

# Planning Concepts For IRA'S

Many of the concepts presented for Non-Qualified Money (pages 3-8) have application to qualified assets as well, but due to the difference in the tax-treatment of IRA's, must be planned and presented somewhat differently. *We find that seniors with IRA's (or other tax-qualified assets) fall into one of two "camps" - they need income from their IRA, or they don't need the income. In both cases, we find that most are interested in leaving the remainder of their IRA to their heirs in the most efficient manner possible, and the starting point for a discussion revolves around the tax hit to the IRA upon inheritance.*

## 1. THE LEVERAGED IRA SOLUTION

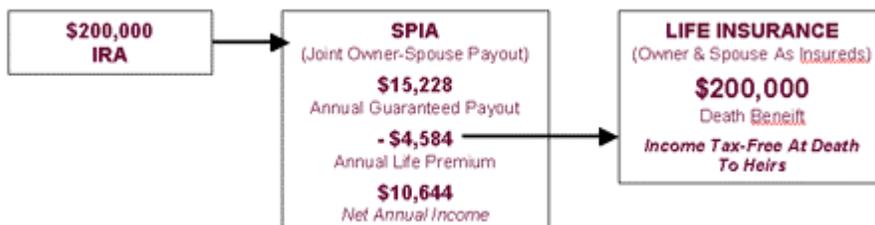
This concept is for the senior that does not need income from their IRA, and simply wants the most efficient transfer of the IRA to their heirs. We will leverage the inheritance value using life insurance.



The IRA is repositioned to a SPIA using a life-only payout on the life of the owner (first benefit is that this eliminates annual MRD calculations and requirements). Based upon the projected tax bracket of the IRA owner, annual taxation on the SPIA income is deducted from the payout, with all of the remainder used to fund a life insurance policy. *This guarantees an inheritance to spouse or heirs that is typically increased by 150% to 300% over leaving the IRA in a lump-sum and incurring 28% to 40% taxation on the inheritance.*

## 2. THE IRA REPLACEMENT SOLUTION

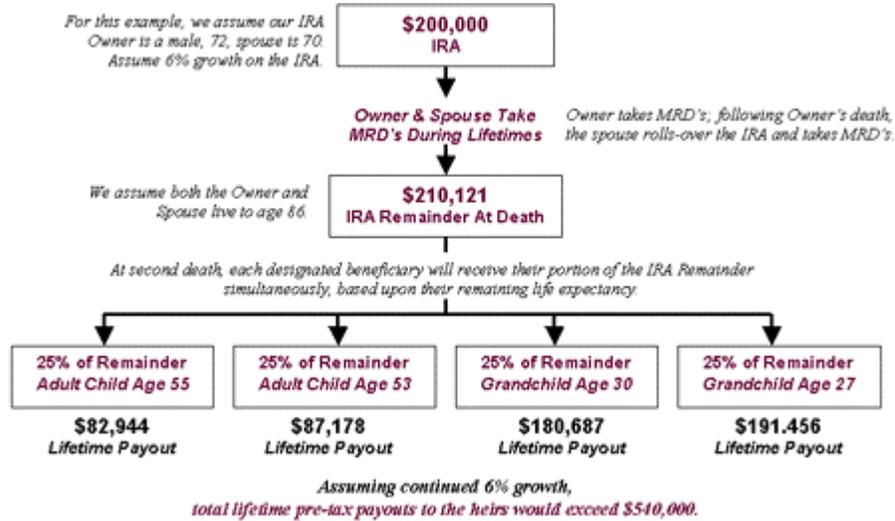
This concept is for the senior that does need income from their IRA, but still wants to leave a legacy to their heirs.



Similar to the Leveraged Solution, but *this time we are using only enough of the SPIA payout to replace the current value of the IRA to the heirs (instead of leveraging it), and assuming here that we are dealing with a couple, basing the SPIA on both lives (to insure income to both) and using a second-to-die life insurance policy. This guarantees lifetime income to both spouses, eliminates MRD calculations, and passes the current value of the IRA to heirs in a single-sum free of income taxes.*

### 3. THE STRETCH OR MULTI-GENERATIONAL IRA SOLUTION

This concept is for the senior that does need income and is not attracted to either the Leveraged or IRA Replacement solutions. In this, concept, the client (and spouse) take income from the IRA, either MRD's or a higher amount, during their lifetimes. The 'stretch" concept occurs at death - *the IRA remainder is distributed to their heirs based upon each individual heirs' life expectancy, resulting in a much higher inheritance over their lifetime, and managing the taxation on the inheritance over the heirs' lifetimes as well.*



**CALL YOUR RAM GROUP MARKETING REPRESENTATIVE TO DISCUSS THESE CONCEPTS AND THEIR VARIATIONS**

**800-686-4238**

*\*\*\*Important Note: The information in this section is only intended as a general overview and is not intended to provide tax advice. There may be carrier, product or state variations or there may have been changes in the tax law that may affect the information in this section. Please consult a tax-advisor for specific tax advice. Also, please consult RAM Group and the specific carrier for specific product and state variations.*