

Safe Money Advisory

IRAs, Life Insurance and Retirement

**For Immediate Release
Houston, Texas**

Many retirees do not plan to use their IRA money for retirement. Nevertheless, the IRS requires distributions once age 70½ is reached and eventually all the IRA is taxed. If you have IRA money earmarked for loved ones, why not bequeath your money tax free? You can with life insurance. Life insurance offers living benefits and pays death benefits tax free. Parenthetically, you can get life insurance even if in poor health. Here are retirement planning ideas if you have IRAs not needed for retirement.



Assume you're 65, have \$300,000 in an IRA not needed for retirement and your tax bracket is 35%. You actually only own 65%, or \$195,000, of your \$300,000 IRA because 35% will go for taxes. If you withdrew the IRA money today and paid the taxes, the remaining \$195,000 would purchase a single-pay life insurance policy with a death benefit of \$750,000. No more payments are required and the \$750,000 death benefit will pass tax-free to your beneficiary. If the money is left in the IRA and the 35% tax bite remained unchanged, your IRA must grow to \$1,153,846 to deliver the same \$750,000 after taxes. At age 65 you have approximately 20 years to live which means your IRA money must grow at a compounded rate of 7% to equal the life insurance benefit. What's more, your life insurance offers protection if you die prematurely, provides lump-sum cash value for emergencies and tax-free retirement income if desired.

Another approach would use life insurance to pay the equivalent Roth IRA conversion taxes after your death. Rather than converting to a Roth and paying the taxes lump-sum now, a more affordable strategy could be to purchase (with installment payments) a life policy with a death benefit equal to what the IRA taxes are likely to be in 20 years. In effect, you've converted your IRA to a Roth IRA, but will pay the taxes after your death.

If you want to manage your tax liability over several years you could use your required IRA withdrawals to purchase life insurance with annual installment payments. You'll still have the policy's cash value for emergencies or tax-free retirement income. If your IRA money is in an annuity, you can use the free withdrawal to buy life insurance and get the same tax-free results. Most annuities provide at least 10% free withdrawals annually after the first year. You'll have to pay taxes on the IRA or withdrawals but the enhanced benefits you'll leave will be free of taxation.

Life insurance offers three valuable benefits not found in any other single investment: tax-deferred earnings that build cash value faster, tax-free access to the cash value via loans that do not have to be repaid and tax-free death benefits. Many life insurance policies do not require future premium payments if you enter a nursing home. Additionally, they pay the full death benefit upon the diagnosis of a terminal illness and payments are triggered to cover the expenses of convalescent care. In years past life insurance was for those that died prematurely but today's policies protect those with disabling illnesses or those fortunate enough to live a long life. Accordingly, I encourage you to work with your financial advisor to use life insurance to leave a tax-free legacy rather than paying taxes on IRA money not planned for use in retirement. Incidentally, you do not need to be in exceptional health to qualify for life insurance, nor does age disqualify you.

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