Retirement Planning

WEALTH TRANSFER PLANNING

You've worked a lifetime to reach your financial goals. Your wise investment strategies may have helped you accumulate a substantial amount of money. Now you want to pass assets that you may not use during your lifetime to your heirs. What is the best way to accomplish your goal?

Retirement savings vehicles

Your retirement assets may be in different savings vehicles. You may have money in an employer-sponsored retirement plan, such as a 401(k) plan or in a Traditional IRA (individual retirement account). These assets are known as qualified assets, because you have never paid income tax on the money you contribute, and your money continues to grow tax deferred. Consequently, when you receive a distribution from the account, the entire withdrawal is subject to income taxes.

There are also non-qualified deferred annuities. Your money grows tax deferred in these vehicles. When you remove your funds you must pay income tax on the growth in their values. This can create a burdensome tax liability for your beneficiaries.

OWNER

Receives required minimum distributions (RMDs) from qualified plan or IRAs or withdrawals from annuity to fund a life insurance policy.

AT DEATH

IRAs, QUALIFIED RETIREMENT PLANS, ANNUITIES

Subject to income taxes and estate taxes at owner's death. Funds from accounts paid to the owner.

LIFE INSURANCE POLICY

Purchased with required minimum distributions (RMDs) from IRAs and qualified plan or from withdrawals from non-qualified annuity. Proceeds go to decedent's beneficiaries income tax free.

BENEFICIARIES

Receive remainder of balance in IRAs, qualified plan(s) or annuities subject to income taxes. Receive death proceeds from life insurance policy income tax free.

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You can maximize the money you leave for your heirs if you use IRA, qualified retirement plan or non-qualified annuity money to purchase life insurance.

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The pitfalls of double taxation

Qualified retirement plans, IRAs and non-qualified annuities are solid wealth accumulation tools, but they are inefficient vehicles when passing wealth to your heirs. These types of retirement assets may be subject to both estate and income taxes, and their value could be reduced by as much as 60 percent before your heirs receive their allotment. Life insurance can help solve this problem by providing a tax free death benefit.*

The solution – *Wealth transfer planning using life insurance*

You can maximize the money you leave for your heirs if you use qualified retirement plan, IRA or non-qualified annuity money to purchase life insurance. You can do this without penalty if you are older than age $59^1/_2$ and don't need the assets as income.

IRA or Non-Qualified Annuity
Distribution Payment to YOU
YOU Gift Cash to Trust or 3rd Party
Trust or Third Party Makes Premium Payment for Life Insurance
Tax Free Death Benefit to Your Heirs

* Death benefit proceeds from a life insurance policy are generally not included in the gross income of the taxpayer/beneficiary (Internal Revenue Code Section 101(a)(1)). There are certain exceptions to this general rule including policies that were transfered for valuable consideration (IRC §101(a)(2)). This information should not be construed as tax or legal advice. Consult with your tax or legal professional for details and guidelines specific to your situation.

Advantages of wealth transfer planning

- You control the size of distributions, which may help you control your tax bracket
- It can help reduce the amount of your estate that is subject to estate taxes
- Death benefit will be free of estate taxes if a third party or irrevocable trust owns life insurance (there may be a three-year "look-back" rule, depending how the trust is set up)
- Death benefit passes income-tax free to your heirs
- Serves as a liquidity source to help pay estate taxes

It is important to note that double taxation doesn't only affect Traditional IRAs and deferred annuities. Balances in SEP IRAs, SIMPLE IRAs, 401(k) plans, and 403(b) plans may also be subject to both estate and income taxes at your death.

For more information, contact your Mutual of Omaha representative.

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Life insurance and annuities underwritten in New York by:
Companion Life Insurance Company
Hauppauge, NY 11788

Securities and advisory services offered through:
Mutual of Omaha Investor Services, Inc.
Mutual of Omaha Plaza
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