

Episode #162: Strategic IRA Roll Out: Maximize Wealth to Heirs and Charities

Video Transcription

Hello. My name is Sal Mendoza. And welcome back to "Money Script Monday." And today, we're going to be talking about strategic IRA rollouts, and how to maximize the wealth that you transfer to the people that you love and to charities. We're starting to get a lot of phone calls here at LifePro and emails on how to do that effectively. And a lot of the reason why is the SECURE Act, it's a lot of attention from Mr. Ed Slott, who's a foremost expert in IRAs, and so we're starting to address those kinds of questions.

I want everyone to do right now to grab a piece of paper and fold that in half because I want you to understand that to get a conversation going like this is that you have to have your napkin presentation ready. And we're going to break this down into three different sessions. Like anything else that we're doing when we're sitting across from a client or talking to someone in the elevator, we're talking to your dentist during your appointment; you must ask questions that lubricate the wheel so it spins.

The first question I want you to write down is how much of your retirement account you want to leave or lost to taxes? That's the first question. Because what you're going to get is you're going to get all kinds of answers, you're going to get answers over here, you're going to get some answers down here, and you're going to have some that they just simply don't know. Every question is strategic in nature, but it's really just to get the wheel going slowly, and then hopefully, if it gets going a little bit faster that'll lead to an appointment.

The second strategic question is, how much do you want to leave to your family vs. the IRS? How much of your hard-earned dollars you've been working for the last 35, 45 years do you want to go to the IRS or your family? And the 18 years that I've been working for everyone says their family. But here's the interesting part, the default is always the IRS, the only way you can strategically leave more money to your family is by planning; that's the only way to do it.

And then finally, is how is this going to impact? How is this going to impact the market risk? When you have money in your account, especially when you retire at 65, they say life expectancy is 84, 85, 90, or 95. In that 25, 30, 35 years, what's going to happen to those accounts? Are they going to be exposed to market volatility? Of course, they're going to. In fact, if you looked at the first 30 years before that, before

your retirement, you'll see that around every 8 or 9 years, there's typically some kind of pullback in the market, and even in between there, there are some small gyrations. And the reason that we don't really feel the major impact, even though sometimes we do feel the impact is that we're working still. Anytime the market drops, and our money is in an IRA or 401(k), you're buying things on sale, it's not as painful as when you're retired because you're no longer able, you're not working anymore. Those pullbacks or those gyrations are going to be more impactful to you.

What is the solution? The solution is the triangle. Everyone draw a triangle in the middle of their paper, and in the middle is an annuity and an indexed universal life or life insurance, it could be a survivorship, could be SIUL, but the combination of both of them together or one? At least one if...both are better if we can participate. But anytime we can put that into a triangle, the triangle represents strength, and strength looks like flexibility, tax savings, and peace of mind.

Flexibility means that you have the ability to transfer more money the most tax-efficient way to your family. Flexibility also stands for if you were to get sick in the process that you have access to money. It also means that you have the flexibility that if you wanted to put a guaranteed income into your monthly paychecks, you could do that, if you wanted to add tax-free income, you could do that. So, you want to have that flexibility in that triangle, and the only two products that will accomplish that are going to be some kind of project insurance and some type of annuity.

Tax savings, anytime that we're doing any kind of planning, one of the first things we're going to look at is how we can minimize the amount of taxes that are going to transfer away from your assets? That's one of the things that we're always looking at, well, how can we keep more for you and your family, right? And then the last thing is peace of mind. We work 40 years of our lives, 45 years of our life, some people start much younger, 50, 60 years. We go through a lot of different cycles. We go through marriage and school and kids and buy cars and houses and sometimes maybe lose a job and promotions, many different kinds of gyrations of the economy. Different presidents that have different ideas about how we should be taxed. One of the things that we want to do is when our clients are 65, and over, we want peace of mind. It doesn't matter what happens out there, we want to be able to sleep rock solid, and the only way to do that is that triangle, adding some kind of permanent insurance and some kind of an annuity. When we're talking about strategic rollouts, one of the scenarios that I wanted to talk about is this last piece right here, which we recently did for a client.

Now, what I want you to do is I want you to draw two circles. And this current scenario is pretty impressive when you look at it, we have a client who's 65, his spouse is 64, they have around \$1.8 million in defined contributions, about \$1.4 million of that was actually an IRA, the rest was in a Roth IRA, we didn't touch that

piece, the state was around \$3.1 million, and their tax rate was 28%. Now, that client, it looks good on paper, it really does. They have around \$5.2 million to transfer to their beneficiaries, and they're going to pay around \$410,000 in taxes. If they never spoke to any financial advisor, and I saw it on a piece of paper, and this was me, that looks good, but we can make that look way better.

If we do a strategic rollout, what we're actually going to do in this case is move that money, that \$1.4 million in an IRA? We move that into a fixed indexed annuity, then what we did is we took out 10% free withdrawals for the next 10 years, and we fed an indexed universal life. All of a sudden, now you have the strength of the triangle as part of the overall asset. And now the most incredible thing happens. Now, instead of paying \$410,000 in taxes, we're only paying \$136,000 in taxes. The balance of it or just about is going to go to a charity \$276,000, but instead of giving it to the IRS so they can do whatever they want with it, we're going to be able to give it to a foundation, ALS, we're going to give it to the church that you go to we're going to be able to pinpoint the direction if it goes 100% somewhere or we split it into two different or three equal parts, right? And then finally, the most impressive part between doing nothing and doing something is all of a sudden, we went from \$5.2 million, now we're able to leave our beneficiaries over \$8 million, and that is the kind of stuff that works starting to see here at LifePro. The SECURE Act caused a lot of phone calls, a lot of emails. Ed Slott is pounding the doors, you know of all these different kinds of podiums that he's speaking at, that we need to prepare.

I have wonderful news for everyone here today because Ed Slott is going to be our main platform speaker. We're going live, and it's going to be online, write this down, you have your piece of paper, on the bottom corner, I want you to write down LifePro LPU. Right below that, I want you to write down September 30. We're going to break this down into two different parts. We're going to go from 10:45 am to 12. We're going to take an hour lunch, that lunch is going to be on you. And then we're going to go from 1:00 pm to 3:00 pm. It's going to be an exciting event. It's a free event, and we have other great speakers on the agenda.

I look forward to seeing you there. My name is Sal. Thank you for letting me share.