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InsMark SYMPOSIUM

November 4 - 5, 2016 | Las Vegas, NV

InsMark President's Presentation

Stretch IRA vs. Charitable IRA vs. Roth IRA



Case Study #1a

Harold and Martha Fontaine are 65 and 60 respectively and are both retired. They want \$150,000 in after tax retirement cash flow indexed at 3.00%.

They have a current net worth of \$5,350,000 which includes a \$600,000 IRA with a “Stretch” option.

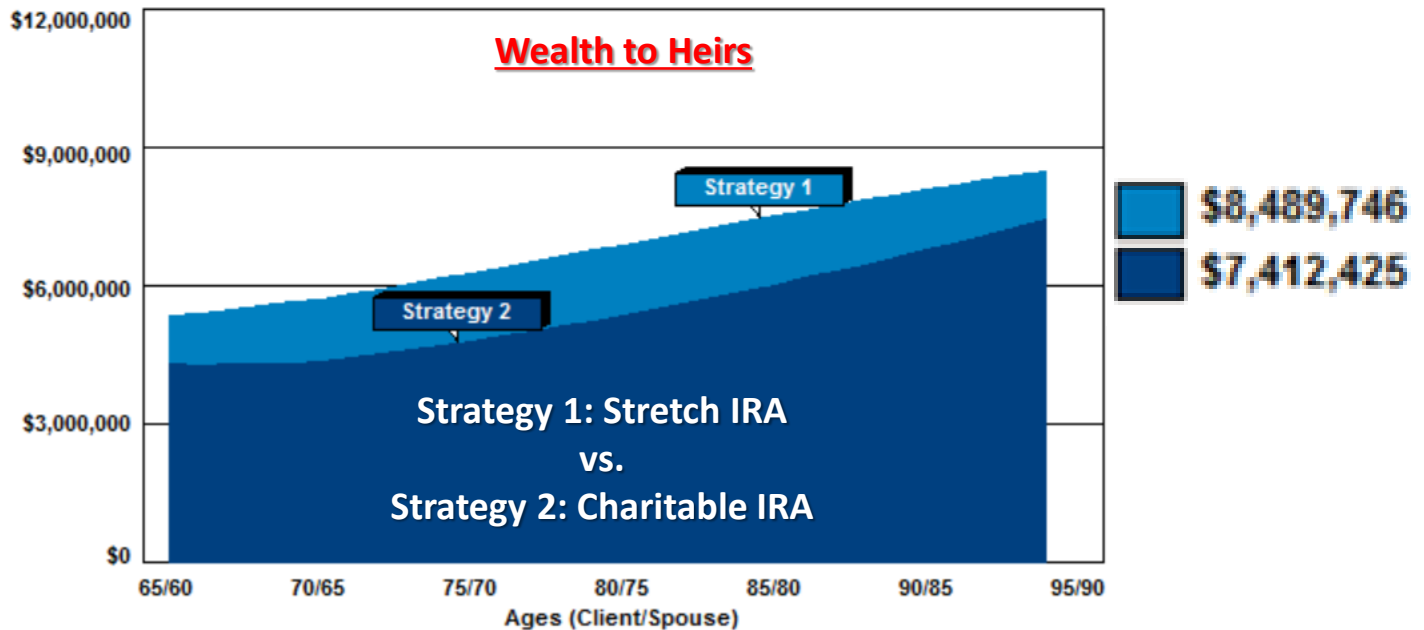
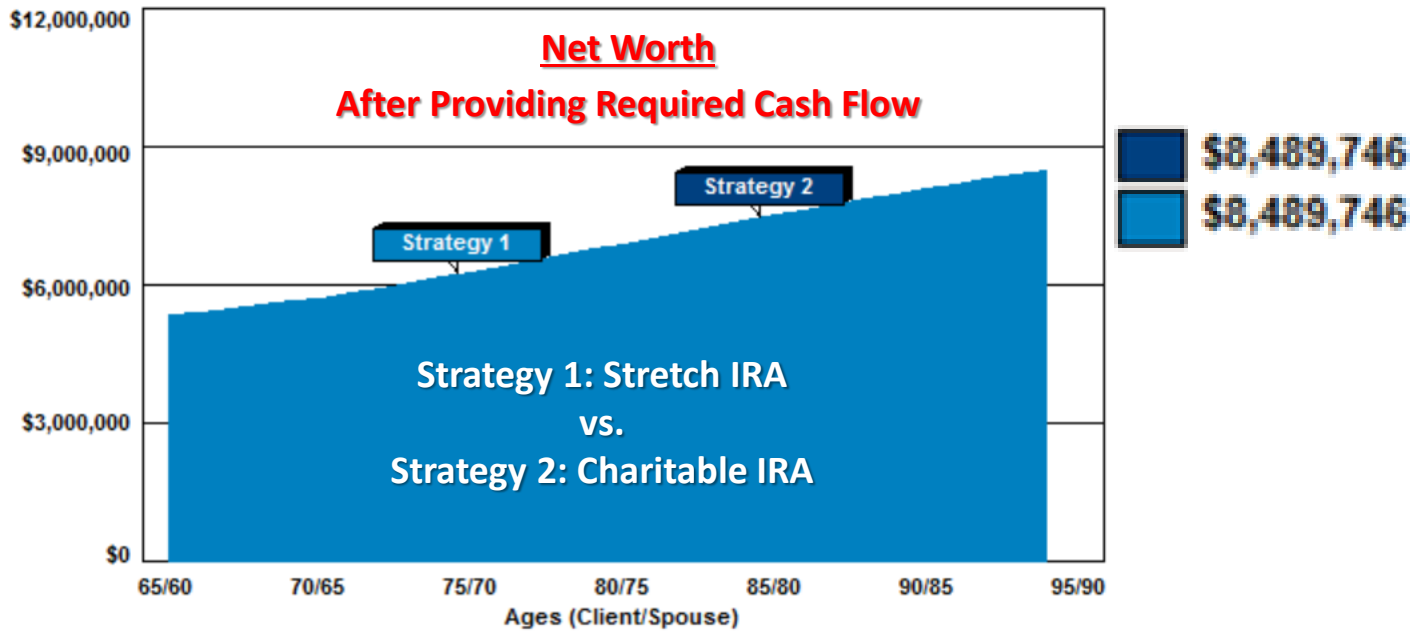
Can they meet their retirement cash flow goals while maintaining a comfortable level of net worth?

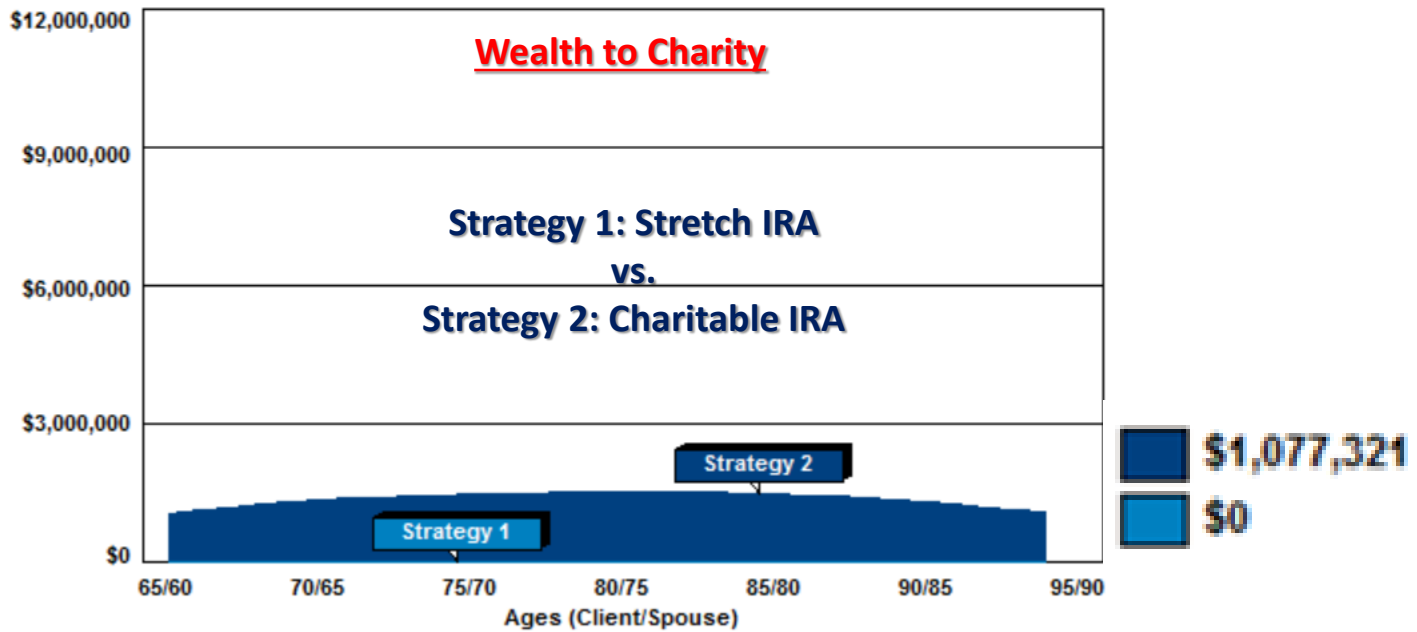
Can a Roth conversion coupled with cash value life insurance improve their net worth and wealth to heirs?

Harold and Martha Fontaine's Net Worth

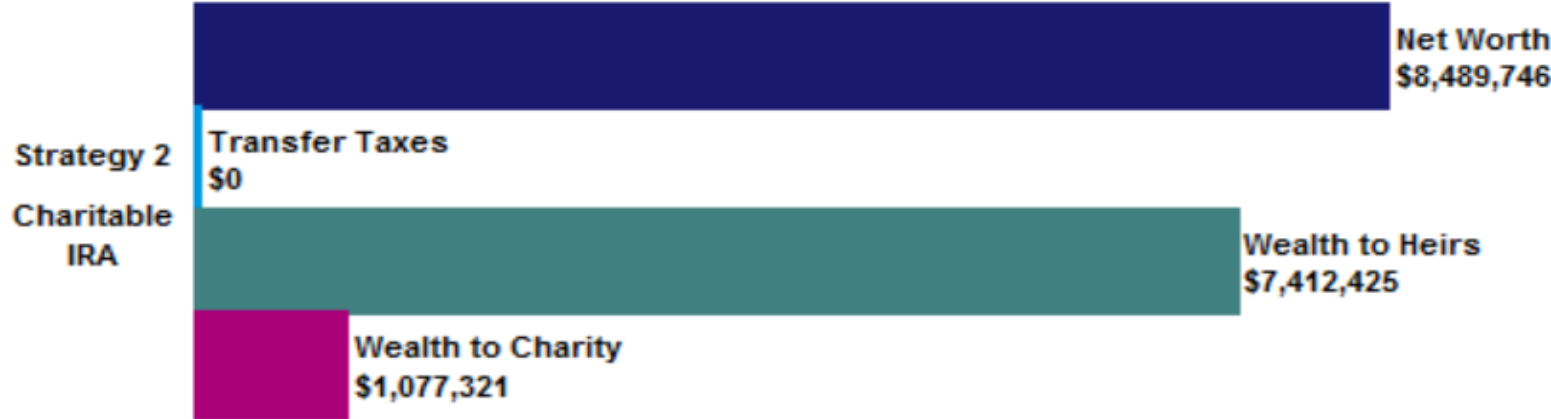
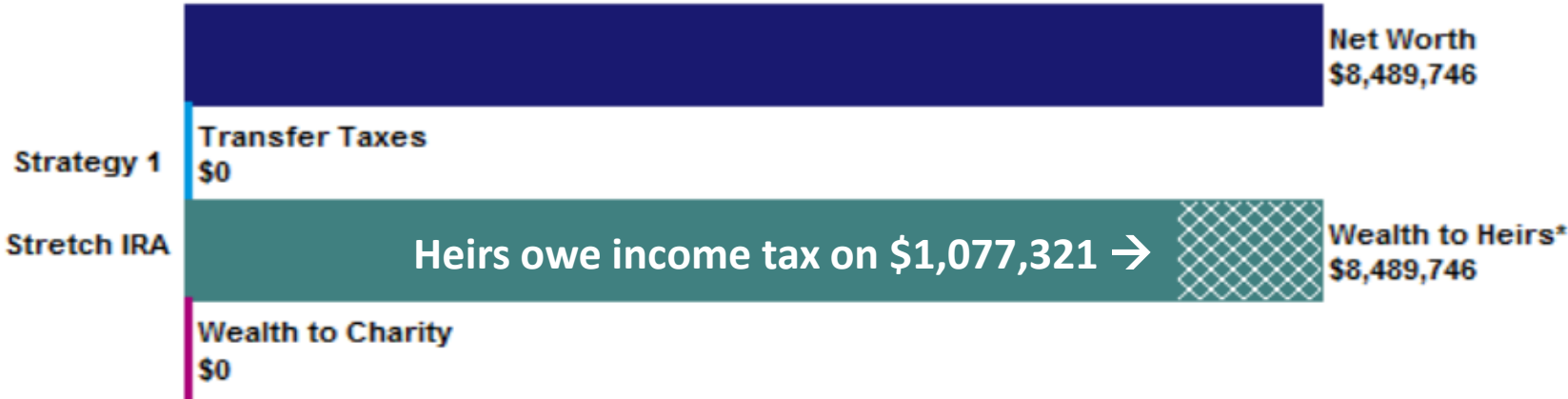
Current Assets

<u>Liquid Assets:</u>	Liquid Assets (Taxable Interest)	\$ 750,000	
	Liquid Assets (Tax Exempt Interest)	750,000	
	Equity Assets	2,000,000	
	Tax Deferred Assets	0	
	Retirement Plan Assets	1,000,000	
		<hr/>	
	Total Liquid Assets		4,500,000
<u>Illiquid Assets:</u>	Principal Residence	500,000	
	Personal Property	100,000	
	Vacation Home	250,000	
		<hr/>	
	Total Illiquid Assets		850,000
<u>Other Assets:</u>	Total Other Assets Inside the Estate		0
	Total Estate Assets		<u>\$5,350,000</u>





Results at Ages 95/90 (Joint life expectancy + 1)



Life Insurance Added to the Analysis

Policy #1: Indexed Survivor Universal Life

Face amount: \$1,457,713 (level DB)

Premiums: \$100,000 for 5 years*

Policy Loans: \$42,373 starting in year 6

***Source of Premiums: Asset Allocation**

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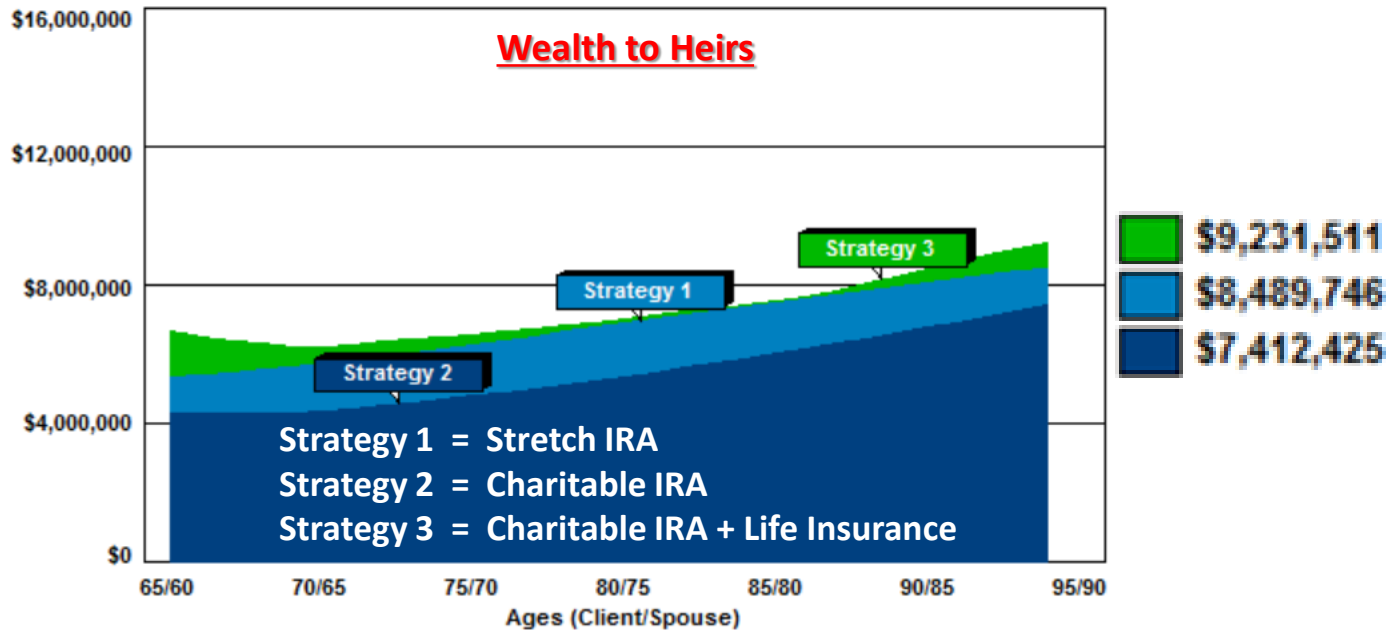
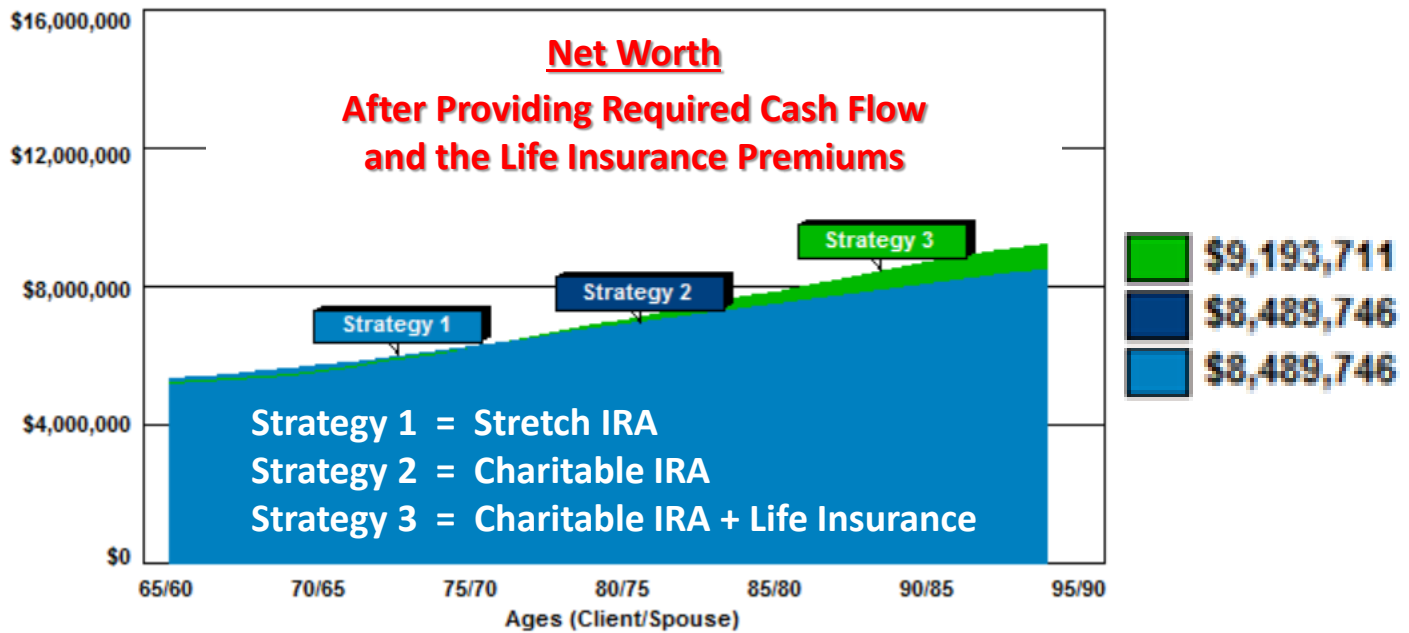
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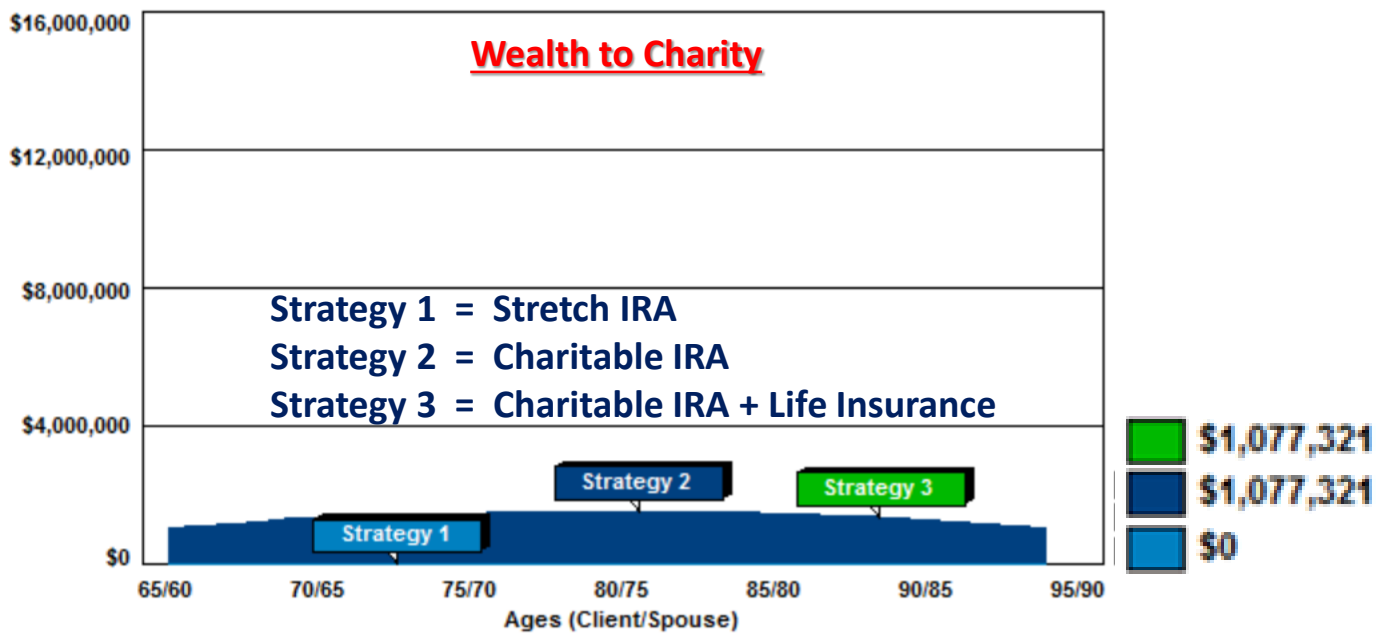
Policy #2: Indexed Universal Life (incr. DB)

Face amount: \$1,024,653

Premiums: \$30,000 for 10 years*

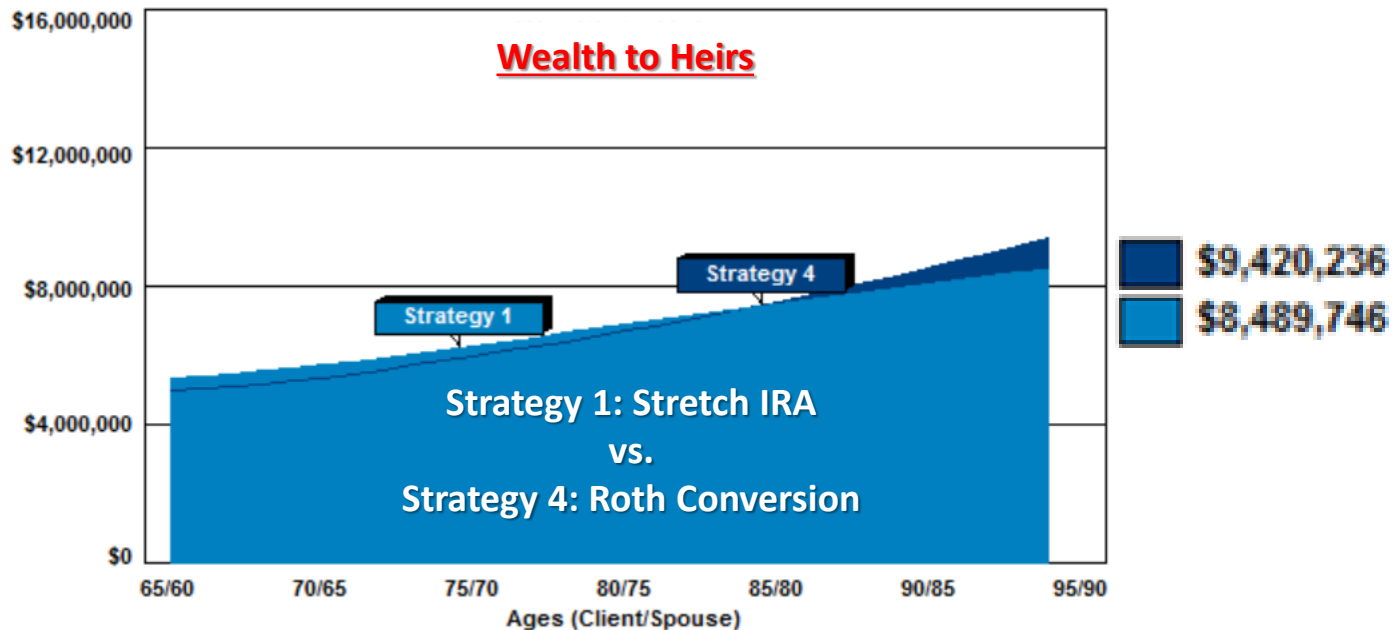
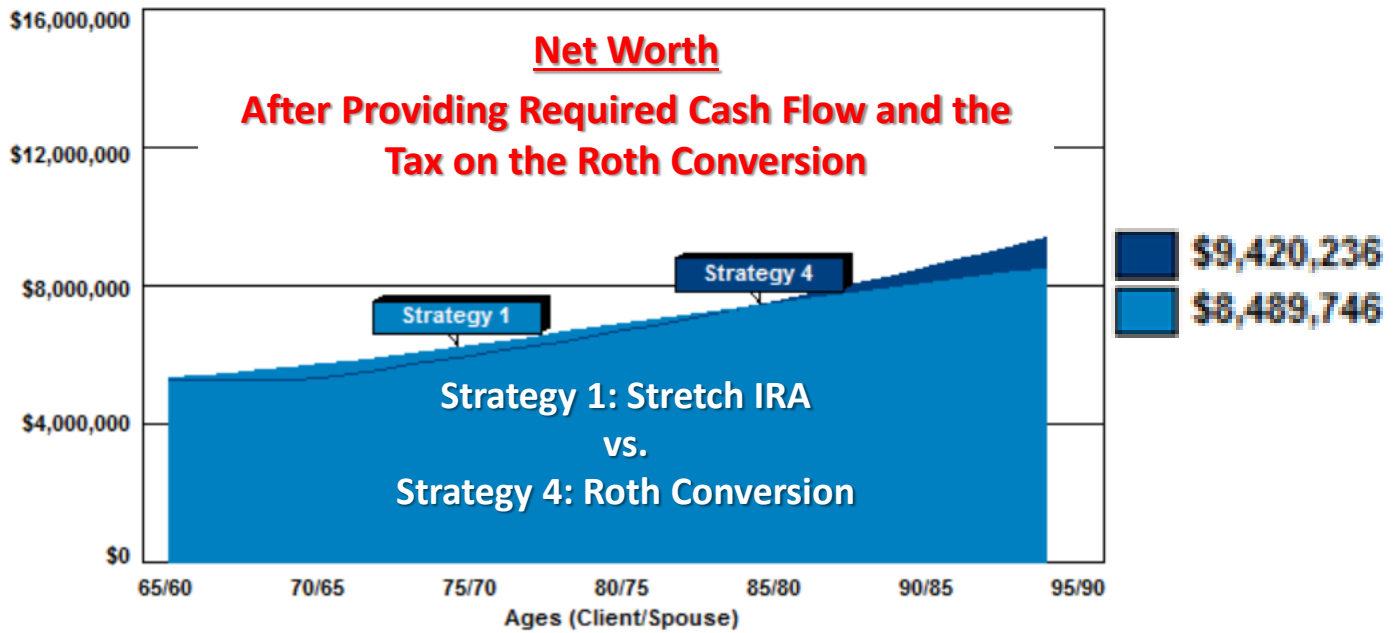
***Source of Premiums: Asset Allocation**





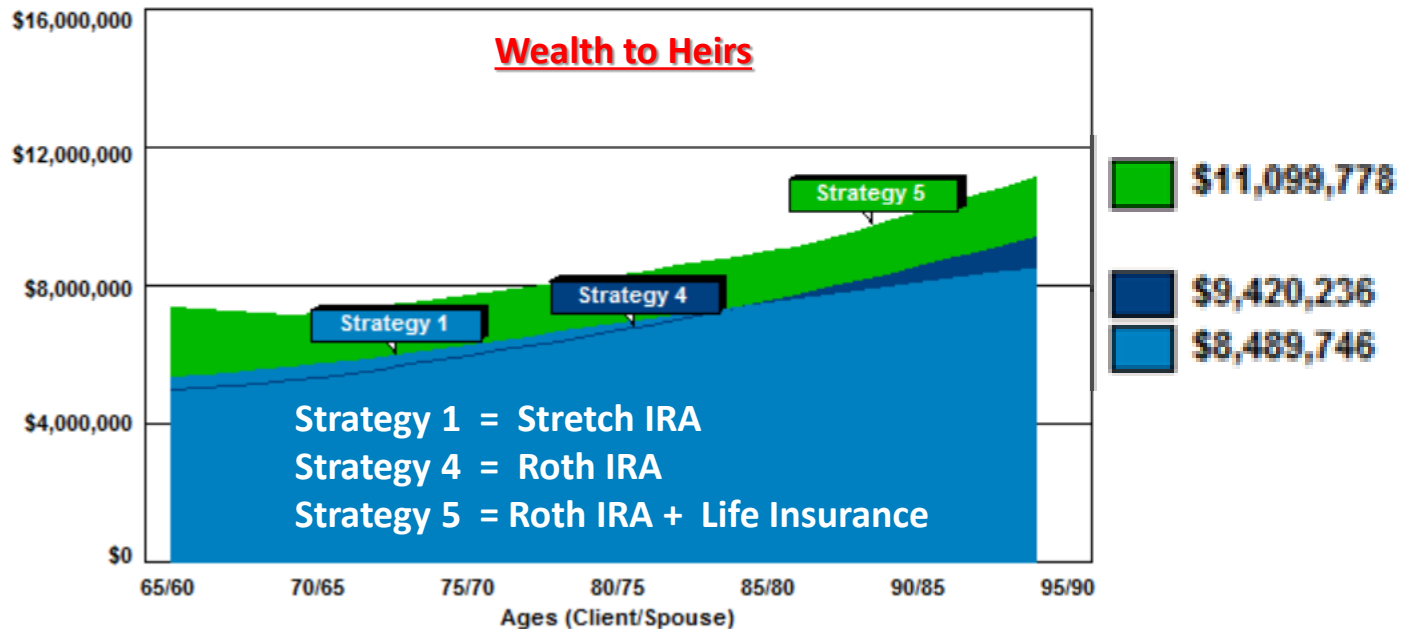
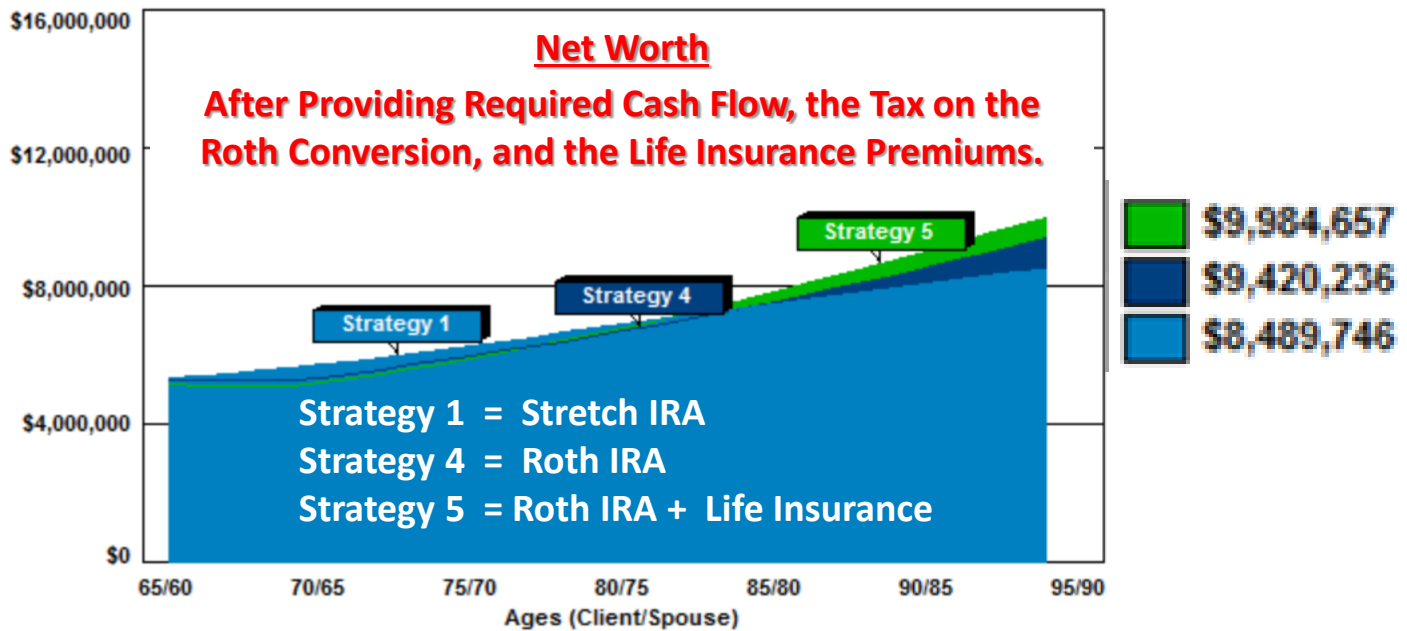
Results at Ages 95/90 (Joint life expectancy + 1)





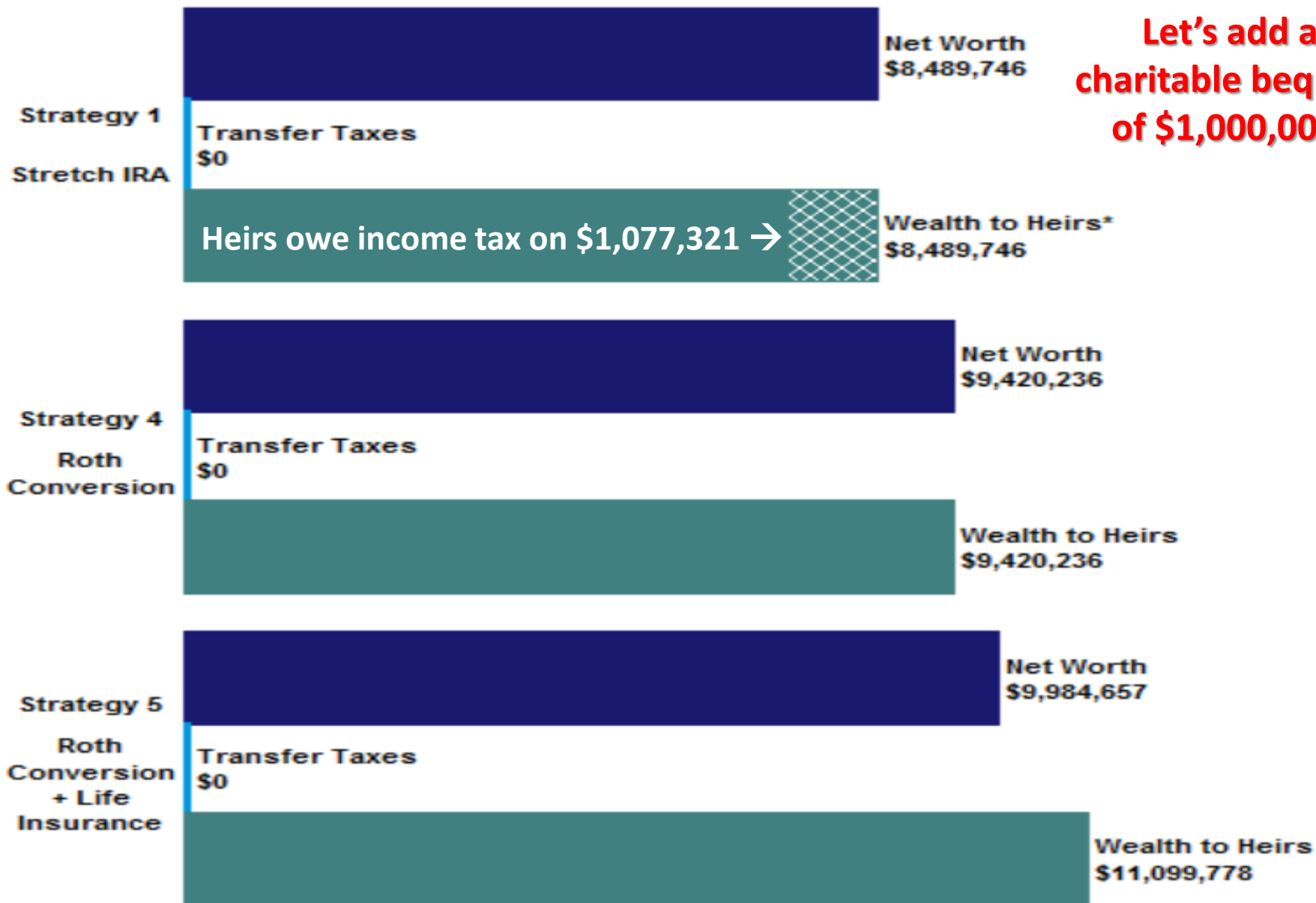
Results at Ages 95/90 (Joint life expectancy + 1)

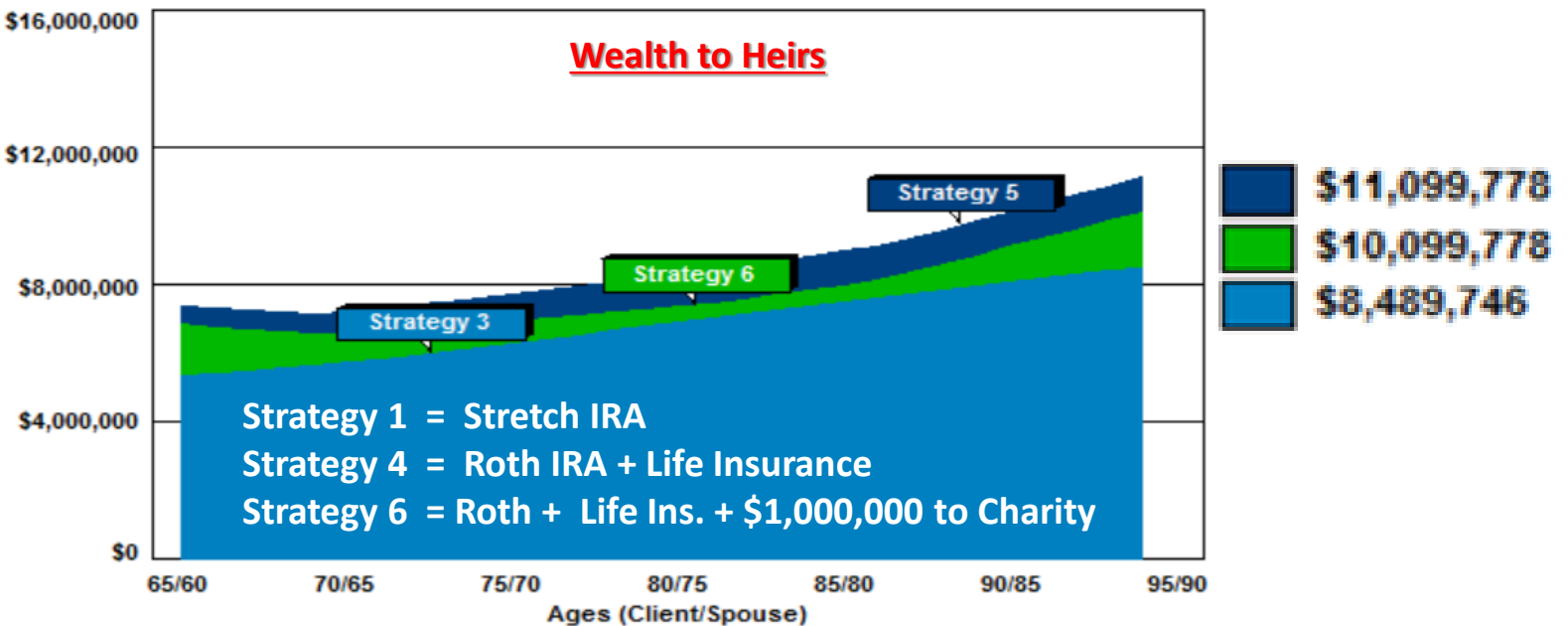
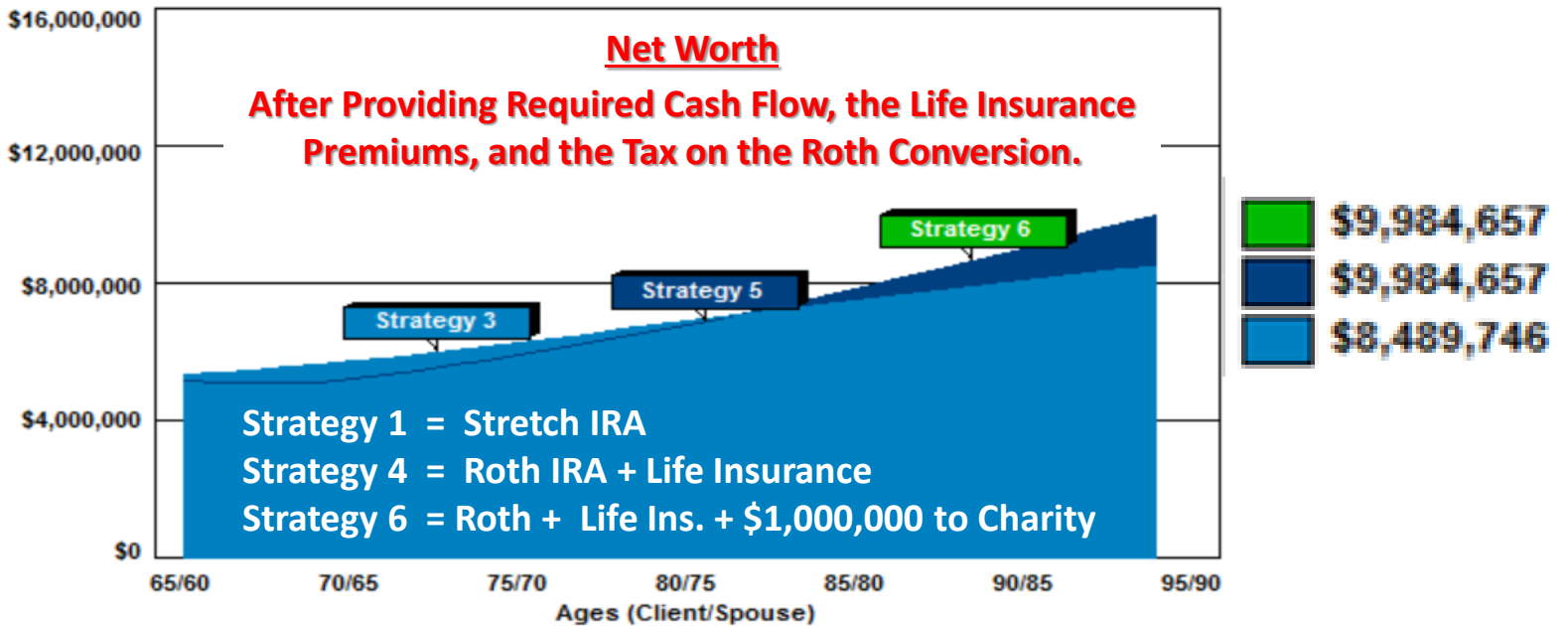


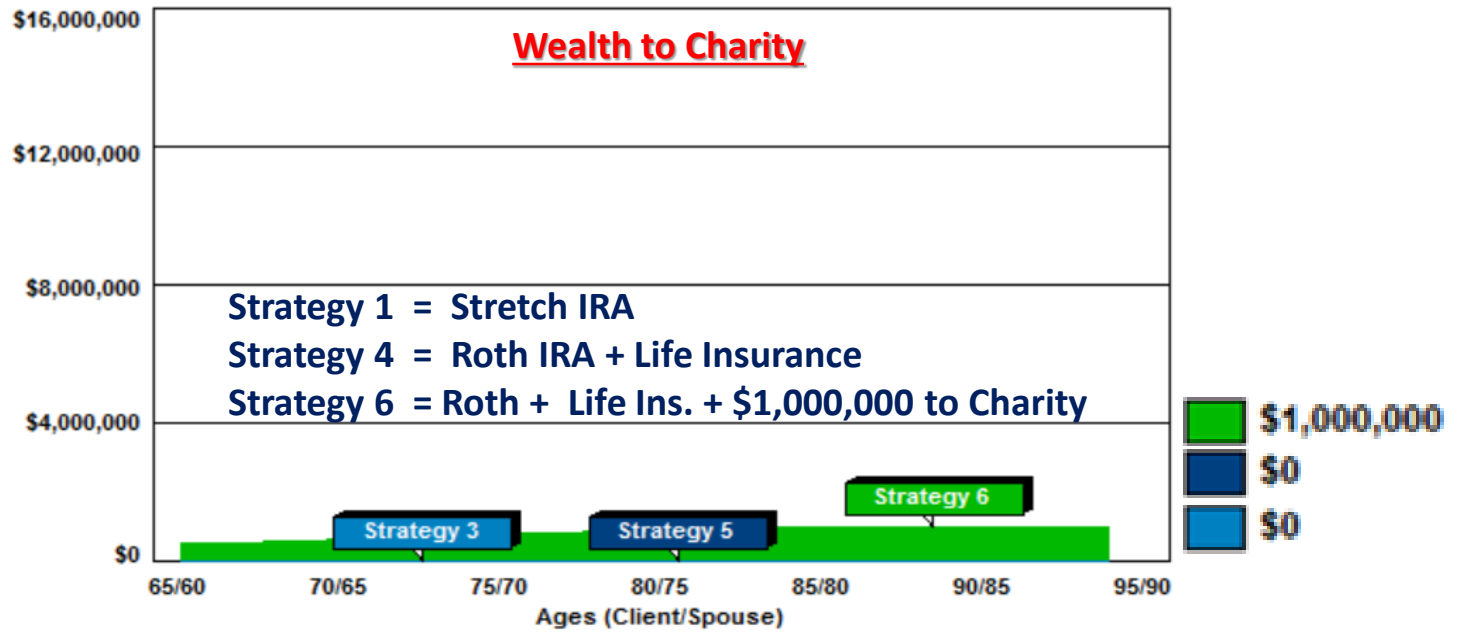


Results at Ages 95/90 (Joint life expectancy + 1)

**But no longer any
dollars for charity.
Let's add a
charitable bequest
of \$1,000,000.**



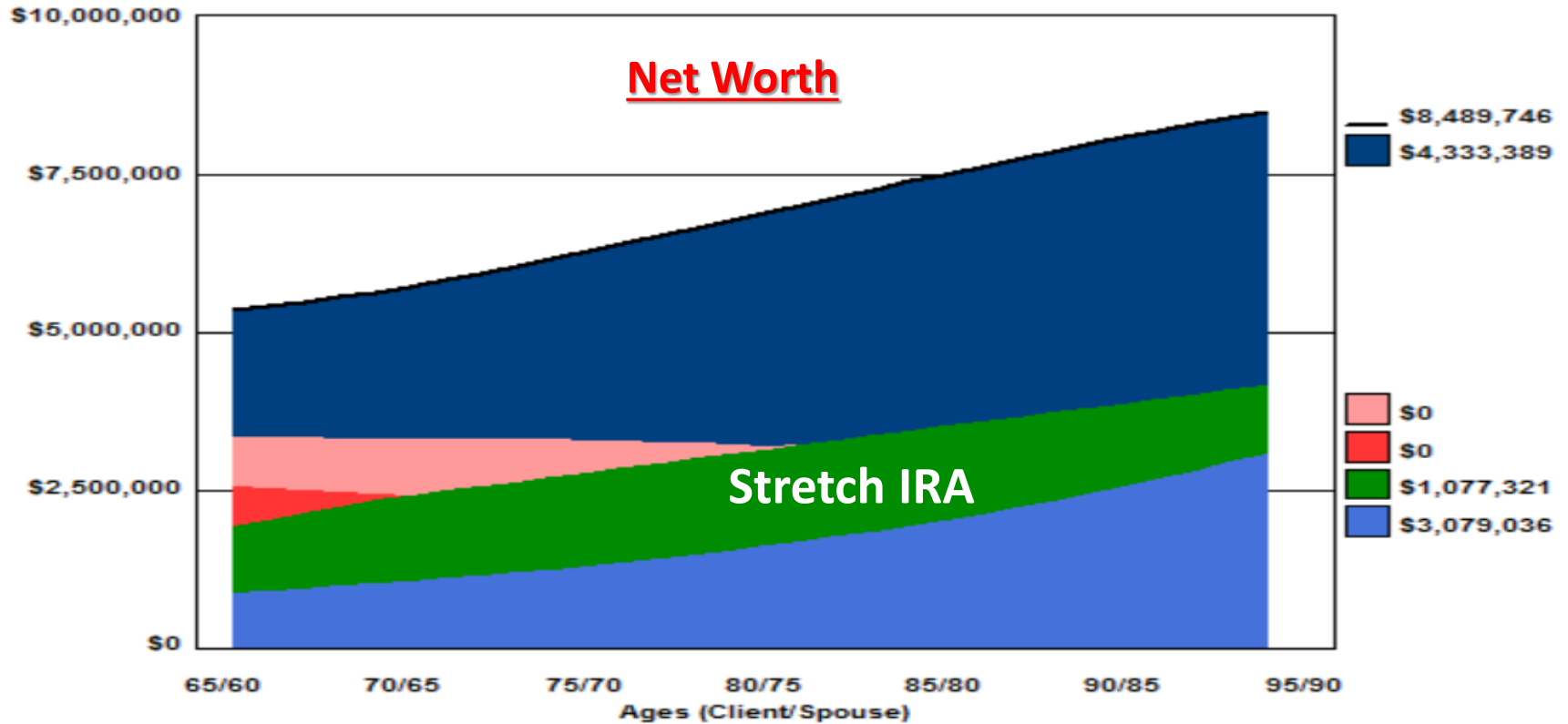




Results at Ages 95/90 (Joint life expectancy + 1)

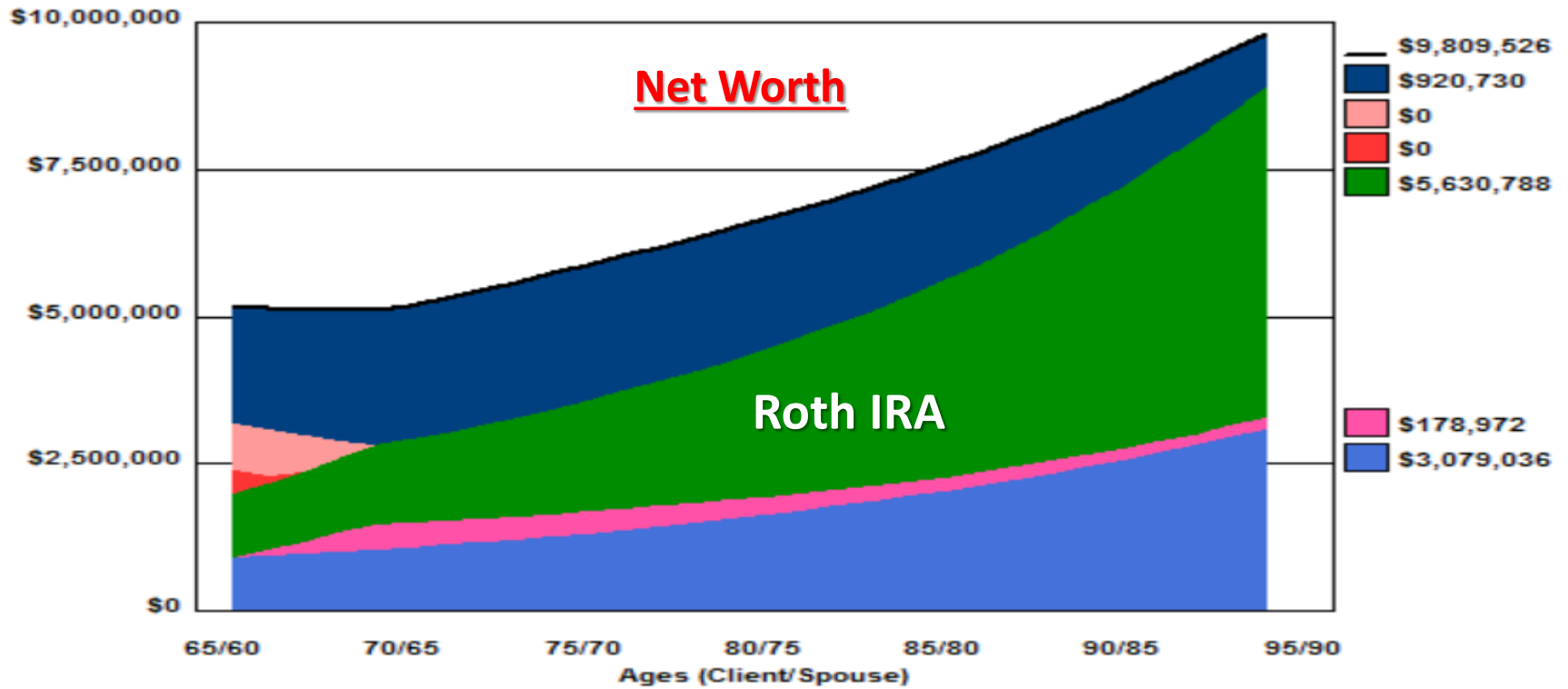


Net Worth with the Stretch IRA



	<u>At Year 30</u>
Hypothetical Net Worth	— \$8,489,746
Equity Assets	■ \$4,333,389
Tax Exempt Assets	■ \$0
Taxable Assets	■ \$0
Retirement Plan Assets	■ \$1,077,321
Illiquid Assets	■ \$3,079,036

Net Worth with the Roth IRA

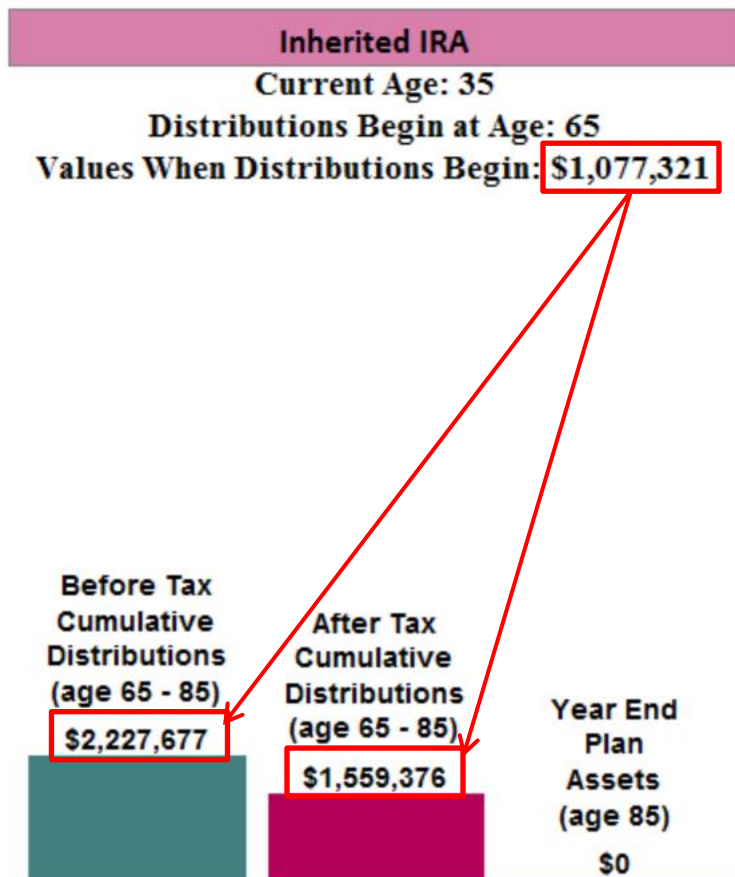


At Year 30

Hypothetical Net Worth	\$9,809,526
Equity Assets	\$920,730
Tax Exempt Assets	\$0
Taxable Assets	\$0
Retirement Plan Assets	\$5,630,788
Life Insurance Cash Values	\$178,972
Illiquid Assets	\$3,079,036

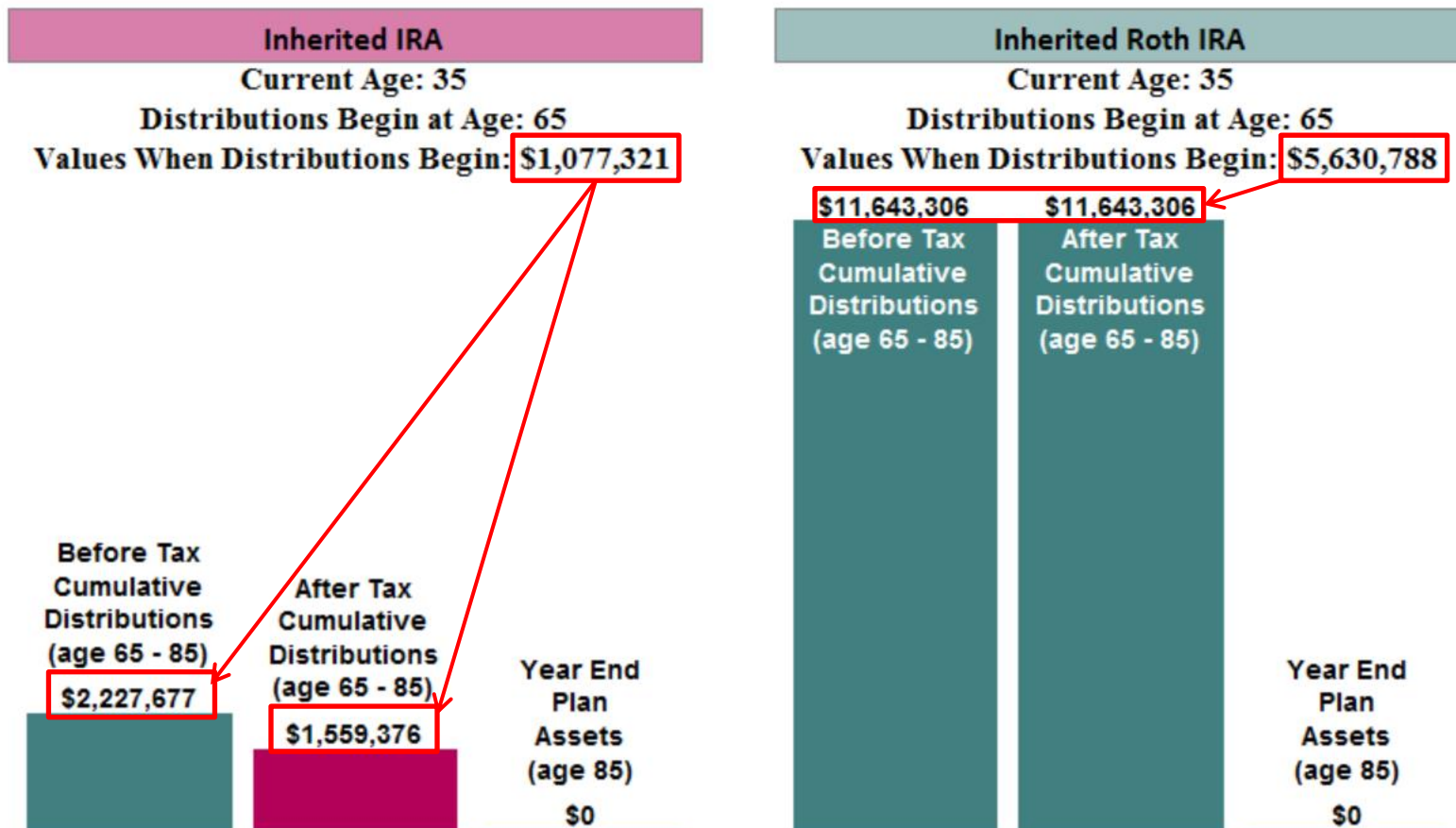
Inherited IRA vs. Inherited Roth IRA for Susie Fontaine

InsMark Illustration System



Inherited IRA vs. Inherited Roth IRA for Susie Fontaine

InsMark Illustration System

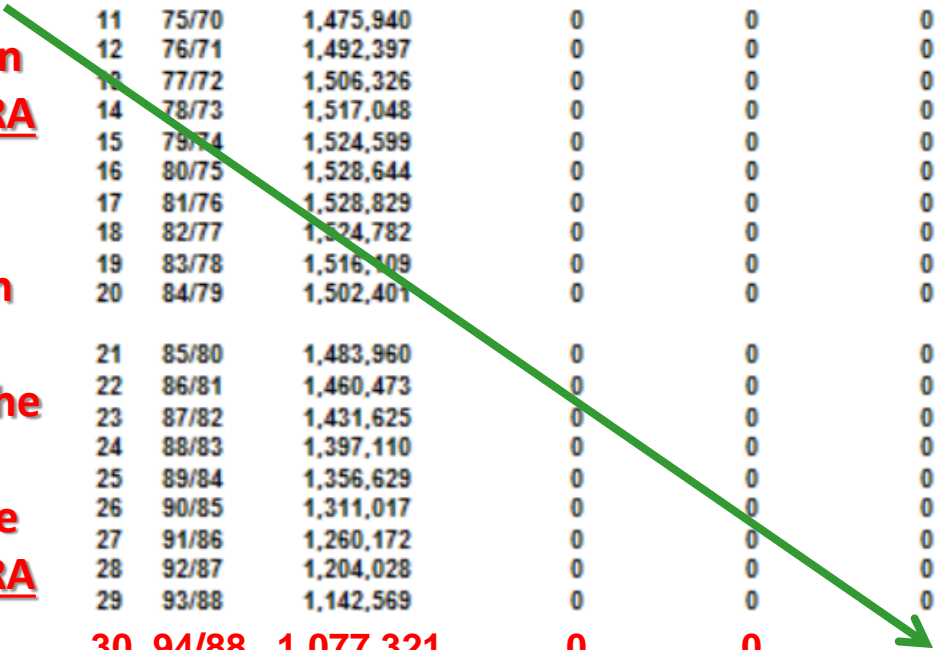


Defined Contribution Transfer Tax Summary

Column (5) is the balance in the Fontaines' IRA in this Wealthy and Wise report.

You must know the number highlighted in green to illustrate an Inherited IRA in the InsMark Illustration System (based on the year you assume the Inherited IRA begins).

Year	M/F Ages	(1) Plan Assets in Estate	(2) Estate Tax on Plan Assets	(3) Income Tax on Plan Assets*	(4) Total Taxes Attributed to Plan Assets	(5) Heirs After Tax Plan Assets (1) - (4)	(6) Percent Loss Due to Tax
1	65/60	1,059,300	0	0	0	1,059,300	0%
2	66/61	1,122,116	0	0	0	1,122,116	0%
3	67/62	1,188,657	0	0	0	1,188,657	0%
4	68/63	1,259,144	0	0	0	1,259,144	0%
5	69/64	1,333,811	0	0	0	1,333,811	0%
6	70/65	1,361,340	0	0	0	1,361,340	0%
7	71/66	1,387,650	0	0	0	1,387,650	0%
8	72/67	1,412,518	0	0	0	1,412,518	0%
9	73/68	1,435,702	0	0	0	1,435,702	0%
10	74/69	1,456,938	0	0	0	1,456,938	0%
11	75/70	1,475,940	0	0	0	1,475,940	0%
12	76/71	1,492,397	0	0	0	1,492,397	0%
13	77/72	1,506,326	0	0	0	1,506,326	0%
14	78/73	1,517,048	0	0	0	1,517,048	0%
15	79/74	1,524,599	0	0	0	1,524,599	0%
16	80/75	1,528,644	0	0	0	1,528,644	0%
17	81/76	1,528,829	0	0	0	1,528,829	0%
18	82/77	1,524,782	0	0	0	1,524,782	0%
19	83/78	1,516,109	0	0	0	1,516,109	0%
20	84/79	1,502,401	0	0	0	1,502,401	0%
21	85/80	1,483,960	0	0	0	1,483,960	0%
22	86/81	1,460,473	0	0	0	1,460,473	0%
23	87/82	1,431,625	0	0	0	1,431,625	0%
24	88/83	1,397,110	0	0	0	1,397,110	0%
25	89/84	1,356,629	0	0	0	1,356,629	0%
26	90/85	1,311,017	0	0	0	1,311,017	0%
27	91/86	1,260,172	0	0	0	1,260,172	0%
28	92/87	1,204,028	0	0	0	1,204,028	0%
29	93/88	1,142,569	0	0	0	1,142,569	0%
30	94/88	1,077,321	0	0	0	1,077,321	0%



Roth Defined Contribution Transfer Tax Summary

Column (5) is the balance in the Fontaines' Roth IRA in this Wealthy and Wise report.

You must know the number highlighted in green to illustrate an Inherited Roth in the InsMark Illustration System (based on the year you assume the Inherited IRA begins).

Year	M/F Ages	(1) Plan Assets in Estate	(2) Estate Tax on Plan Assets	(3) Income Tax on Plan Assets	(4) Total Taxes Attributed to Plan Assets	(5) Heirs After Tax Plan Assets (1) - (4)	(6) Percent Loss Due to Tax
1	65/60	238,343	0	0	0	238,343	0%
2	66/61	490,819	0	0	0	490,819	0%
3	67/62	758,267	0	0	0	758,267	0%
4	68/63	1,041,575	0	0	0	1,041,575	0%
5	69/64	1,333,813	0	0	0	1,333,813	0%
6	70/65	1,412,908	0	0	0	1,412,908	0%
7	71/66	1,496,693	0	0	0	1,496,693	0%
8	72/67	1,585,447	0	0	0	1,585,447	0%
9	73/68	1,679,464	0	0	0	1,679,464	0%
10	74/69	1,779,056	0	0	0	1,779,056	0%
11	75/70	1,884,554	0	0	0	1,884,554	0%
12	76/71	1,996,308	0	0	0	1,996,308	0%
13	77/72	2,114,689	0	0	0	2,114,689	0%
14	78/73	2,240,090	0	0	0	2,240,090	0%
15	79/74	2,372,927	0	0	0	2,372,927	0%
16	80/75	2,513,642	0	0	0	2,513,642	0%
17	81/76	2,662,701	0	0	0	2,662,701	0%
18	82/77	2,820,599	0	0	0	2,820,599	0%
19	83/78	2,987,861	0	0	0	2,987,861	0%
20	84/79	3,165,041	0	0	0	3,165,041	0%
21	85/80	3,352,728	0	0	0	3,352,728	0%
22	86/81	3,551,545	0	0	0	3,551,545	0%
23	87/82	3,762,152	0	0	0	3,762,152	0%
24	88/83	3,985,248	0	0	0	3,985,248	0%
25	89/84	4,221,573	0	0	0	4,221,573	0%
26	90/85	4,471,912	0	0	0	4,471,912	0%
27	91/86	4,737,096	0	0	0	4,737,096	0%
28	92/87	5,018,006	0	0	0	5,018,006	0%
29	93/88	5,315,574	0	0	0	5,315,574	0%
30	94/88	5,630,788	0	0	0	5,630,788	0%



Takeaways from this Presentation

1. “Compared to What” remains a benchmark of any sound analysis.
2. It is impossible to measure the value of each option without comparing them within the context of an overall wealth analysis.
3. Cash value life insurance is a critical component of “Compared to What”.
4. The income tax on a Roth Conversion is more properly measured as an investment rather than a tax.
5. Coupled with points 1 – 4, the impact on heirs of an Inherited Roth IRA makes an IRA virtually obsolete.*

**Provided liquid assets other than the IRA are available to assist in the cash flow needed for the tax on the Roth conversion.*

Stretch IRA vs. Charitable IRA vs. Roth IRA

Wealthy and Wise[®] is the primary InsMark System used for this 2016 Symposium presentation.

The name of the Wealthy and Wise digital Workbook used is: **Stretch vs. Charity vs. Roth.!WW**. For those licensed for Wealthy and Wise, this Workbook can be downloaded from the InsMark website at the following location:

<http://www.insmark.com/symposium>

The InsMark Illustration System (“IIS”) was also used in the comparison of an Inherited IRA vs. an Inherited Roth IRA. The name of the IIS digital Workbook used is: **IRA or Roth Inheritance.!II**. It is also available from the same location.

A pdf of this entire PowerPoint presentation named “**Stretch vs. Charity vs. Roth.pdf**” is available from the same location.

Important Note #1: The hypothetical values associated with this presentation assume the nonguaranteed values shown continue in all years. This is not likely, and actual results may be more or less favorable.

Important Note #2: Many of you are rightly concerned about the potential tax bomb in life insurance that can accidentally be triggered by a careless policyowner. [Click here](#) to read a report written by Bob Ritter, InsMark's President, entitled *Blog #51: Avoiding the Tax Bomb in Life Insurance*.

Important Note #3: This information is for educational purposes only. In all cases, the approval of a client's legal and tax advisers must be secured regarding the implementation or modification of any planning technique as well as the applicability and consequences of new cases, rulings, or legislation upon existing or impending plans.

Stretch IRA vs. Charitable IRA vs. Roth IRA

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A pdf of this 2016 Symposium PowerPoint presentation named
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