

Qualified Client Case Study

A common assumption among those who have assets in qualified accounts is that they actually own them all. Because these funds are 100% taxable a person may own only 60-70% of them. Uncle Sam owns the rest!!

This example assumes an IRA owner who has most of their assets in qualified accounts and has very little in non-qualified assets. The challenge is, if they cash in the qualified money it is all taxable! They may not know, when RMD time comes along, they also have the potential of a 50% penalty if the full RMD is not withdrawn.

Fortunately, there is an option. In the comparison below you can see that by cashing out the qualified account and putting the cash in a LegacyTree Foundation LegacyPlan the owner could receive over \$110,000 more over a term of 20 years than if they just paid taxes on the withdrawn money.

	IRS Option Complete Liquidation	Immediate 20-Year Term Certain LegacyPlan
Qualified Asset Amount	\$500,000	\$500,000
Income Tax Deduction	N/A	\$157,506
Income Tax Savings	N/A	\$51,977
Income Tax Owed Due to Qual Withdrawal	\$143,229	\$77,644
Less Cash for Tax Bill	N/A	\$85,000
Asset Transferred to LTF	N/A	\$415,000
Monthly Income	N/A	\$1,743
Annual Income	N/A	\$20,916
Total Income Payout	\$500,000	\$418,236
Total <u>Taxable</u> Income	\$500,000	\$160,742
Total <u>Tax-Free</u> Income	N/A	\$257,494
Total Benefit	\$356,771	\$470,213

- ✓ **No RMD penalties. Ever**
- ✓ **Tax-advantage income**
- ✓ **Tax bill paid in full**
- ✓ **Structure an inheritance**
- ✓ **Charitable Grant donated to charity of choice**

Two more Term Certain payout comparisons.

	IRS Option Complete Liquidation	Immediate 15-Year Term Certain LegacyPlan	5-Year Deferred 20-Year Term Certain LegacyPlan
Qualified Asset Amount	\$500,000	\$500,000	\$500,000
Income Tax Deduction	N/A	\$154,243	\$182,840
Income Tax Savings	N/A	\$50,900	\$51,977
Income Tax Owed Due to Qual Withdrawal	\$143,229	\$78,899	\$62,789
Less Cash for Tax Bill	N/A	\$85,000	\$85,000
Asset Transferred to LTF	N/A	\$415,000	\$415,000
Monthly Income	N/A	\$2,105	\$2,030
Annual Income	N/A	\$25,260	\$24,355
Total Income Payout	\$500,000	\$378,950	\$487,092
Total <u>Taxable</u> Income	\$500,000	\$118,193	\$254,932
Total <u>Tax-Free</u> Income	N/A	\$260,757	\$232,160
Total Benefit	\$356,771	\$429,850	\$549,881

Benefits:

- ✓ Client may recommend a charity(s) to receive an immediate grant of \$21,000.
- ✓ Eliminate the potential of 50% RMD penalties.
- ✓ Income-tax deduction can be used to reduce client's Adjusted Gross Income (AGI) by up to 50%, with a five-year carry forward.
- ✓ Tax deduction noted is the amount in which client estate is reduced.
- ✓ Income to client or heirs is received in a tax-favored manner. Each year the tax-free portion of the income increases.
- ✓ All LegacyPlans are insured by a highly- rated insurance company.

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