Pass on a Legacy Not a Tax Burden

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You have worked diligently your whole life to save for your retirement. After calculating your own retirement needs, you may find yourself in the fortunate position to be able to pass on some of that hard earned savings, and leave a legacy to your heirs.

However, what you may not realize is that this legacy, this generous gift could also cause a substantial tax consequence to your loved ones, especially if it's qualified funds. Qualified means money that you have not yet paid taxes on. There are ways to drastically reduce or even eliminate the possible taxes due to your heirs on that qualified money and to transfer even more wealth than you ever thought possible.

REDUCING OR ELIMINATING TAXES ON QUALIFIED FUNDS

The qualified funds that a beneficiary receives will be treated as ordinary income and taxed at their income tax bracket. Based on the amount of inheritance, if taken in a lump sum, your beneficiary's tax bracket not only could be increased, this would also drastically reduce the amount of inheritance they receive.

EXAMPLE: If an heir that is currently in a 25% tax bracket inherits $200,000 in IRA money; their tax bracket could now be increased up to 33% or more, which would substantially reduce the $200,000 inheritance. The tax they pay on their ordinary income could be increased as well. Learn the solutions that help reduce and possibly eliminate this issue and at the same time pass on more money to your heirs without causing a huge tax burden.

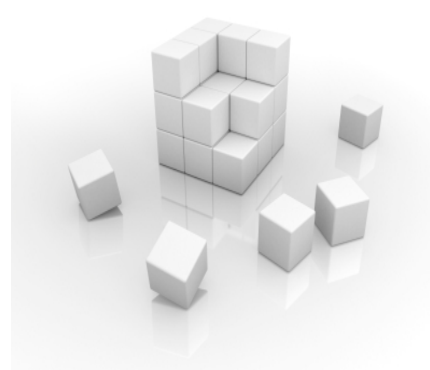
HERE ARE YOUR OPTIONS:

This example is based on you having $150,000 in qualified funds designated to pass on to your beneficiary. Strategy uses a 10-year time frame.

DO NOTHING

Leave the $150,000 where it is currently invested. Based on an estimated growth rate of 3% cumulative for 10 years, the original $150,000 would grow to $201,587, or less if there are required minimum distributions that need to be withdrawn from the account. These are distributions that the government requires to be taken from a qualified account each year once you reach the age of 70 ½.

Based on the $201,587 amount, if this is passed on to your beneficiary in a lump sum, after an estimated 33% in taxes due, they will pay $66,523 to the IRS and **$135,064** is left for them. Do you consider the IRS a beneficiary? It's not likely that Uncle Sam is who you had in mind when you worked so hard to save to be able to pass on a legacy.



HERE ARE SOME SOLUTIONS:

ELIMINATE OR REDUCE TAXES

Take that same $150,000 in qualified funds and either transfer or roll it into a Single Premium Immediate Annuity to be paid out over a 10-year time frame. The annual payment amount would be approximately $16,420 each year. You will be responsible to pay taxes on the amount paid out each year. In many cases, retirees can withdraw up to $20,000 or more per year from their qualified account without incurring any additional income taxes or with minimal tax consequences.

The following are two choices you can use to eliminate or reduce taxes while passing this money on to your beneficiaries.

1. USING LIFE INSURANCE

Use the $16,420, or the balance if any taxes are due, to fund a Life Insurance contract. Based on a 65 year old male, this could provide approximately **$447,000** in Death Benefit to your heirs. The death benefit proceeds from a Life Insurance contract are passed on to your beneficiaries **TAX-FREE.**

2. USING A FIXED ANNUITY

Invest the funds into a Fixed Annuity contract. This way you will not lose control of your money and you will still have access to some of the funds if you want it, or need it should an emergency arise. You may even want to help pay for your grandchildren's college tuition.

When the annuity is passed on to your beneficiary, it bypasses probate and only the gain will be taxable. This substantially minimizes the tax burden your heirs would have otherwise incurred.

"Your beneficiary inherits $186,463 after taxes. Compare that to the $135,064 if you do nothing."

EXAMPLE:

Invest the $16,420 into a fixed annuity each year for 10-years. This amount growing tax-deferred at an estimated 3% rate would grow to **$193,884.** To calculate the amount of taxable gain, take the difference between the cost basis ($16,420 x 10) $164,200 and the $193,884. In this case $29,684 would be taxable to your beneficiary.

Most likely this amount would not increase their tax bracket to 33% or more. If they were at an estimated 25% tax bracket the amount of taxes due in this scenario would be $7,421. In effect, your beneficiary will inherit **$186,463** after taxes. Now compare that to the **$135,064** they were left with in the DO NOTHING scenario. Which option do you think is best for you and your heirs?

Call today for more information on how one of these options could reduce or even eliminate unexpected tax burdens to your beneficiaries.

For More Information Call:

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