The FSD Journal

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Two Sales are Better than One

Using Immediate Annuities to fund Life Insurance

I recently had the opportunity to assist a broker in a $100,000 indexed annuity presentation. In speaking with the clients, I learned that the couple, in their early 60's, had a $1 million IRA.

In addition to the indexed annuity sale, the broker was also presenting a $200,000 face 2nd-to-die policy. I asked the clients, who had a lot of other assets, why $200,000? They answered that the premium for a $1 million policy was too much.

I went on to ask about the IRA and they told me their intention was to leave it to the kids. I suggested using $200,000 of the IRA to buy a 7-year period certain immediate annuity to fund a 7-pay 2nd-to-die life insurance policy.

If they had died with the $200,00 still in their IRA it would only be worth about $50,000 to the children because of income tax and then estate tax. By moving it to an immediate annuity to fund a $1 million life policy we converted $50,000 after tax to $1 million.

It is becoming common to use highly taxable IRA money to fund life insurance policies vis-a-vis immediate annuities. And, by the way, you make two sales instead of one.■

Bob Affronti
President

Annuity POWER Phrases

When does your CD come due?
When does your IRA come due?
Who is your IRA with?
Are you paying your bank to hold your IRA?
Are you still paying taxes on your interest?
Who is your CD with?
Would you like to bonus your CD?

Would you rather . . .
Risk losing your principal, or risk losing your interest?
Pay taxes on your interest, or earn interest on your taxes?
Have a guaranteed return of your principal, or a guaranteed return on your principal?
Did you know you could have both?

New Found Money

that's right under our noses

Let's say you sold your client a qualified annuity only last year. Perhaps you rolled their 401(k) money into it.

Whatever the case, it's qualified money and, moreover, it's far too early to be thinking of moving it into a more competitive annuity--possibly an equity-indexed annuity.

Or is it too early?

Annuities often have 10% free withdrawal privileges. We can take this penalty-free withdrawal and transfer the available amount into a brand new annuity. Best of all, it's a qualified trustee-to-trustee transfer so there's no taxable event.

To illustrate an example, your client rolled $200,000 into an IRA annuity last year, which has been earning 8.0%. This annuity also allows 10% liquidity after the first policy year. As such, we can transfer $21,600 into a brand new annuity of your client's choice (especially because the original annuity is renewing at 5.0%). That's new found money right under our noses.

To digress on our morals and ethics for a moment, however, you might be reading this and thinking "Boy, this sounds like twisting." You know what, at first glance you're right!

PLEASE TURN TO *Money,* PAGE 2.

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