



**Charitable Planning Guide**  
*The* **ROTH CONVERSION**  
*Concept*



## What to Look for - Client Qualifiers

Many of your clients have existing IRA's that could become more tax efficient if converted to a Roth IRA. If this is the case, your client might be a good candidate for a LegacyPlan with LegacyTree Foundation. As with any retirement or estate planning that you may provide for your clients, suitability determination is of utmost importance. To help you identify some initial suitability indicators, you could review...

### Which of your clients...

- ✓ **Have both qualified and non-qualified buckets of assets?**
- ✓ **May be facing unwanted or forced RMD's?**
- ✓ **May be passing IRA's and the associated tax issues to their heirs?**
- ✓ **Would benefit from re-characterizing their IRA to a ROTH IRA in a tax-advantaged (and potentially tax-free) manner?**
- ✓ **Would like to minimize the tax consequences today and potentially maximize the after-tax situation for their heirs?**
- ✓ **Might be interested in a structured/systematic payout for heirs for a portion of their estate?**
- ✓ **Have charitable inclinations? (Note that research says that 85% of your clients are ALREADY giving to charity!)**
- ✓ **Owns other liquid assets available for emergencies & long term care?**



## **How to Introduce & Present a Charitable LegacyPlan**

Here's an idea regarding how to present these programs to potential clients who have both qualified and non-qualified assets, in order to allow for a Roth IRA conversion in the future. Keep in mind that the charitable deduction is the key component.

### **Pre-qualifying Questions to Begin the Conversation**

**Q - Are you currently taking RMD's that you neither need nor want as income, and are unwanted RMD's pushing you into a higher tax bracket?**

**Q - Are you aware that RMD's from your IRA's will be fully taxable as income?**

**Q- Would it concern you if your heirs were going to owe substantial taxes should they inherit your existing IRA's?**

**Q - Have you ever thought about possibly re-characterizing some of your IRA's to ROTH IRA's?**

### **Presentation Ideas**

- **When you funded your IRA's or 401k's, your goal was to grow your savings while controlling your taxes. Right? Well, political and economic times have changed. Taxes seem to continue to go higher. Did you know that when you begin to withdraw these monies at age 70 1/2 the income will be fully taxable?**
- **If I could show you a strategy traditionally used by the wealthy that utilizes the tax code to transition "taxable" assets in order to become more tax efficient, would that be something of interest?**
- **I work with an organization that can help implement this strategy for you and give you or your heirs an insured tax favored income you can turn on now, later or pass along to your heirs.**
- **By working with this established 501(c)(3) organization, we would create an immediate income tax deduction that you can use to re-characterize some of your IRA money to a ROTH IRA, which is not taxable when withdrawn. The charitable tax deduction can help you accomplish this, possibly without paying taxes on the conversion. Any unused portion of the deduction can be used for the next 5 years or until all is used. Doesn't it make sense to address this taxable liability now rather than in the future when tax rates could be higher?**
- **We also can create a structured inheritance without having to set up a trust AND you can support charitable work that you believe in as well.**
- **How about we put some numbers together and let's see if this strategy makes sense for you? Do you have your most recent IRA statements? Shall we determine which non-qualified assets could be used to fund a LegacyPlan and create the charitable tax deduction that makes this possible?**



## Frequently Asked Questions

**Q. Can I rollover my IRA directly to LegacyTree Foundation in order to fund a LegacyPlan?**

A. LegacyTree Foundation cannot accept a qualified transfer of IRA money in order to fund a LegacyPlan. This Roth conversion concept is about first using NON-qualified funds to create a LegacyPlan, and then utilizing the tax deduction created by the LegacyPlan in order to offset the taxable event of a subsequent Roth IRA conversion or qualified distribution.

**Q. What if I cannot donate the entire asset?**

A. Actually, you are not donating the entire asset. Rather you are simply using assets that you own to fund an income plan with a charity that is similar to a charitable remainder trust. The charity has a contractual obligation to make payments to you and/or your family for a set number of years. Additionally, a portion of the asset IS considered a charitable gift, and this entitles you to a tax deduction that can be used to reduce the amount of income taxes you may owe in a given year.

**Q. What if I want to donate to a charity other than LegacyTree Foundation?**

A. LTF understands this, and is more than willing to share in the charitable benefit by allowing you to recommend your favorite church, charity or non-profit to receive a grant as part of your LegacyPlan. The amount can vary depending on how much income you want your family to receive, and how much you want to go to your charity. Your recommended charity would normally receive a grant immediately when the transaction is completed. Additionally you can name your charities as beneficiaries to receive income when you pass away.

**Q. How will I know my money is safe and will be there for my family?**

A. LTF's reserve method is to place the funds necessary to secure the obligation to you, into a fixed annuity issued by a large and highly rated insurance company. LTF implemented this reserve method because we do not want to take any chances on the volatility of stock, bond, mutual fund or real estate markets. Another important point is that LTF implements this reserve method for every LegacyPlan contract.



**Q. When was LegacyTree Foundation established?**

- A. LTF was founded in 1999, received their tax-exempt status from the IRS in 2000, and began offering charitable income programs in 2009. Over 300 of these programs have been structured for families around the United States, and each one has been backed by the same reserve method, as discussed above. LTF has distributed over \$3.5 million in charitable grants to over 400 churches, charities, non-profits and educational institutions since 2009. LTF's total assets have grown to over \$30 million in 2014. They are properly registered in every state in which their programs are available.

**Q. What kind of charitable work does LegacyTree Foundation support?**

- A. LTF's mission statement is to provide spiritual, physical and humanitarian aid to those in need, which allows us to direct grants to a wide variety of churches, charities, and educational institutions as recommended by those completing their charitable plans. In addition, LTF is closely aligned with a number of "Charitable Impact Partners" whose charitable work is supported on an ongoing basis.

Charitable work supported by LTF includes feeding the poor in rural America, helping rescue and restore young women in crisis situations, support for an orphanage and school in Haiti, as well as several prison ministry/outreach programs. More information about the charitable work supported by LTF can be viewed in a 20 minute video on their website [www.legacytreefoundation.org](http://www.legacytreefoundation.org). You can also request a copy of this video.

**Q. What if I set this up for my heirs and then find out I need or want income myself?**

- A. LTF's charitable LegacyPlans allows flexibility in that you retain control of who you'd like the initial income recipients to be while you are alive. If at any point while the contract is in deferral, you decide that you need income yourself due to unforeseen circumstances, you can request an earlier income start date. You may also elect to change beneficiaries anytime during your lifetime. Upon your passing, your named beneficiaries will then receive your LegacyPlan proceeds as you requested.



**Q. How is the income taxed once payments begin?**

- A.** The income is "tax-advantaged," meaning that a portion of each payment is tax-free and a portion is taxable as regular income. Over the term of the payout, a greater portion is tax-free every year. The effect is like getting a small cost-of-living increase every year. LTF sends you or your beneficiary income recipients a 1099 tax reporting statement every year that will show how much of your income was taxable for that year.

**Q. What if I change my mind and want to revoke my plan in a year or so?**

- A.** Charitable income plans are irrevocable, for several good reasons. First, because you are entitled to tax benefits, any change in the plan could subject you to tax penalties.

Secondly, because of the manner in which LTF reserves their future payment obligations to you and your family into fixed commercial annuities with surrender penalties, the contract cannot simply be "unwound" without substantial repercussions.

And last but not least, when your contract is established, LTF distributes money to support charitable work that cannot be recouped. That is why it is important to understand all the aspects of a LegacyPlan and to talk through your goals and financial circumstances to make sure that the size and structure of your charitable income plan meets your family's needs.

## Additional Considerations

This presentation is solely for educational purposes and to inform how an individual may complete a planned giving transaction with a public charitable foundation as outlined in the IRS code. LegacyTree Foundation (LTF) is a 501(c)(3) non-profit organization established in 1999 and is not an insurance company, broker dealer, or financial institution. LTF does not provide tax, legal or financial advice. Individuals should seek tax, legal or financial advice from an independent, professional advisor(s) for each specific situation. LTF LegacyPlans are charitable planned giving transactions as outlined in the IRS code and are not investments and should not be represented as investments. This is not to be construed as providing securities advice and is not an offer or solicitation to buy, sell, or trade securities or any other marketable asset. Not all LTF LegacyPlans are available in all states. Please verify that these programs are available in your state before proceeding.