

Pot of Gold

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 – a pot of gold – 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.

Life insurance can eliminate both stock market risk and tax risk by shifting taxable money into tax-free territory. While alive, it can be used as a tax-free retirement fund and can be estate tax-free after life ends. Life insurance can also provide funds to beneficiaries for converting an IRA to a Roth IRA, enabling them to keep stretch IRAs intact. Because of the potential of a beneficiary to squander an inheritance, a life policy proceeds could be spent rather than the stretch IRA. A policy can provide a pension alternative and it can replace wealth, especially stock market losses. There are no restrictions on a beneficiary receiving tax-free money and that's why every estate plan should incorporate life insurance. You can contribute almost unlimited sums to permanent life insurance and it's important to remember that the most basic benefit – aside from the tax, estate and retirement planning advantages – of life insurance is that it protects families in the event of an early death. It's impossible to overstate the benefits that life insurance provides. Every widow will always tell you that they wished they had more life insurance.

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 is an important strategy that becomes more valuable than ever before.

Don't exclaim next year why you weren't informed of these strategies when you had a chance to take advantage of them this year. To avoid a tax surprise in the future, be proactive and do something with the opportunity before you. Plan now, insure your future, and put your money to work.