

LegacyTree Foundation RMD Case Study



Mr. and Mrs. Ben Prather, both in their mid-70's, have been taking RMD's for several years. They neither need nor want this income and dislike paying the additional taxes. They would prefer to be back in a lower tax bracket or re-characterize the qualified money via a Roth conversion. They own other non-qualified assets in the form of CD's, money market accounts, and Series EE bonds.

A LegacyPlan from LegacyTree Foundation (LTF) provided a great solution for the Prathers. Here's how it worked:

1. The Prathers funded a LegacyPlan with a variety of non-qualified assets that were currently earning very low rates. The amount totaled \$175,000.
2. LTF issued the Prathers a deferred Term Certain LegacyPlan that will pay out upon their deaths to their heirs.
3. The Prathers received an **immediate income tax deduction** equal to approximately **34%** of the asset value.
4. They recommended their church and a local homeless shelter to receive **charitable grants** as a **result of their completed LegacyPlan**.

An LTF Term Certain LegacyPlan was issued that provided an **immediate tax deduction of \$60,128**. Their income was \$70,000, of which \$15,000 came from RMD's. The tax deduction was utilized to **reduce their taxable income by up to 50%** per year, so they applied \$35,000 to reduce their taxable income to \$35,000. Now they are in a lower tax bracket and enjoy a **tax savings of over \$15,032**. They carried forward the unused tax deduction of **\$25,128** to the next year to further lower their tax bill.

The Prathers' advisor suggested that they do a Roth conversion in order to increase their income, thereby applying more of the deduction and **reducing their future RMD requirements**.

The Prathers' children are named as beneficiaries and will receive a structured inheritance. The Prathers' favorite charities received donations upon closing of the case. Their LegacyPlan was reinsured with a highly-rated insurance company.

Total Value of Assets transferred	\$175,000
Tax Deduction Created	\$ 60,128
Current Taxable Income	\$ 70,000
Less Tax Deduction (Up to 50% of Income)	\$ 35,000
New Taxable Income	\$ 35,000
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Tax Savings @ 25%	\$ 15,032
Annual Income (5 yr. deferral /20 yr. payout)	\$ 12,000
Potential Benefit (payout plus tax savings)	\$255,032



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