

Qualified vs Non-qualified Money

- ✦ Definitions
- ✦ Types of Accounts
- ✦ Guidelines
- ✦ Taxation
- ✦ Indexed Universal Life & Index Annuity
- ✦ Sell what it does, not what it is!

Qualified Plans/Accounts/Money

Definition:

✦ Money that has never been taxed.

– Pre-tax contributions

– Deductible contributions



Qualified Money Pre-tax contributions

Type of Accounts

✦ Company sponsored plans:

– 401(k)

– TSA/403(b)

– Profit Sharing Plan (PSP)

Qualified Money Deductible Contributions Type of Accounts

✦ Individual Retirement Accounts:

– Traditional IRA

– SEP IRA

– SIMPLE IRA



Qualified Plan/Account/Money Guidelines

- ✦ Must have earned income
- ✦ Maximum contribution limits
- ✦ Grows Tax-deferred
- ✦ Allowable investments
- ✦ 59½ rule
- ✦ 70½ rule
- ✦ By-pass of probate
- ✦ Spousal continuation

Qualified Plan/Account/Money Taxation

- ✦ Contributions are pre-tax or deductible
- ✦ Earnings are tax-deferred
- ✦ Withdrawals are 100% taxable as ordinary income
- ✦ Withdrawals prior to age 59½ are subject to an additional 10% penalty tax
- ✦ Withdrawals are required at age 70½ (RMD) Required Minimum Distribution
- ✦ Withdrawals not taken at 70½ are subject to an additional 50% penalty tax
- ✦ Distributions at death are 100% taxable to named beneficiaries as ordinary income
- ✦ Spousal beneficiary has the option to take distribution or roll into personal IRA
- ✦ Children as beneficiary must take distribution or “Stretch”

Non-qualified Money

Definition:

✦ Money that has already been taxed.

– Post tax contributions



Non-qualified Money Type of Accounts

✦ Any Post tax account:

- Checking/savings
- CD
- Money Market
- Brokerage
- Annuities
- Life Insurance
- Real Estate
- Roth IRA

Non-qualified Account/Money Guidelines

- ✦ No earned income requirement
- ✦ No maximum contribution limits
- ✦ No maximum income limits
- ✦ Grows taxable
- ✦ Allowable investments
- ✦ No 59½ rule
- ✦ No 70½ rule
- ✦ No by-pass of probate
- ✦ No spousal continuation

Non-qualified Account/Money Taxation

- ✦ Contributions are post tax and are **NOT** deductible
- ✦ Earnings are taxable annually in the form of interest, dividends and capital gains
- ✦ Withdrawals are **NOT** 100% taxable
- ✦ Withdrawals prior to age 59½ are **NOT** subject to an additional 10% penalty tax
- ✦ Withdrawals are **NOT** required at age 70½ (RMD) Required Minimum Distribution
- ✦ Withdrawals not taken at 70½ are **NOT** subject to an additional 50% penalty tax
- ✦ Distributions at death are **NOT** 100% taxable to named beneficiaries
- ✦ Spousal beneficiary has the option to assume ownership of account without taxation
- ✦ Children as beneficiary must take distribution – taxation depends upon investment

Roth IRA Guidelines

- ✦ Must have earned income
- ✦ Maximum contribution limits
- ✦ Maximum income limits
- ✦ Contributions are **NOT** deductible
- ✦ Grows Tax-deferred
- ✦ Withdrawals are **TAX FREE !**
- ✦ Allowable investments
- ✦ 59½ rule
- ✦ No 70½ rule
- ✦ By-pass of probate
- ✦ Spousal continuation

Roth IRA Taxation

- ✦ Contributions are **NOT** pre-tax or deductible
- ✦ Earnings are tax-deferred
- ✦ Withdrawals are 100% **Tax Free !**
- ✦ Withdrawals prior to age 59½ are subject to ordinary income tax and an additional 10% penalty tax
- ✦ Withdrawals are **NOT** required at age 70½ (RMD) Required Minimum Distribution
- ✦ Distributions at death are 100% income **Tax Free** to named beneficiaries
- ✦ Spousal beneficiary has the option to take distribution or roll into personal Roth IRA
- ✦ Children as beneficiary must take distribution

Equity Indexed Universal Life Guidelines

- ✦ **No** earned income requirement
- ✦ **No** maximum contribution limits
- ✦ **No** maximum income limits
- ✦ Grows tax-deferred
- ✦ Withdrawals and loans are **TAX FREE !**
- ✦ Cannot be a qualified account
- ✦ **No** 59½ rule
- ✦ **No** 70½ rule
- ✦ Enhanced death benefit
- ✦ Income **Tax Free** death benefit
- ✦ Death benefit by-passes probate
- ✦ No spousal continuation

Life of The Southwest
SecurePlus Life

Equity Indexed Universal Life Taxation

- ✦ Premiums are **NOT** pre-tax or deductible
- ✦ Interest accumulates tax-deferred
- ✦ Withdrawals and loans are 100% **Tax Free !**
- ✦ Withdrawals and loans prior to age 59½ are **NOT** subject to ordinary income tax and an additional 10% penalty tax
- ✦ Withdrawals are **NOT** required at age 70½ (RMD)
Required Minimum Distribution
- ✦ Death Benefits are 100% income **Tax Free** to named beneficiaries

Non-qualified Equity Indexed Annuity Guidelines

- ✦ **No** earned income requirement
- ✦ **No** maximum contribution limits
- ✦ **No** maximum income limits
- ✦ Grows tax-deferred
- ✦ Withdrawals of interest are taxable
- ✦ **CAN** be a qualified account
- ✦ **No** 59½ rule
- ✦ **No** 70½ rule
- ✦ Provides lifetime of income
- ✦ Death benefit by-passes probate
- ✦ Spousal continuation

** American Equity, Lincoln Benefit, LSW**

Non-qualified Equity Indexed Annuity Taxation

- ✦ Contributions are **NOT** pre-tax or deductible
- ✦ Interest accumulates tax-deferred
- ✦ Withdrawals of interest are taxable
- ✦ Withdrawals prior to age 59½ are subject to ordinary income tax and an additional 10% penalty tax
- ✦ Withdrawals are **NOT** required at age 70½ (RMD) Required Minimum Distribution
- ✦ Distributions of interest at death are taxable as ordinary income to named beneficiaries
- ✦ Spousal beneficiary has the option to take distribution or continue
- ✦ Children as beneficiary must take distribution or “STRETCH”

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