

Premium AdvantEdge

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Your Objective Insurance Information Source

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The Source

Premium Advisors knows it's tough all over, and when things get tough and margins get squeezed, that's when finding ways to save money and maximize investments is all the more important to your clients.

Finding ways to save real dollars and boost return on investments is often your biggest job as an auditing and accounting firm.

That's why we've created *Premium AdvantEdge*. Each quarter, we'll offer tips you can use to help your clients make the most of their life insurance programs.

This second edition of *Premium AdvantEdge* focuses on a special program that can help your clients maximize the legacy a dealer's family will receive from the qualified plan assets your client has worked so hard to accrue.

Included in this issue are easy-to-read charts that explain how the program works and offer side-by-side comparisons of traditional IRAs to the Enhanced Benefit IRA.

The strategies in *Premium AdvantEdge* are tried and tested and proven to work—and we're offering them to you in this complimentary newsletter.

If you have any questions or comments about any of the articles in *Premium AdvantEdge*—or if there's a topic you'd like to see *Premium AdvantEdge* tackle in the future—please contact Tony Freeman at 312-807-3700, tony@pa-llc.com, or visit the website at www.pa-llc.com.

If It's Broke...Here's How To Fix It

Income, Estate Tax-Free Wealth Transfer Strategy For Qualified Plan Assets

Successful business owners have always used qualified retirement plans to shelter their taxable income. However, as the law relating to these plans eliminated many of their advantages, most plans were terminated and the account balances rolled over into tax deferred IRA's.

These IRA Rollovers continue to grow and many are worth millions of dollars.

Since most of these IRA owners

qualified plan participants that have reached age 70½, to begin taking IRS determined amounts out of their IRA's each year.

These withdrawals, called "Required Minimum Distributions" ("RMD"), increase in amount as the recipient grows older and are taxed at ordinary income rates.

Finally, at the death of the owner of the IRA Rollover, all funds remaining in his account are subject

Age	Traditional IRA	Enhanced Benefit IRA®	Additional Benefits To Owner
70	562,927	1,000,000	437,073
75	619,703	1,000,000	380,297
80	653,469	1,000,000	346,531
85	648,373	1,000,000	351,627
90	588,814	1,000,000	411,186
95	469,618	1,000,000	530,382

Age	Traditional IRA	Enhanced Benefit IRA®	Additional Benefits To Owner
70	27,330	62,278	34,948
75	136,650	311,390	174,740
80	273,300	622,780	349,480
85	409,950	934,170	524,220
90	546,600	1,245,560	698,960
95	683,250	1,556,950	873,700

continue to work after reaching retirement age, they do not need or want to take taxable distributions out of their IRA's.

Their intention is to pass the money on as their legacy to the next generation.

Unfortunately, the law requires all

to both Income and Federal Estate Taxes. These taxes can reduce the legacy passed onto the next generation by as much as 70%.

The reaction of owners of large IRA Rollover accounts has been predictable.

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Comparison: Benefits Purchased With Participant's \$1,000,000 Account

Age	Traditional IRA		Enhanced Benefit IRA [®]	
	Gross Payment	Net Payable To Heirs	Gross Payment	Net Payable To Heirs
70	95,812	527,142	95,812	1,000,000
71	95,812	502,912	95,812	1,000,000
72	95,812	477,228	95,812	1,000,000
73	95,812	450,003	95,812	1,000,000
74	95,812	421,145	95,812	1,000,000
75	95,812	390,555	95,812	1,000,000
76	95,812	358,130	95,812	1,000,000
77	95,812	323,760	95,812	1,000,000
78	95,812	287,327	95,812	1,000,000
79	95,812	348,708	95,812	1,000,000
80	95,812	207,772	95,812	1,000,000
81	95,812	164,380	95,812	1,000,000
82	95,812	118,385	95,812	1,000,000
83	95,812	69,629	95,812	1,000,000
84	95,812	17,949	95,812	1,000,000
85	32,634	0	95,812	1,000,000
86	0	0	95,812	1,000,000
87	0	0	95,812	1,000,000
88	0	0	95,812	1,000,000
89	0	0	95,812	1,000,000
90	0	0	95,812	1,000,000
91	0	0	95,812	1,000,000
92	0	0	95,812	1,000,000
93	0	0	95,812	1,000,000
94	0	0	95,812	1,000,000
95	0	0	95,812	1,000,000
96	0	0	95,812	1,000,000
97	0	0	95,812	1,000,000
98	0	0	95,812	1,000,000
99	0	0	95,812	1,000,000
100	0	0	95,812	1,000,000

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They are furious at being forced to withdraw assets during their lifetime, angered by the resulting reduction in plan assets meant to be passed on to their heirs and outraged by the further reduction of the IRA Rollover assets from Income and Federal Estate Taxes at their deaths.

Successful business owners can achieve their primary goal, to pass a legacy onto the next generation, by taking advantage of an Enhanced Benefit IRA © (“EBIRA”).

This plan guarantees the payment of a specified amount to the

IRA owner each year for the rest of his life. It also guarantees the payment of the intended legacy to a named beneficiary free of Income and Federal Estate Taxes at the owner's death.

These guarantees are provided regardless of how the underlying plan assets perform.

How good is the EBIRA? The following comparisons are based on a 70-year-old male in a 45% Federal Estate Tax bracket, a 35% personal Income Tax bracket having an IRA Rollover account of \$1,000,000 growing at 6%.

For those individuals that would like to pass a larger amount on to the next generation, their legacy can be increased without adding to the cost of the program, reducing the annual participant distributions, or eliminating the guarantees that are essential to it's success.

Although qualified plans have never been considered an effective method of transferring wealth, the Enhanced Benefit IRA © enables individuals with substantial IRA Rollover accounts to pass qualified plan assets onto the next generation both Income and Estate Tax free.