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Retirement Watch
SPOTLIGHT SERIES

The Best IRA Planning Ideas After the SECURE Act

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What Was The Stretch IRA?

- **Wealth transfer, estate planning tool**
- **RMDs over beneficiary's life expectancy**
- **Continued tax deferral for years**
- **IRA provided a legacy**
- **Owner retained access during lifetime**

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Stretch IRA Shortcomings

- **Beneficiaries paid income taxes**
- **No requirement to use deferral**
- **Intentions often not made clear**
- **Most inherited IRAs spent quickly**

Better strategies always were available



The SECURE Act Eliminates

- **Basic rule: Distributed within 10 years**
- **Exceptions (eligible designated b/ees):**
 - **Surviving spouse**
 - **Disabled person**
 - **chronically ill**
 - **minor child**
 - **fewer than 10 years younger**



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The 5-Year Rule Continues

- **When a beneficiary not an individual**
 - **5 years if died before RBD**
 - **life expectancy if died after RBD**
- **When b/ee is trust, estate, not named**
Note: Employer plans can require faster payouts.

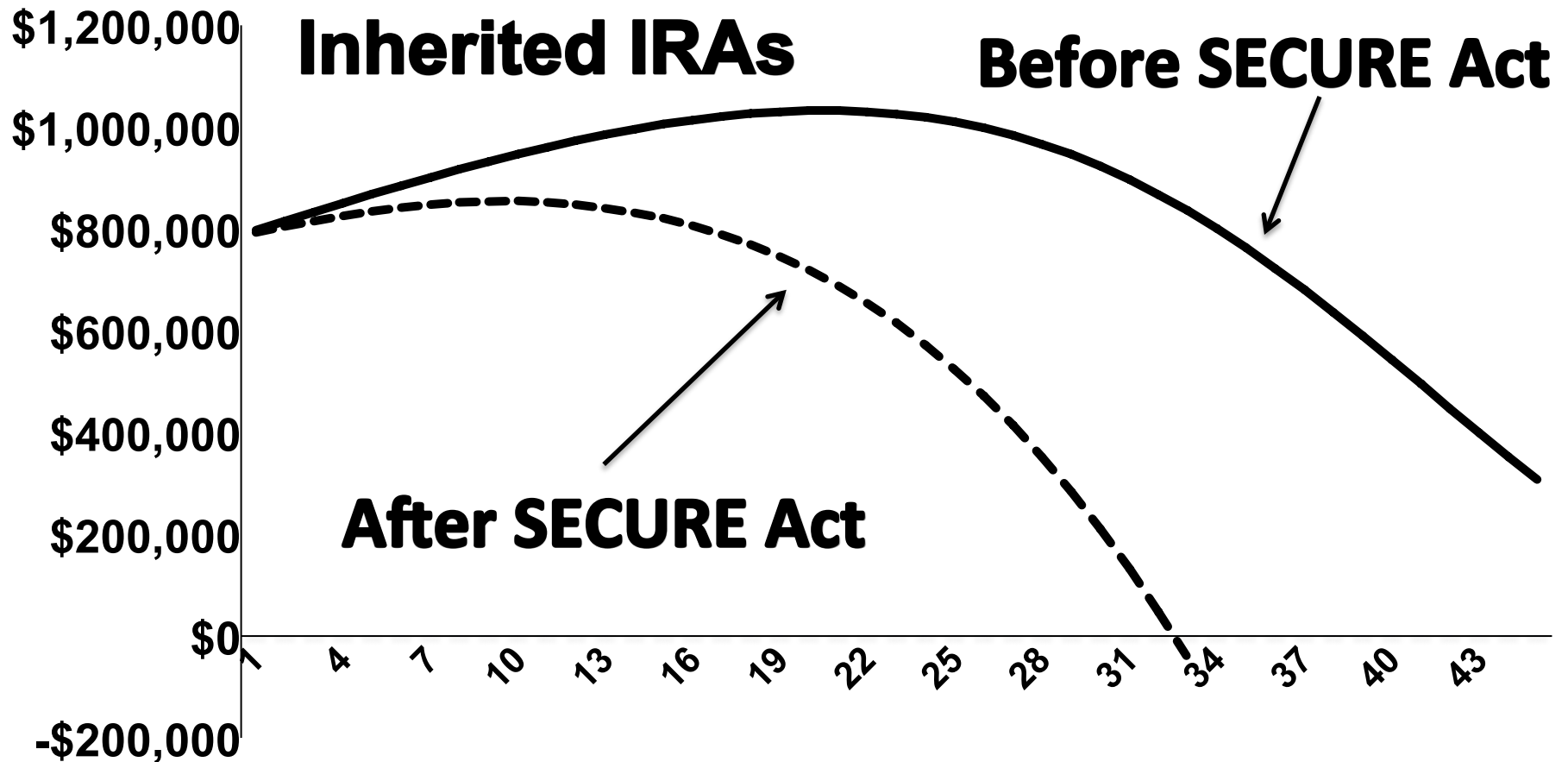
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The Cost of the SECURE Act



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Three Key Concepts

- **Tax deferral**
- **Tax conversion**
- **Tax bracket management**

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Defer: The Oldest Tax Rule

- Don't pay tax until have to
- Compound tax-deferred returns

But:

- Future tax rates could be higher
- Deferral often converts income
- High inflation increases benefits
- Low tax rates = lower benefits

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The Tax Conversion Trap

- **Some assets are tax-advantaged:**
 - **Long-term capital gains**
 - **Qualified dividends**
 - **Tax-free (Roth IRAs)**
- **Deferral can convert to ordinary income**
- **Pay later, but pay more**

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Tax Bracket Management

- **Reduces lifetime income taxes**
- **Makes nest egg last longer**
- **Progressive tax rates**
- **Maximize income in current bracket**
- **Avoiding jumping to higher bracket**
- **Need tax diversification**

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Charitable Remainder Trusts

- **Income to beneficiary: life or years**
- **Remainder to charity**
- **Tax deduction for creating**
- **Trust pays no income taxes**
- **Taxes on distributions to b/ees**
- **Equal or better results to Stretch IRA**
- **Free management?**

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Key Rules for CRTs

- **Charity receives at least 10% initial value**
- **Only 5% chance charity won't benefit**
- **Income must be at least 5%**
- **Deduction can be for income or estate**
- **Deduction = PV of charity's benefit**



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Types of CRTs

- **Charitable Remainder Annuity Trust (CRAT)**
- **Charitable Remainder Unitrust (CRUT)**
- **Net Income Only CRUT (NICRUT)**
- **NICRUT with make up (NIMCRUT)**
- **Flip Unitrust**

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Factors to Consider

- **Charitable intent**
- **Income or estate tax deduction**
- **Beneficiary: income now or later**
- **NIMCRUT most powerful**
- **Family can't tap the CRT for cash**
- **What if beneficiary dies early?**

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Prototype CRT Strategy

- **Take IRA distribution, pay taxes**
- **Contribute to CRT, take deduction**
- **CRT invests money tax free**
- **CRT makes distributions to b/ee**
- **CRT remainder goes to charity**

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Power of an IRA Conversion

- **Pay lower taxes now**
- **Future earnings are tax free**
- **No RMDs**
- **Tax-free lifetime access**
- **Tax-free distributions to b/ee**
- **Low cost, full control**
- **Don't forget Stealth Taxes**

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2020: Year For a Conversion?

- **No RMDs on traditional IRA**
- **Lowest lifetime tax rates?**
- **Lower income in 2020?**
- **Convert when values are down**
- **Tax-free gift to beneficiaries**
- **Estate & gift taxes could increase**

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IRA Conversion Tips

- **Serial conversion**
- **Convert after market decline**
- **Convert near year end**
- **Convert when taxable income is low**
- **Reduce taxable income**

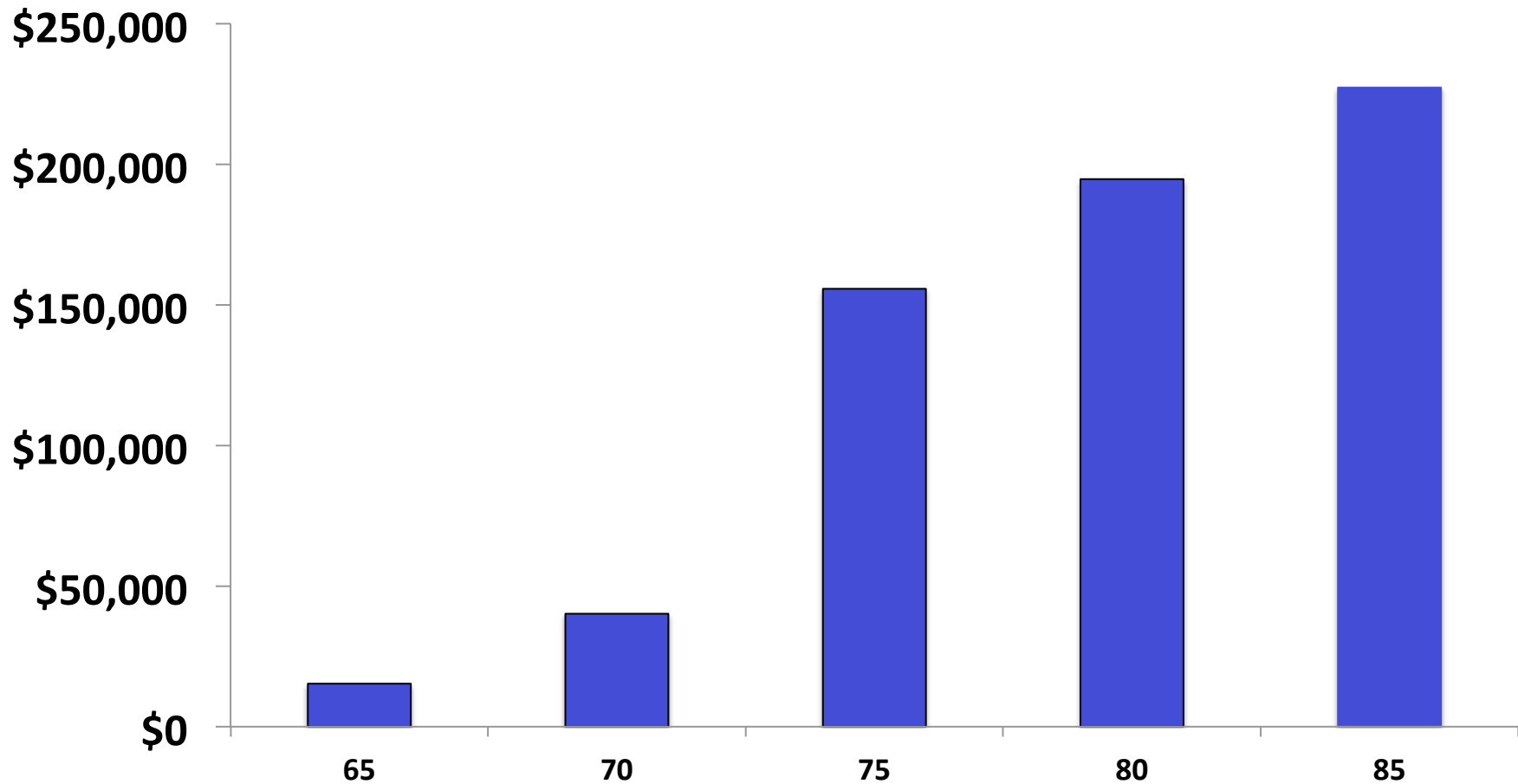
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The Conversion Legacy



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IRA Conversions & Trusts

- **Conversion doesn't duplicate Stretch IRA**
- **Name a trust as beneficiary**
- **Additional benefits, protection**
- **Need the right trust terms**
- **Customize for your goals**

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IRA Reposition Strategies

- **Reposition the IRA to life insurance**
- **Provides leverage**
- **Tax-free benefits**
- **Guaranteed benefits**
- **Likely higher benefits**

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Key Insurance Strategies

- **The Family Bank**
- **RMD Leverage**
- **IRA Reboot**
- **Wealth Creation**

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Steps In Reposition Strategies

- **Take distribution from traditional IRA**
- **Pay income taxes**
- **Buy permanent life insurance**
- **Create trust?**
- **After-tax amount=insurance deposit**
- **B/ees inherit tax-free benefit**

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Steps In Reposition Strategies

- **Leverages estate/gift tax exemptions**
- **Protects from creditors**
- **Possible lifetime access**
- **Benefit multiple generations**
- **Eliminate market fluctuations**
- **Likely maximizes benefits**
- **Customize features**

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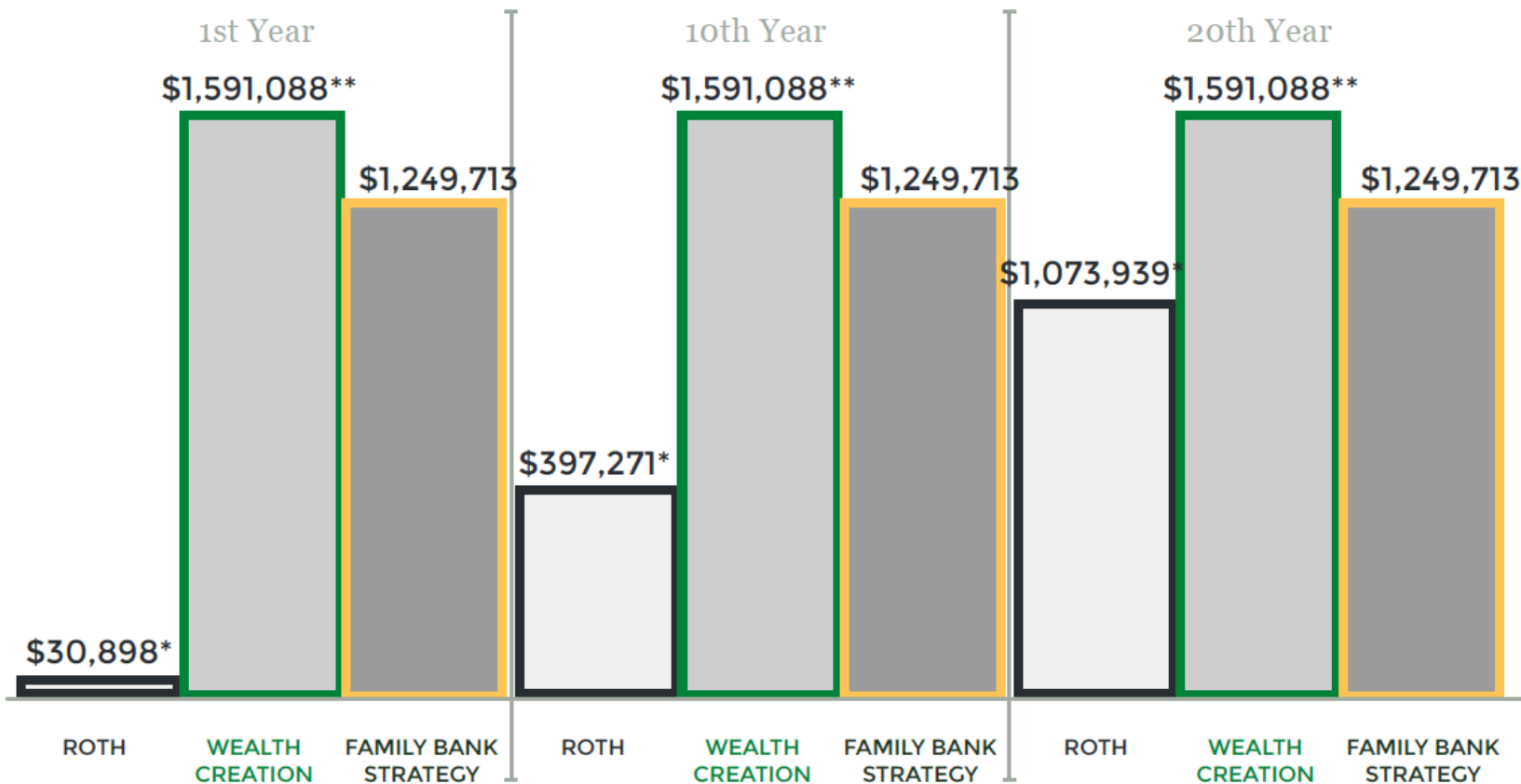
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ROTH IRA vs. Wealth Creation/Family Bank Strategy

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



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Finding the Strategy for You

- **Compare the numbers**
- **Examine assumptions**
- **Use one or more professionals**
- **Life insurance:**

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Summarizing the Strategies

- **Charitable remainder trust (CRT)**
- **Conversion to Roth IRA**
- **Roth IRA with trust beneficiary**
- **Life insurance relocation strategies**

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