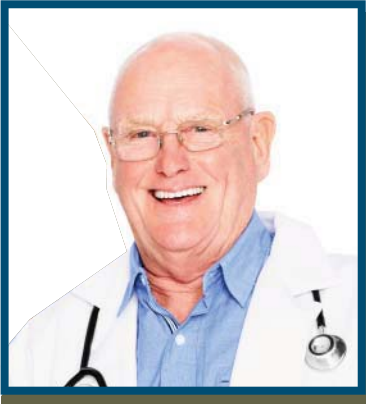


Qualified Assets Case Study



Dr. Richards and his wife, both in their mid-sixties, own \$1 million in qualified IRA annuities and \$3.5 million in a non-qualified securities portfolio. His current salary is \$350,000/yr. and he plans on working 4 or 5 more years. Their advisor would like to be able to help them begin to re-characterize the qualified assets now via Roth conversions in order to maximize the non-taxable income they will eventually receive during his retirement years. However, the Richards do not want to pay additional taxes now. They are philanthropic, as Mrs. Richards serves on the board of several local charities.

A LegacyPlan provided a great solution. Here's how it worked:

The Richards funded a **LegacyPlan** with \$2,000,000 of non-qualified assets that were subject to market risk.

1. The foundation issued a deferred Term Certain LegacyPlan that will pay out over 20 years, period certain.
2. Richards received an **immediate income tax deduction** equal to approximately **42%** of the asset value.
3. They recommended their two favorite charities to receive **charitable grants as a result of their LegacyPlan**.

A deferred Term Certain LegacyPlan was structured with \$2,000,000 of non-qualified assets that provided a deferred income tax deduction of \$855,000. Utilizing the tax deduction allowed the Richards to complete a \$350,000 Roth Conversion of their IRA funds this year and pay NO additional taxes. The carry-forward of the unused tax deduction will allow them to complete another \$350,000 Roth Conversion next year, with additional carry-forward of the remaining tax deduction (\$155,000) for further conversion the following year.

The deferred Term Certain LegacyPlan would allow them to begin income of \$120,000/yr. in five years. Their children would receive the income payout as a structured inheritance if they pass away before the end of the term. The Richards were able to name their two favorite charities to receive a total of \$60,000 from their LegacyPlan now, while creating a more tax-advantaged income stream for their retirement, as well as a more tax-efficient transfer of assets to their heirs. They convert \$855,000 of IRAs to Roth IRAs, TAX FREE now. Their \$1.5 million remaining portfolio is left to grow, and their Roth IRA income, when they withdraw it, will be tax-free.

The foundation reinsured their LegacyPlan obligation with a highly rated insurance company.

Total Value of Assets Transferred	\$2,000,000
Tax Deduction Created with LegacyPlan	\$ 855,000
Current Taxable Income	\$ 350,000
Roth Conversion Done This Year	\$ 350,000
Total New Taxable Income	\$ 700,000
Less Tax Deduction (Up to 50%)	\$ (350,000)
Taxable Income AFTER Qualified Distribution	\$ 350,000
Carry-Forward Tax Deduction for Next Year	\$ 505,000
Potential Tax Savings @ 35%	\$ 299,250
Annual Income (20 yr. payout beginning in 5 yrs)	\$ 120,000
Total Taxes Saved over 20yrs	\$ 540,000



1600 Westgate Circle, Suite 200
 Brentwood, TN 37027
 (615) 468-8048
www.LegacyTreeFoundation.org