

IDEAL'S POWER MINUTE

I was recently doing an annual review with a client of mine. Between her and her husband, they have close to \$700k in annuities with me. All of which is qualified money. During the discussion, she also mentioned that she and her siblings recently sold her parent's farm and her share of the proceeds was nearly \$500k. I asked her what she intended to do with that money, and she said she didn't know. She didn't need the money, and her ultimate goal was to pass it on to her children at some point. Her biggest concern was that she didn't want her kids to have to pay taxes on it again. She also wanted to have some liquidity in case she ended up needing some of it.

During the conversation I asked her, "What do you think future tax rates are likely going to be, lower or higher?" She responded just as I knew she would... higher! I responded, "here is the problem with that... You have close to \$700k in qualified funds. If, conservatively, those accounts grow by 5% per year, even when you start taking RMDs at age 70, your IRAs could be worth as much as \$1.4M at your life expectancy! When you die, you are going to drop a fully taxable IRA in your children's laps when they are in their highest income earning years in a tax environment, which you just agreed with me is going to be higher than it is today."

I explained to her that unfortunately, there is nothing we can do about the taxes. But through some planning, we can certainly reduce/mitigate the taxes. Since I already knew she didn't need the farm sale money and didn't want her kids to pay taxes at their deaths, I moved into a single premium life conversation with NWL. She decided that she would potentially let me work with \$250k of her inherited funds. We looked at an illustration and her \$250k single premium leverages up to a tax free death benefit of just over \$500k. I explained to her that she wasn't "tied up." In fact, she has 100% return of premium on her \$250k on day one. In addition, she can take out 10% of her account value penalty free starting in year two. Her account value can grow via indexing just like her annuities today, except with much higher caps. In fact, some NWL policies credited as high as 21% interest last year! The icing on the cake for her



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was that this product also has accelerated death benefits in the event she suffers a chronic/critical illness or needs long term care.

So by shifting money from her left pocket to her right pocket, we leveraged up her dollars and also put it in a favorable tax situation upon her death! In addition, as young as she is, she still has the opportunity to grow the account value and use it as a supplemental source of income at some point if needed. With as frugal as these clients are, it is unlikely that it will be needed for that purpose. But, it sure is nice to know that there is a retirement plan "back stop" in place if necessary!

We wrote the app, did the phone interview and the case was issued and paid in less than one week!! We were able to a lot of good for this client. The Lifetime Returns Select 1 accomplished everything she wanted. And, we didn't mind the fact that we got paid 12% commission on this sale as well!

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