TO TAKE ADVANTAGE OF STOCK
MARKET LINKED GROWTH WITHOUT
STOCK MARKET RISK

If you have any questions, please call toll-free
1.888.892.1102

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