

Life insurance is probably the most underused strategy to protect large retirement balances from being decimated by the highest levels of taxation. **As an advisor and an educator, I'm telling you that the tax exemption for life insurance is the single biggest benefit in the tax code**, and it's available to almost everyone. And it addresses the two biggest risks and fears of retirees and people getting ready to retire: 1) tax risk and 2) investment risk. Who is at risk? People who have the largest IRAs or other tax-deferred savings accounts.

Use taxable money and leverage it to tax-free territory. Life insurance can eliminate both stock market risk and tax risk. It can be used during life as a tax-free retirement fund. It's not only income tax-free, but also can be estate tax-free if set up properly. In addition, there are a lot of non-tax reasons for life insurance: it can provide funds for beneficiaries to convert to a Roth IRA to keep stretch IRAs intact. This is a big issue. After inheriting an IRA, a beneficiary could, and often do, blow the money. Maybe, if they had life insurance, they might spend that and keep the stretch IRA going. It can provide a pension alternative and it can simply replace wealth, especially stock market losses. There's nothing better than a beneficiary receiving tax-free money – there's no restrictions – and that's why I recommend it in virtually every estate plan. And you can contribute almost unlimited sums to permanent life insurance. And, of course, don't forget about the most basic benefit, aside from the tax, estate and retirement planning advantages, life insurance protects families in the event of an early death. I never met anyone who didn't wish they had more life insurance, especially a widow.

Life insurance takes care of families without first going through the government. Life insurance is not only the single biggest benefit in the tax code, but it's also the most cost-effective way to protect a large IRA. As tax rates increase, life insurance becomes more valuable than ever before. That's a big strategy, especially now when rates are low and exemptions are high.

The last thing I want is for you to ask me next year why I didn't mention any of these strategies while you had a chance to take advantage of them this year. Nobody likes tax surprises. I'm a proactive advisor: I want to bring these strategies to your attention and inform you of these opportunities, and I can help you keep more of the money you make by doing planning now.