Tax elimination strategy

Transferring wealth can be complex, even for the most benevolent clients. But finding a strategy that efficiently transfers a legacy to your loved ones and your charitable organizations can be done.

The **Tax Elimination Charitable Strategy** is an IRA Maximization strategy that uses life insurance to help eliminate the income tax upon the death of the IRA owner by designating a charity of their choice as the IRA beneficiary.

HOW IT WORKS

1. Determine the projected value of your IRA at a point when you might expect to transfer the IRA to your beneficiary.
2. Purchase a life insurance policy equal to the amount of the projected IRA value. After-tax distributions from the IRA will then pay the life insurance premiums, and your heirs should be named as the beneficiary of the life insurance policy.[1]
3. List the charity of your choice as a beneficiary of the IRA.

HERE'S AN EXAMPLE:

John want to leave an inheritance for his daughter, Jane, but he wants to provide funds to a charitable organization as well. He needs a plan that will eliminate an income tax burden for Jane, but also will transfer part of his legacy to a charity.

Assumptions	Tax Elimination Strategy[2]	Results
JOHN Age 72 (Survives to Age 90) **JANE** Age 47 ((Survives to Age 80) **$1,000,000** IRA Balance **5%** IRA Annual Return Income Tax Rate 30% for John	**$1,029,579** Life Insurance Policy Reference chart on the back for details.	**$1,029,579** Jane's Inheritance **$506,020** Charitable Gift **$1,535,600** TOTAL LEGACY TAX-FREE

John purchases a life insurance policy, naming Jane as the beneficiary which will eliminate the income tax burden for her. Simultaneously he makes the charity the beneficiary of the IRA.

Important Note: Under the 2020 CARES Act, Required Minimum Distributions (RMDs) are not required in 2020.

The term "charity," as used in this context, means a charitable organization exempt from income tax under the Internal Revenue Code.

[1] Taking additional withdrawals from the IRA to pay life insurance premiums may not be the best alternative. Whenever life insurance premiums exceed RMDs, an individual should consider paying those premiums from sources other than the IRA.

[2] At John's age at death (90), assuming distributions made from IRA to pay 100% of life insurance premiums.

Additional information on next page.

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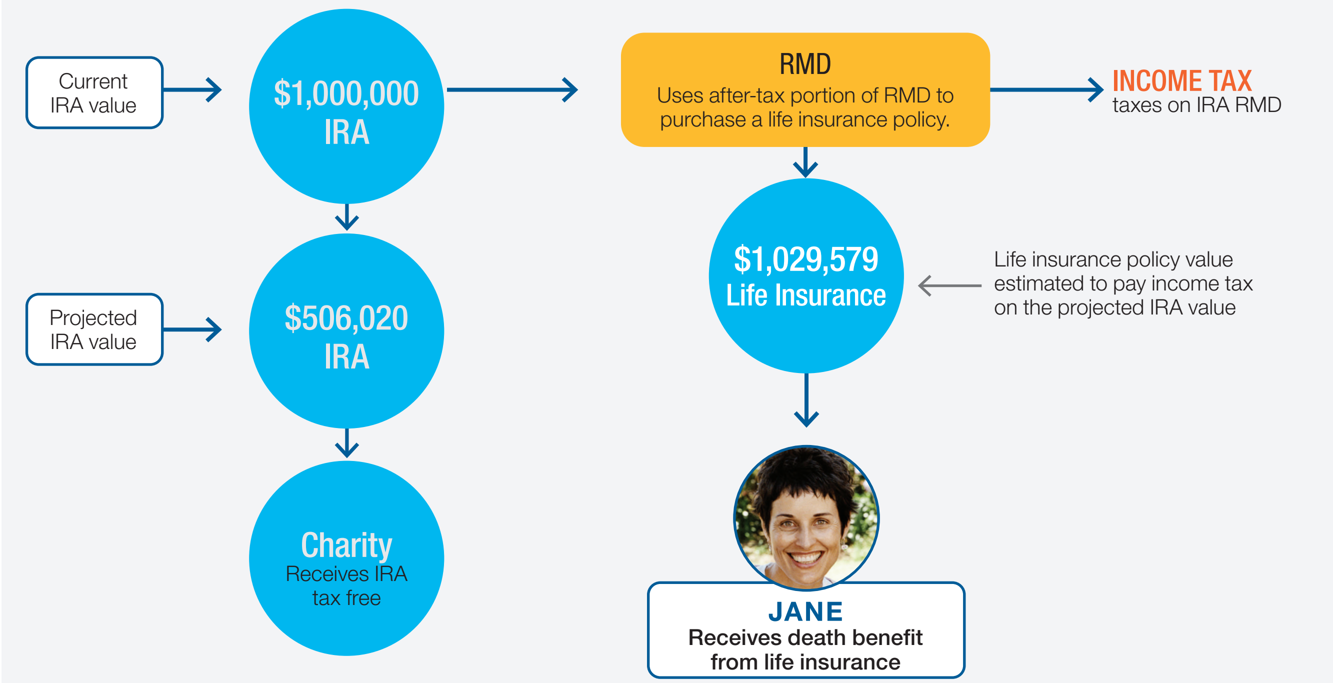
TAX ELIMINATION STRATEGY PROCESS:



How does the Tax Elimination strategy fit into IRA Maximization?

IRA Maximization is a wealth transfer strategy that allows you to transfer the value of an IRA into a more cost-effective tax arrangement. Also, the strategy can help increase or keep the value of the IRA when transferred to your beneficiaries.

Who can benefit from using the IRA Maximization strategy?

- Someone who doesn't need their IRA assets for their retirement income needs.
- Someone more interested in transferring their assets than generating income.
- Someone wanting to provide a legacy of lifetime income for their loved ones.

For more information, contact your Financial Representative.

Case studies and benefit values represented as part of this presentation are based on hypothetical client age, gender, underwriting classification, premium and interest rate assumptions and are solely intended to introduce IRA Maximization concepts using life insurance contracts. Life insurance death benefits and cash values will always vary based on a variety of factors including age, gender, health, and other underwriting factors. Consumers should consult specific information regarding the products they are considering.

This material contains statements regarding the tax treatment of certain financial assets and transactions. These statements represent only our current understanding of the law in general and are not to be considered legal or tax advice by purchasers. The tax treatment of life insurance and Individual Retirement Accounts (IRAs) are subject to change. Income, estate, gift, and generation skipping tax rules are subject to change at any time. Neither Protective Life nor its representatives offer legal or tax advice. Purchasers should consult with their legal or tax advisor regarding their individual situations before making any tax-related decisions.

The income tax on an IRA is not due until each distribution is taken. If an individual made non-deductible contributions to the IRA, a portion of the IRA proceeds may be an income tax-free of basis.

While these strategies may help reduce or eliminate income taxes, they may cause an equal or greater amount of estate taxes, depending on an individual's situation.

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