Are you leaving behind a tax burden?

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Hello and welcome. Today we're going to talk a little about many individuals' most taxed assets, their IRA. Many people will suggest that the taxes on IRAs aren't as bad because the estate tax exclusion limits are so high. To some extent that's true. However, the estate taxes that were paid by the decedent created a federal income-tax-deduction for the beneficiaries. Since IRA owners are now rarely subject to estate taxes, most beneficiaries don't receive a deduction, making the federal income tax bite even worse.

And, as you'll see, the way IRA values grow can increase the tax burden the beneficiaries are subjected to when they inherit an IRA.

All of this means that you want to be knowledgeable about IRA tax problems, and equally knowledgeable about the solutions available to you.

3 Things That Can *Increase* IRA Beneficiary Taxes

1. RMDs at age 72 instead of age 70½
2. New ***Uniform Distribution Table*** factors
3. 10-Year Rule… ***No More Stretching***
   - *(numerous exceptions apply)*

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Before we get started, I want to talk about why this conversation is more important now than ever before. There are 3 things happening right now that have the potential to increase IRA Beneficiary taxes.

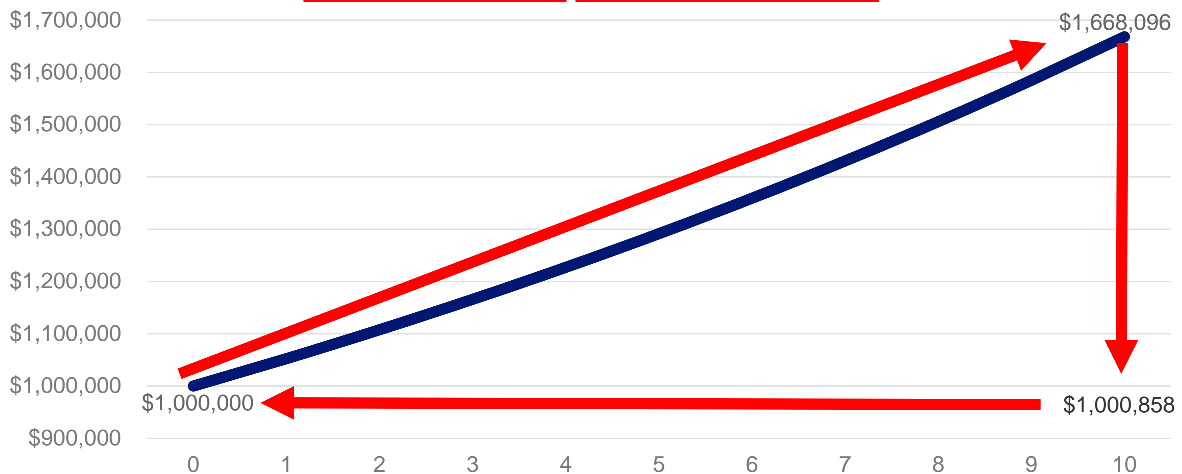
1. The starting age for RMDs has been pushed back from age 70 ½ to age 72 for those born on-or-after July 1, 1949. Think about that for a minute. It's a combination of good news and bad news. The good news is that, because RMDs are being delayed, less money will be taken out by the IRA owners. Because they take less money out, the IRA value will be higher. The bad news is that, when the children inherit an IRA at a higher value, they'll pay more income taxes on that inheritance.

2. A new Uniform Distribution Table has been proposed that includes updated factors to reflect longer life expectancies. This proposed change to the Uniform Distribution Table factors is NOT a part of The SECURE Act but, by coincidence, is happening at the same time. Currently this new Uniform Distribution Table is in the "proposed" stage, but it's widely expected that it'll be passed. If it goes into effect, it will reduce RMDs for the retiree. When RMDs are reduced, more money stays in the IRA. Again, the good news is that smaller RMDs create a bigger IRA inheritance, but the bad news is that a bigger IRA inheritance means higher taxes to the beneficiaries.

3. Then there's the new 10-year distribution rule for some IRA beneficiaries… where they've lost their traditional ability to stretch their inheritance. There are numerous exceptions to this new 10-Year Rule, and we don't have the time to address all of these exceptions within the scope of this presentation, but be aware that numerous exceptions exist. If you don't fit into one of the exceptions, the tax is imminent…. And there are no RMDs during the first 10 years… as long as the money is all out in the 10th year. You might think that it makes sense to wait until the 10th year… to preserve the tax deferral as long as possible. However, when you do that, you have an incredibly large single lump-sum distribution in the 10th year, and that can mean (a) you pay the taxes sooner than stretching; and (b) you could easily be pushed into a higher marginal tax rate.

In combination, these three attributes of ***The SECURE Act*** have the potential to increase the amount (and the urgency) of taxes your children will owe on your IRA.

This is just another reason why we need to have this conversation with clients.



And here's something interesting that comes out of ***The SECURE Act***. This is a hypothetical example of what ***could happen*** to a $1,000,000 inherited IRA if it was allowed to grow at a hypothetical rate of 5.25% for 10 years, and then the entire IRA is distributed and taxed in the 10th year. *(In the 10th year, this example assumes that the 5.25% growth is added first, then the 40% tax is assessed. The projected IRA actually reaches a peak value of $1,668,095. Subtracting the taxes of $667,237 is what creates the ending value of $1,000,858.)*

It's interesting to note, then, that 5.25% is an approximate break-even rate of return. If you continued the tax-deferral for the entire 10 years and took the money out of the Inherited IRA in the 10th year, the after-tax value is almost identical to the starting value from 10 years earlier. Effectively you would've given 10 years of growth to the IRS as taxes. So you'd need something greater than a 5.25% compound annual rate of return *(after all fees and charges)* to end up with more money than you started with.

This is why today's conversation is important to your clients. We want to help them understand solutions to the ravages of taxes that will hit an IRA that's being left as a legacy.

IRAs and RMDs

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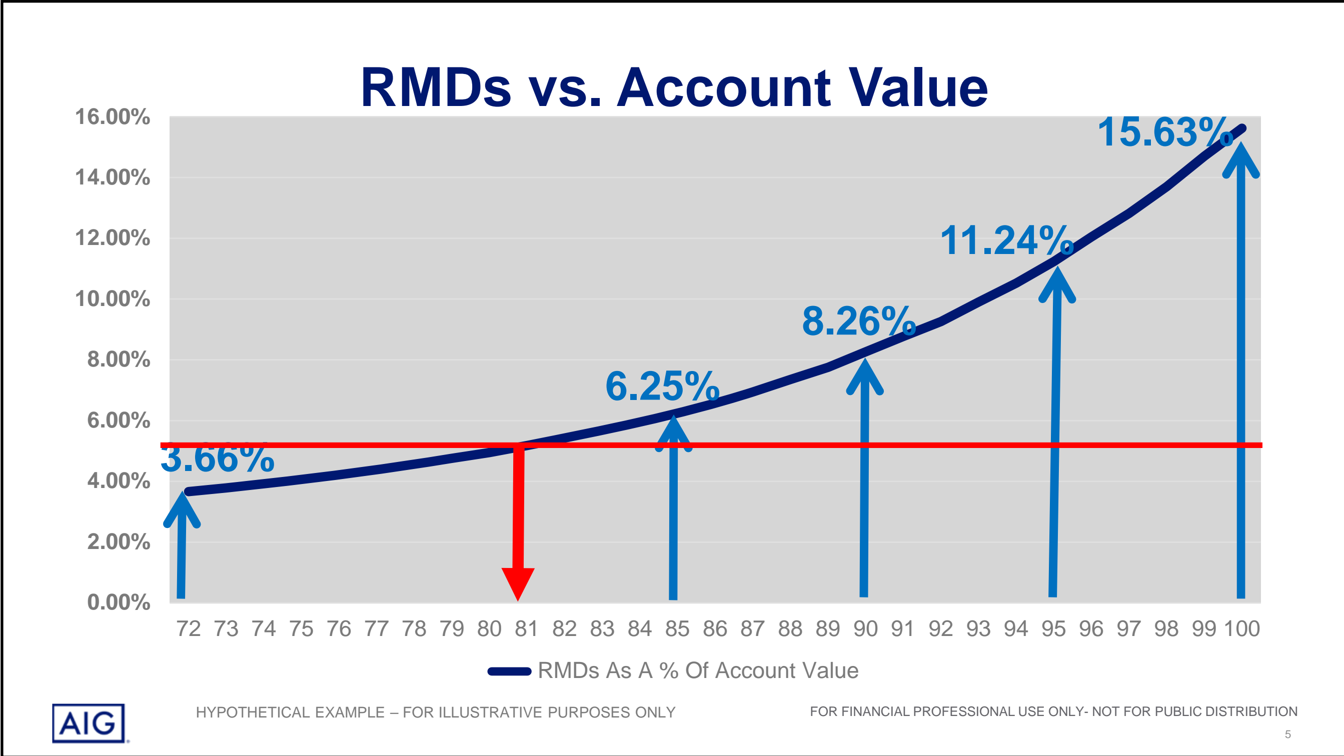
So let’s talk a little bit about IRAs and RMDs, and the interaction between the two.



This graph illustrates IRA RMDs as a percentage of the IRA Account Value.

Under the new ***SECURE Act*** rules, if you turn age 70½ in 2020 or later, you'll take your first RMDs at age 72. When you do, you calculate your RMD by dividing your IRA account balance by the factor for age 72 in the **Uniform Distribution Table**, which is 27.3. When you do that calculation, your RMD in the first year will be about 3.66% of your IRA's account value.

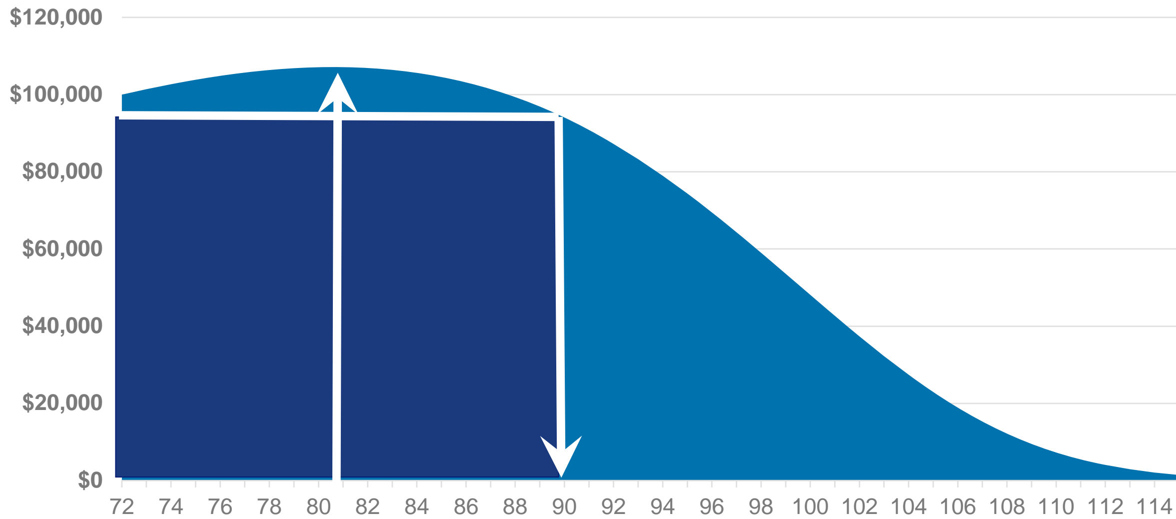
In the next year, at age 73, you'll divide by the age 73 factor of 26.4. When you do, your age 73 RMD will be approximately 3.78% of your account value… a little bit higher than at age 72.

Each year as this factor changes your RMDs become a progressively larger and larger percentage of your IRA account value.

- At age 85 your RMD will be 6.25% of your IRA account value
- At age 90 your RMD will be 8.26% of your IRA account value
- At age 100 your RMD will be 15.63% of your IRA account value

So let's assume I was going to project this IRA at our previous 5.25% hypothetical growth rate.
You can see that, in the early years, after adding the 5.25% hypothetical growth, and subtracting the RMD, there's still some "net growth" added to the IRA account.
But after age 81 you can see that the RMD percentage is greater than 5.25%, which means the amount we're taking out for the RMD is greater than the 5.25% growth in the account.
What happens then?
The IRA projection begins **going down** in value, and it continues to go down at a progressively faster and faster rate!

Let's see what these IRA values would look like if we projected them, starting at age 72.



This is a hypothetical example for a 72-year-old earning a 5.25% annual return *(for simplicity, net of fees, charges, expenses and taxes)*. In this example, the IRA will achieve it's peak value at approximately age 81. After that point the IRA value will begin to decline. Essentially an IRA will be emptied out at about age 115.

Again, why does that happen? It's because of the interaction between the asset earnings and the amount of the Required Minimum Distributions.

By the way, this calculation is for illustrative purposes only. It does not represent any investments currently or previously available. Results do not include fees, commissions, sales charges or expenses, which would have a negative impact on these results.

Finish by noticing that, between ages 72 and 90, this hypothetical IRA is extremely close to its peak value.
At what age do most people die?
That's right… between age 72 and 90, according to the CDC.
(Source: http://www.cdc.gov/nchs/data/nvsr/nvsr61/nvsr61_04.pdf)

Therefore, beneficiaries are commonly inheriting – and paying taxes on – IRAs at-or-near their peak value.
And how old are these beneficiaries when their parents die?
They're commonly in their 50's and 60's, which may be their peak income-earning years.
So, when you add the inherited IRA to their potentially high earned incomes, **some** beneficiaries **could pay** very high federal income taxes on the IRA they inherit.

Assets in qualified plans and other tax-advantaged plans enjoy tax-deferred growth. However, this favorable tax treatment is for the purpose of encouraging individuals to save for retirement. In ***The SECURE Act*** the Internal Revenue Code established age 72 *(for those born prior to July 1, 1949 the age is 70½)* as the maximum deferral age before distributions must begin *(for most IRA owners)*. These rules prohibit a taxpayer from continuing to indefinitely accrue tax-deferred earnings. If the distributions are not started by the required date, a 50% excise tax will be levied on the participant for failure to take the required minimum distribution. Be aware that ***The CARES Act*** eliminated RMDs for most taxpayers in tax year 2020.

Minimum distributions apply to assets in a qualified plan, traditional IRA, 403(a) or (b), SEP, SIMPLE or governmental 457(b) plans. While minimum distribution rules do not apply to Roth IRAs, they do apply to Roth accounts in a 401(k) or 403(b) plan.

Today’s Objective:

Today I’ll demonstrate
how you can improve your legacy
by describing what IRA owners often do,
and comparing that to

two simple but effective ideas

that may allow you to maximize
the after-tax value received by your heirs.

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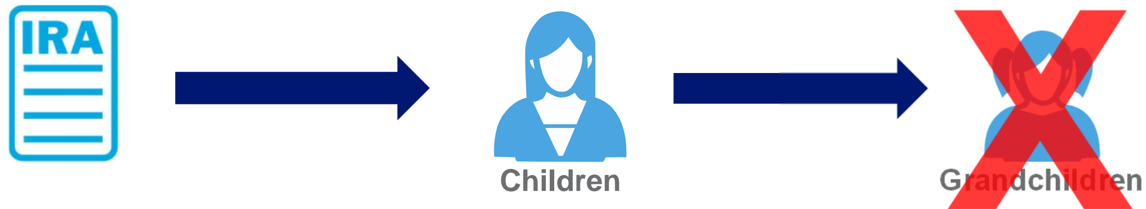
So here are our objectives for today’s discussion.

I’ll demonstrate how you can improve your legacy by describing what IRA owners often do, then comparing that to two simple but effective ideas that may allow you to maximize the after-tax value received by your heirs.

Typical IRA Transfer



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So what would a typical IRA owner do? Well, because of the benefits of tax-deferral, and the fact that all non-qualified assets are being taxed annually anyway, conventional wisdom often suggests that investors should liquidate their non-qualified assets to support their retirement, and leave their IRA assets as a last resort. In some cases there's really no clear PLAN for the IRA. The only plan is that some investors DON'T plan to spend it during their retirement years.

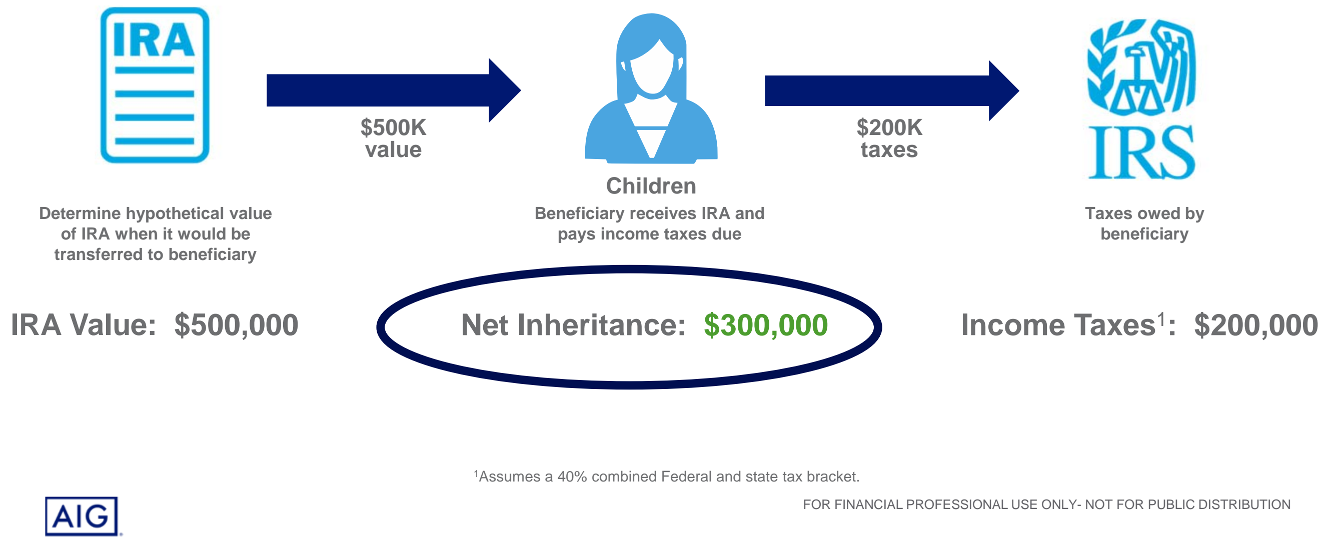
To that I often say, "In the absence of a plan, you still have a plan. Let me show you your plan."

So what does that plan look like?

Typically after an IRA owner and their spouse pass away, the IRA goes to the children.

If the children take a lump-sum distribution, they will often spend that inheritance… the money "magically disappears," and the amount of the IRA that ends-up going to the grandchildren is typically ZERO.

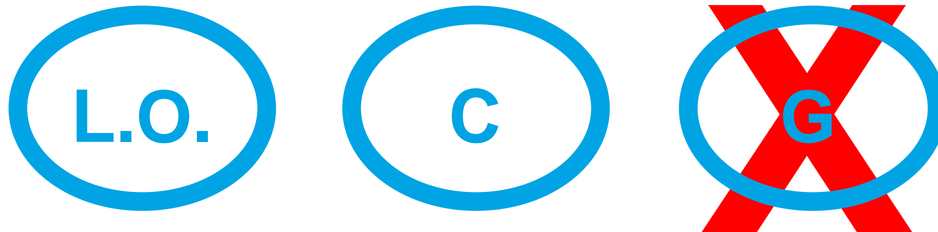
Let's shed some additional light on this with a simplified example.



In a typical example of a client that dies while owning a $500,000 IRA, their children could pay 40% in federal and state income taxes, totaling $200,000, leaving $300,000 to their kids.

Typically the money will be spent before the children die, leaving nothing for the grandchildren.

Your money can go to **three places** when you're done with it.



Cross out the one you would **least** like to get your money when you're done with it.

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Here's a simple story that can help your clients express their intentions so that you can help them make better decisions.
I call it ***"3 Circles; 2 Questions; and a 3-Point Value Proposition."***

We begin by understanding that, for many of you, these decisions are as much "emotional" decisions as they are "logical" decisions. As such, it's good to get a feel for your thoughts and feelings about your money.
So you draw three circles on a piece of paper. Inside the first circle you write the letters L.O.; in the second circle the letter C, and in the third circle the letter G, and you explain to your clients that their money can go to three places when they die…
L.O. = Loved Ones
C = Charity
G stands for ? Ask the audience to guess.
--- Give them a minute to come up with a guess. It gets them involved in the conversation, and they normally get it right. Then you say "That's right, the G stands for "Government."

Then you ask them to cross out the one they would LEAST like to get their money when they're done with it.
In most cases your clients will chuckle and cross out the G.

This playful approach is powerful in its ability to get your client emotionally engaged in the conversation, and further helps you to understand, not only their financial objectives, but their emotional objectives with their portfolio. Now you're ready to begin by saying something like:
"That's why I wanted to talk to you today. I suspected that you might feel this way. That's why I want to introduce you to a couple of life insurance options that may help create a significant legacy value for you to pass to your loved ones and charities, without you losing control over the money, and without losing a significant portion to taxes."

Two Questions:

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

Three Potential Benefits:

1. Allow you to keep your IRA in your **care, custody and control** for the rest of your life, in case you need it,
2. Potentially **increase** the value of the legacy for your beneficiaries; and
3. **Mitigate investment risk** by using life insurance that has guaranteed premiums and death benefits.

Note: The values illustrated in these examples are not guaranteed and are for illustrative purposes only. Your actual results may be more or less favorable. Please consult qualified tax and legal counsel before implementing any strategies related to your IRA.

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On the heels of the three-circle discussion, now you move on to two important questions, and a three-point value proposition that will set the stage for a discussion about these life insurance wealth transfer strategies.

My first question is: ***"If things go the way you have planned, who's going to get your IRA when you're done with it?"***
In most cases your clients will say: ***"It's going to our kids."***

You respond with something like: ***"That answer doesn't surprise me. I have a lot of clients in a situation similar to yours, and many of them say the same thing."***

Then continue by asking: ***"You've told me that you don't think you'll need your IRA to support you in your retirement, and you've indicated that it's ultimately going to your kids. So let me ask you a second question… Why haven't you given it to them already?"***

If you're like many clients, regardless of their levels of wealth, when you ask them to give-away money that they probably can't get back, their typical response is often ***"We just might need it."***

To which you respond with something like: ***"That's why I wanted to meet with you today. I'd like to introduce a few insurance options that can…***

1. ***Keep your IRA in your care, custody and control for the rest of your life, in case you need it;***
2. ***Potentially increase the value of the legacy you create for your beneficiaries; and…***
3. ***Mitigate investment risk by using life insurance that has guaranteed premiums and death benefits.***

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

In many cases, this will be the door-opener that will have your clients asking to hear more.

One question that sometimes arises is whether or not to use an ILIT vs. owning the policy personally. Years ago, when estate tax exclusion amounts were much lower, life insurance was commonly owned by Irrevocable Life Insurance Trusts (ILITs) to keep the death benefit out of the investor's taxable estate for calculating estate taxes.

In today's world, with estate tax exclusion limits exceeding $10 million per individual, and $20 million per couple, the need for ILITs may have lessened.

Naturally, for additional financial control, and for larger estates, using an ILIT may be practical. Trusts are complex instruments and should not be used without advice and guidance from qualified tax and legal counsel.

IRA
Wealth Transfer Strategies

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So let's briefly review 2 IRA wealth transfer strategies that you may consider. But before we do, let's get back to our baseline.

Typical IRA Transfer

Policy owners should consult their tax, legal and/or financial advisors regarding any tax, financial, or estate planning decisions.

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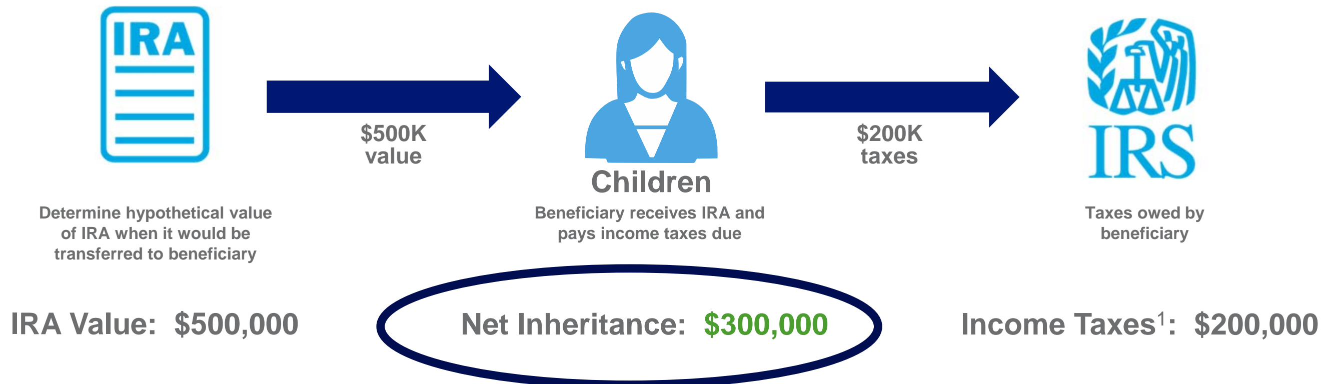
We originally looked at this diagram of a typical IRA transfer, where the IRA goes to the kids, the kids spend the money, and often the grandchildren get no IRA inheritance.

Typical IRA Transfer



Determine hypothetical value of IRA when it would be transferred to beneficiary

Beneficiary receives IRA and pays income taxes due

Taxes owed by beneficiary

IRA Value: $500,000 | **Net Inheritance: $300,000** | **Income Taxes[1]: $200,000**

Policy owners should consult their tax, legal and/or financial advisors regarding any tax, financial, or estate planning decisions.

[1]Assumes a 40% combined Federal and state tax bracket.

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And when we put numbers into the plan it looked like this.

- The children inherited $500,000
- They paid $200,000 in income taxes
- They were left with just $300,000, which they spent during their lifetimes.

Let's look at some alternative solutions, keeping this $300,000 "net" after-tax inheritance value in-mind.

Life Insurance Alternatives for IRA Wealth Transfer

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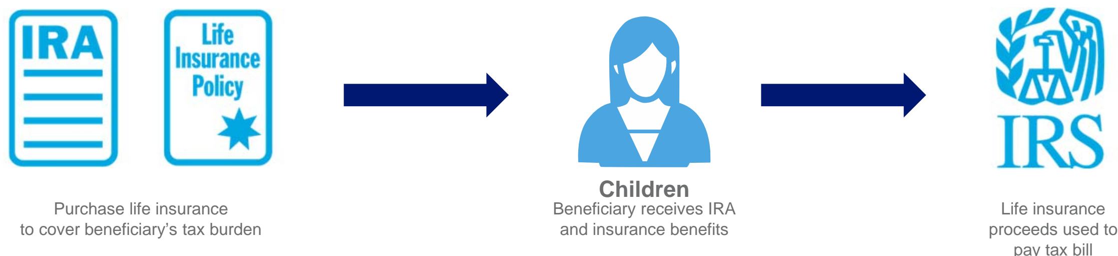
In particular, I'd like you to see two life insurance alternatives that have the potential to make a big difference in your outcome.

Alternative 1:
Income Tax Offset



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Using the Income Tax Offset approach, the client simply purchases a life insurance policy to help the beneficiaries pay the tax bill.

How much life insurance?

In the first solution, we estimated the future value of your IRA, allowing us to estimate the amount of tax your children may have to pay on the IRA when they inherit it. Then we purchase a life insurance policy with a death benefit equal to that projected tax amount.

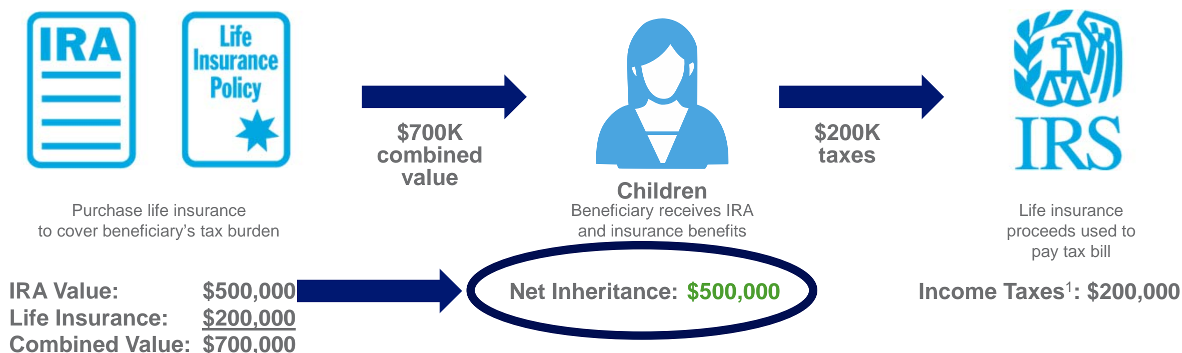
Your beneficiaries can use the income-tax-free life insurance death benefits to pay the taxes due on their IRA inheritance.
That way, the beneficiaries would not have to withdraw money from the IRA or from their other assets to pay the taxes.

As a result, your beneficiaries potentially end up with the entire value of the IRA, and can enjoy your inheritance with greater value.

As you can see, this is a very simple approach with only three easy steps:

1. Forecast the future IRA value
2. Calculate the estimated income taxes the beneficiaries will owe when they inherit the IRA
3. Purchase the life insurance with a death benefit equal to the projected taxes, and name the children as the beneficiaries of the life insurance policy.

Alternative 1:
Income Tax Offset



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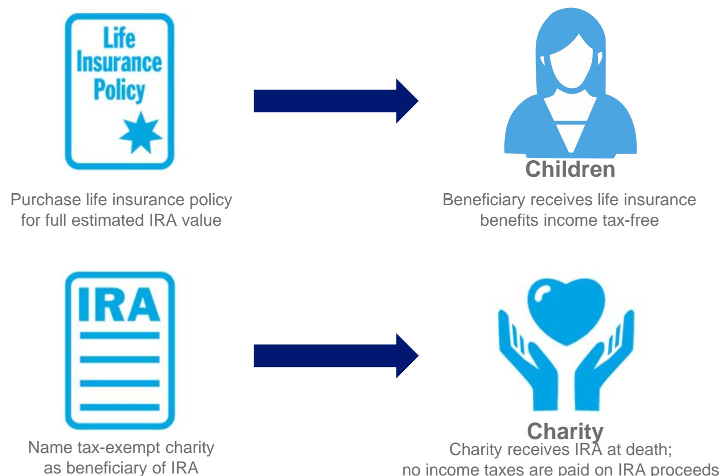
As an example of how this might work, a $200,000 survivorship UL policy could be purchased.
Upon the parents' death, the children inherit the IRA, which will have been increased by the growth in the account and reduced by the RMDs during the IRA owners' lives. The children also receive the $200,000 life insurance death benefits, which are federal income-tax-free based on current tax law.

The children can use the life insurance death benefits to pay the $200,000 of projected taxes owed on the inherited IRA.

Now, the children get to keep the entire $500,000 value, which would increase their inheritance by over 65% compared to the originally expected after-tax inheritance of $300,000!

Alternative 2:
Income Tax Elimination



Policy owners should consult their tax, legal and/or financial advisors regarding any tax, financial, or estate planning decisions.

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How do you **potentially eliminate** taxes in an IRA inheritance? You simply need to involve a charity that your clients care about… possibly a charity that they're already planning to leave part of their inheritance to.

To make this work, we don't buy life insurance equal to the forecasted TAXES.
We buy life insurance equal to the forecasted VALUE of the IRA.

Now, instead of having the children inherit a fully taxable IRA, they inherit the federal income-tax-free death benefit of the life insurance policy (based on current tax law).

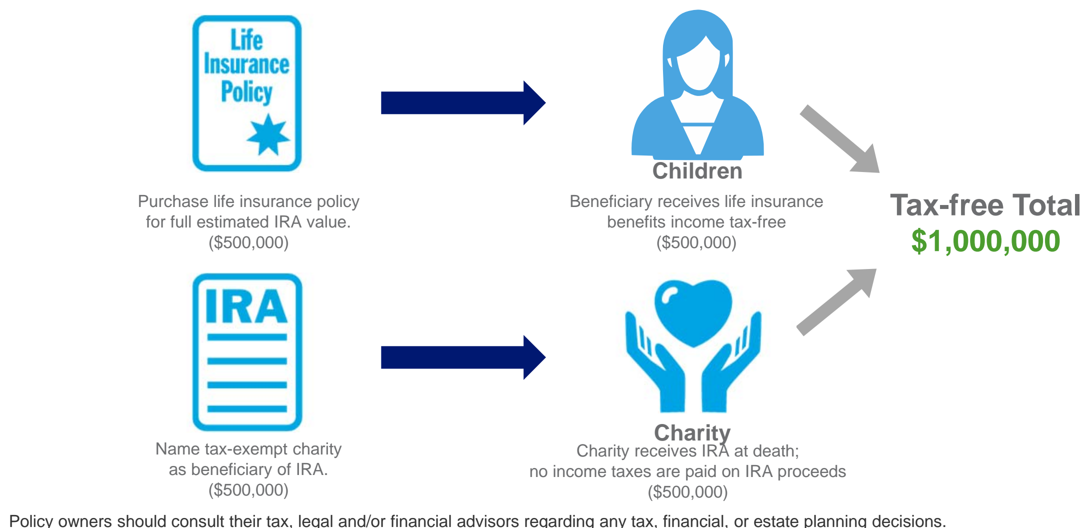
Then, once the life insurance is in place so that the children can inherit the death benefit – Federal income-tax-free – we still have a fully taxable IRA.
What can we do with the IRA so that there are no taxes on the IRA inheritance?
That's right, we can give the IRA to your favorite charity!
Don't be alarmed… we're not suggesting that you give your IRA to charity NOW. We're suggesting that you simply change the beneficiary from "your children" to "your favorite charity."
You'll keep your IRA in your control for the rest of your life… just in-case you need it… and your favorite charity will get it after you die.
When done properly, giving the IRA to a qualifying 501(c)(3) charitable organization, the charity will pay NO Federal INCOME TAX on your IRA when they inherit it.

There you go. . . No tax to your children because of the tax-free life insurance death benefits, and no tax to the charity. And you've **potentially** increased the after-tax value of the total legacy created by your IRA.

There are three easy steps to this Income Tax Elimination strategy:

1. Estimate the future value of the IRA at the time the children will inherit it.
2. Purchase a life insurance policy with a death benefit equal to the forecasted IRA value, and make your children the beneficiaries of the life insurance policy.
3. Change the IRA beneficiary to the charity of your choice.

Simple, but effective.



Here are some numbers that bring this scenario to life. We purchase a life insurance policy with a $500,000 death benefit.

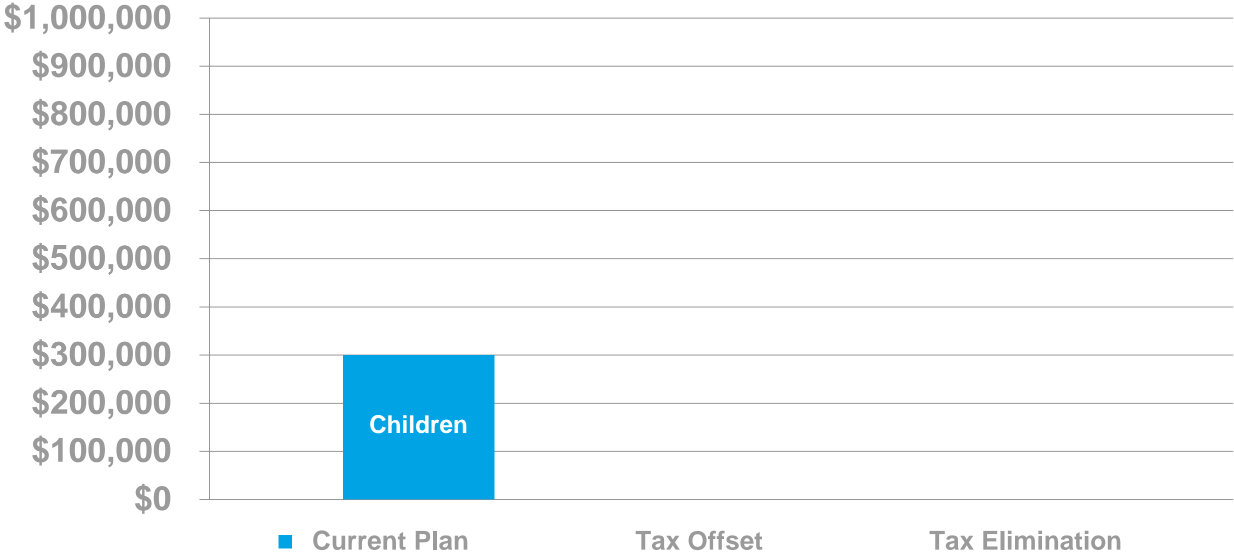
But this time, instead of using the death benefits to pay the taxes, the $500,000 death benefit goes to the children income-tax-free.

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

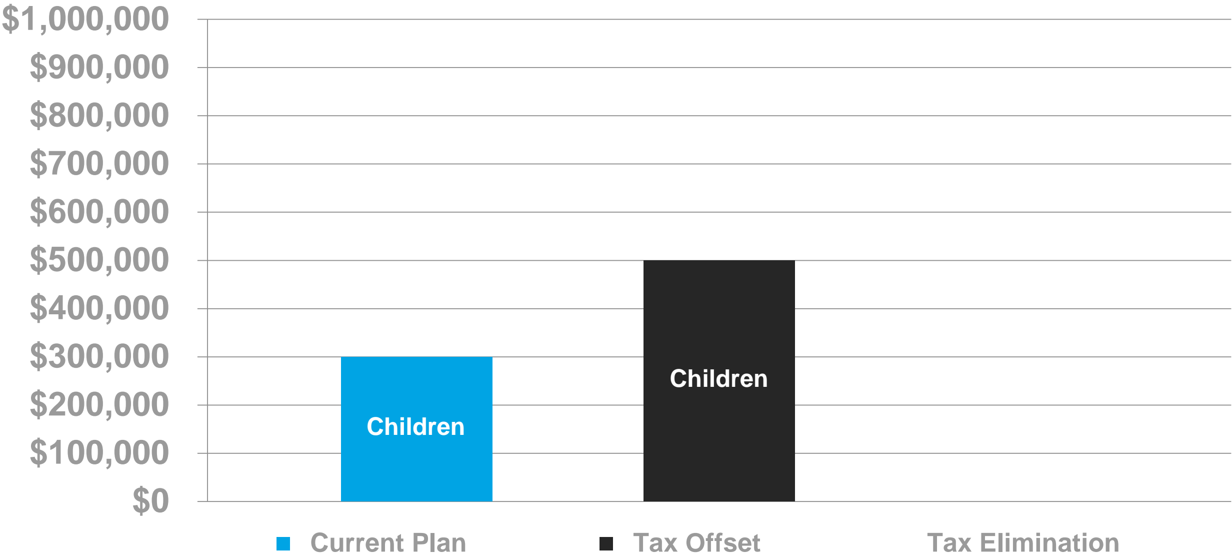
Add it all up, and the combined legacy is now $1,000,000, which is more than triple the children's original after-tax legacy of just $300,000.

That's pretty motivating!

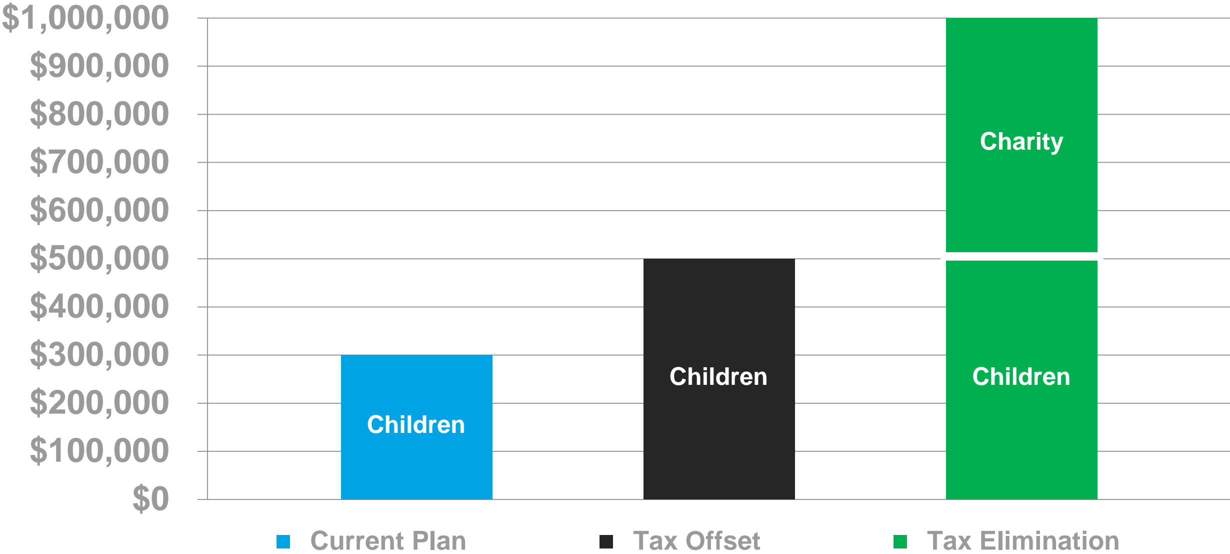
Look at the comparison of net, after-tax legacies when you stack the three alternatives next to each other.



In the investor's current alternative, we're forecasting that the beneficiaries will only net $300,000 after-tax from their $500,000 IRA inheritance.



In the Tax Offset strategy, we're forecasting that the beneficiaries can pay all of the taxes on their IRA inheritance with the life insurance death benefits and STILL net $500,000.



In the Tax Elimination alternative, the combination of giving the $500,000 Life Insurance death benefits to the children, and giving the $500,000 IRA to charity, creates a combined total after-tax IRA legacy of $1,000,000.

Because of you, your client has the opportunity to choose which of these alternatives they like best.

Do you recall our 3 Potential Benefits?

Earlier we said ***"I wanted to talk to you about some alternatives for your IRA that can:***

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

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

Consider asking a client if they'd like to consider an alternative that could accomplish these three objectives and they'll probably want to hear about it.

One question that sometimes arises is whether or not to use an ILIT vs. owning the policy personally. Years ago, when estate tax exclusion amounts were much lower, life insurance was commonly owned by Irrevocable Life Insurance Trusts (ILITs) to keep the death benefit out of the investor's taxable estate for calculating estate taxes.

In today's world, with estate tax exclusion limits exceeding $10 million per individual, and $20 million per couple, the need for ILITs may have lessened.

Naturally, for additional financial control, and for larger estates, using an ILIT may be practical. Trusts are complex instruments and should not be used without advice and guidance from qualified tax and legal counsel.

IRA Wealth Transfer: Napkin Sales Tool

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Solution 1: IRA Income Tax Offset

Life Insurance $200,000

IRA $500,000

Taxes

Beneficiaries $500,000

Solution 2: IRA Income Tax Elimination

Life Insurance $500,000

IRA $500,000

Beneficiaries $500,000

Charity $500,000

Tax-free Total $1,000,000

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3 Circles: Where will your money go?

L.O.

C

G

2 Questions:

3 Point Value Proposition:

Your Current IRA Plan

IRA Value $500,000

IRA Taxes $200,000

Beneficiaries $300,000

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To help you with this story we've created a simple fold-up sales tool. We call it our "Napkin Sales Tool" because, when folded, it's about the size of a cocktail napkin.

This is an image of what the front looks like when it's unfolded…

IRA Wealth Transfer: Napkin Sales Tool

WHERE WILL YOUR MONEY GO?

L.O. = Loved Ones

C = Charity

G = Government

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

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

2 QUESTIONS AND 3 POINT VALUE PROPOSITION

Ask:

"If things go the way you have planned, what's going to happen to your IRA?"
[most likely the answer is: "my loved ones/kids"]

Why haven't you given it to them already?
[most likely answer is: "we may need the $$"]

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

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

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

IRA INCOME TAX OFFSET SOLUTION

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

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

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

Now, without being reduced by the burden of taxes, the children get to keep the entire $500,000 IRA, **increasing their inheritance by over 65%** compared to the children's originally expected after-tax inheritance of $300,000[1]

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

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

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

[1] Assumes a 40% combined Federal and state tax

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IRA INCOME TAX ELIMINATION SOLUTION

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

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

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

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

That's pretty motivating.

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

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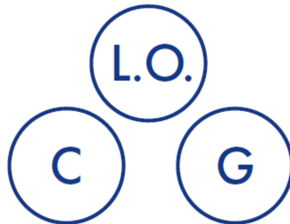
And this is what the back side looks like when it's unfolded.

I know you probably can't read it at this size, so let me zoom-in on it to show you how it'll help you tell the story.

IRA Wealth Transfer: Napkin Sales Tool

3 Circles: Where will your money go?



2 Questions:

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

3 Point Value Proposition:

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

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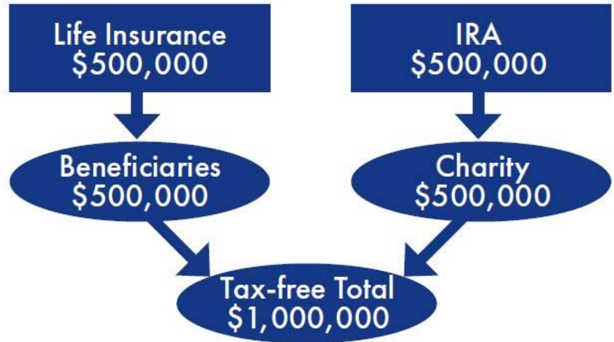
As you begin to open it, you'll see that it begins with the 3 Circles, 2 Questions, and a 3-Point Value Proposition, and reminds you a bit of what you ask and what you say.

IRA Wealth Transfer: Napkin Sales Tool



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Further down the page you can see the comparisons of a typical IRA plan… in the absence of a plan. In addition you can see examples of what the **Income Tax Offset** and **Income Tax Elimination** scenarios look like. Here on the screen I'm only showing the **Tax Elimination** graphic, but the **Tax Offset** graphic is on the Napkin Sales Tool, too.

IRA Wealth Transfer: Napkin Sales Tool

WHERE WILL YOUR MONEY GO?

L.O. = Loved Ones

C = Charity

G = Government

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

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

2 QUESTIONS AND 3 POINT VALUE PROPOSITION

Ask:

"If things go the way you have planned, what's going to happen to your IRA?"
[most likely the answer is: "my loved ones/kids"]

Why haven't you given it to them already?
[most likely answer is: "we may need the $$"]

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

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

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

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So the front has the graphics, while the back has the suggested narrative.

Here you can see that, at the top, it walks you through the 3 Circles, 2 Questions and the 3-Point Value Proposition script.

IRA Wealth Transfer: Napkin Sales Tool

IRA INCOME TAX OFFSET SOLUTION

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

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

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

Now, without being reduced by the burden of taxes, the children get to keep the entire $500,000 IRA, **increasing their inheritance by over 65%** compared to the children's originally expected after-tax inheritance of $300,000![1]

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

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On the bottom half it walks you through the **Tax Offset** and the **Tax Elimination** scenarios.

Remember: This Napkin Sales Tool is not approved for showing to clients… it's an advisor-only piece. It's designed to help you perfect your story.
Commit to memory the things on this handy Napkin Sales Tool, and you'll be ready to explain how it works.

When you're done studying it, fold it back up and put it in your drawer so you can refer to it again in the future as necessary to refresh your memory about the salient points.

Questions or Comments

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I know that was a lot of information to cover in a relatively short amount of time. . . Does anyone have any questions?

Thank you!

Thanks for joining us today. I’m confident that you found something in today’s discussion that you can immediately apply to your business.

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Here are some important things to remember about today's presentation (Read slide).

Are you leaving behind a tax burden?

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Thanks for joining me today.

Here at AIG we'll continue providing you with the products, the services and the people that are the hallmark of AIG's reputation.

And on behalf of all of us here at AIG, I want to thank all of you for everything you do, each and every day, to help your clients achieve and protect their lifetime of financial security.