

## IRA Basics – One page guide

IRAs are great wealth Accumulators! But once your clients have accumulated that wealth, how much of it will they be able to leave to their loved ones?

### Advantages of Retirement Plans

- Employer Tax Deductions for Contributions
- Employee Not Currently Taxed
- Tax-deferral Growth

### Disadvantages of Retirement Plans

- Many Clients Don't Spend the \$
- Can't Give Away Without Gift & Income Tax
- Ordinary Income Tax on Distributions
- Included in Estate
- Death Benefits Subject to IRD

IRAs are BAD ASSETS to DIE WITH! Income & Estate Tax Consequences can be high. Combined Rates Can Exceed 65%

### What to do?

- Spend the bad assets while alive & pass the good assets to heirs at death.
  - Maximize income tax deferral
- Or
- Give the bad assets to charity!!

### Good Assets to Die With?

- Receive step-up in basis at death or are not subject to income tax
  - Real Estate
  - Securities
  - Roth IRA
  - Mutual Funds
  - Business Interests
  - Life Insurance

### Taxation of Distribution from the IRAs

- All distributions are taxed as ordinary income
- Distributions may be subject to a 10% penalty for withdrawal before age 59½

### Exceptions to 10% Policies

	Qualified Plan	IRA
• Death	X	X
• Disability	X	X
• Medical Expenses	X	X
• 72(t) Payments	X	X
• Separation from Service	X	
• Education Expenses		X
• First Time Home Buyer		X

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Call today to discuss your specific client's situation and how you might be able to provide a solution that might help them pass on more to their heirs!

**Please call 800-847-6426 to discuss your next case!**