

LegacyTree Foundation Qualified Assets Case Study



Richard & Betty, both in their early 70's, own qualified and non-qualified assets and have adequate income from pensions and social security totaling \$70,000 annually. Their long term care plans are in place and they are planning to pass the bulk of their estate to their heirs. Their advisor would like to be able to help them either re-characterize the qualified money now (via a Roth conversion) OR take qualified distributions, thus minimizing the amount of taxable qualified money they will leave to their heirs. However, they do not want to pay additional taxes now.

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

1. Richard & Betty funded a **LegacyPlan** with \$200,000 of non-qualified assets that were currently earning very low rates.
2. **LTF** issued a deferred Term Certain LegacyPlan that will pay out upon their deaths to their heirs.
3. Richard & Betty received an **immediate income tax deduction** equal to approximately **40%** of the asset value.
4. They recommended their two favorite charities to receive **charitable grants as a result of their LegacyPlan**.

An **LTF** Deferred Term Certain **LegacyPlan** was structured with \$200,000 of **non-qualified assets** that provided an immediate income tax deduction of \$81,731. Utilizing the **LTF** tax deduction allowed Betty & Richard to take a \$70,000 qualified distribution this year and pay **NO** additional taxes. The carry-forward of the unused tax deduction will allow them to either reduce their taxable income next year OR take another tax-free qualified distribution.

The Deferred Term Certain **LegacyPlan** would allow them to turn on income after one year, if needed, but their real goal is for their children to receive the income payout as a structured inheritance when they pass away. Betty and Richard were able to name their two favorite charities to benefit from their **LegacyPlan** now, while creating a more tax-advantaged transfer of their assets to their heirs.

They and their advisor chose to reinvest the \$70,000 qualified distribution in another vehicle that provided an immediate bonus plus an enhanced death benefit feature for their heirs.

LTF reinsured their **LegacyPlan** obligation with a highly rated insurance company.

Total Value of Assets Transferred	\$200,000
Tax Deduction Created with LegacyPlan	\$ 81,731
Current Taxable Income	\$ 70,000
Qualified Distribution Taken This Year	\$ 70,000
Total New Taxable Income	\$140,000
Less Tax Deduction (Up to 50%)	\$ (70,000)
Taxable Income AFTER Qualified Distribution	\$ 70,000
Carry-Forward Tax Deduction for Next Year	\$ 11,731
Potential Tax Savings @ 25%	\$ 20,433
Annual Income (5 yr. deferral /15 yr. payout)	\$ 14,793
Potential Benefit (payout plus tax savings)	\$244,518



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