
New Strategy To Replace Disappearing Backdoor Roth IRA By Creating A Super Roth



Congress Is Planning To Eliminate Backdoor Roth IRA Conversions as of December 31, 2021.

Here's A Great Alternative

Traditional IRAs and Roth IRAs provide attractive tax benefits to incentivize saving for retirement, but those benefits are only available to individuals who don't earn too much. Those above the income threshold of \$198,000 can't take advantage of a Roth IRA, meaning they can't grow their retirement savings completely tax-free so smart advisors developed the "backdoor" Roth IRA strategy. At its simplest, the strategy involves an investor contributing after-tax money to a non-Roth account and then converting it to a Roth IRA.

So a backdoor Roth IRA conversion allows high-income earners to get those Roth tax benefits. But the Roth IRA offers some other great benefits, including:

- Withdrawals are tax-free in retirement.
- They are not subject to required minimum distributions, so you can let the money compound for longer.
- There is no income requirement so high earners can participate too.
- Money in a Roth IRA can be turned over to heirs tax-free, as long as you owned it for more than five years.

However, this strategy looks like it may not exist for long, since Congress is debating whether to eliminate it as a way to fund new spending plans. As currently conceived, the backdoor Roth IRA may cease to exist on Dec 31, 2021.

Life insurance, The Super Roth, as a Backdoor Roth IRA Alternative And More

A life insurance policy is another way to build tax-free income in retirement.

Essentially, your client would purchase the life insurance policy.

Part of the premium funds the growth in cash value. They can withdraw the portion related to their premiums tax-free and take a policy loan against the rest of the cash value that will have accrued. The additional withdrawals will serve to reduce or eliminate the death benefit. Upon their death, the death benefit passes to their heirs tax-free.

Life insurance benefits match and exceed the Roth IRA

- **Withdrawals are tax-free**
- **They are not subject to required minimum distributions**
- **There is no income requirement so everyone including high earners can participate.**

- Money can be turned over to heirs tax-free via the death benefit.

Taking action to position your clients' wealth for a rising tax environment has never been more urgent. Whether you are a financial advisor or a CPA, now is the time to expand the conversation with your clients to move beyond rate of return and include the notable tax advantages of overfunded life insurance.

Helps to mitigate the risk of taxes eating away your retirement savings.

Indexed Universal Life Insurance (IUL) can be a powerful and safe vehicle to get your clients the same *tax free retirement income and growth just like the Roth*. IUL allows your clients to earn market like returns without actually having the market risk.

Life Insurance (IUL) as a backdoor Roth IRA alternative examples

Male 35

Deposits \$2,000 monthly through age 65.
then

Withdrawals of \$270,000* annually, tax free, through age 87.
\$720,000 in and \$5,900,000+ out, tax free

Female 35

Deposits \$2,000 monthly through age 65.
then

Withdrawals of \$277,000* annually, tax free, through age 87.
\$720,000 in and \$6,000,000+ out, tax free

Male 45

Deposits \$2,000 monthly through age 65.

then

Withdrawals of \$106,000* annually, tax free, through age 87.

\$480,000 in and \$2,300,000+ out, tax free

Female 45

Deposits \$2,000 monthly through age 65.

then

Withdrawals of \$110,000* annually, tax free, through age 87.

\$480,000 in and \$2,400,000+ out, tax free

Along with Tax Free Income Distributions these plans will include Chronic, Critical and Terminal Illness coverage, a tax free Death Benefit, and Cash Value Accumulation.



For details, call Jerry Lotz 410-960-8269

OR EMAIL: jlotz@costseges.com

