


The IRA Preservation Trust
 New Opportunity in Asset Protection Planning

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- I do not recommend any investment or insurance products.
- I do not receive payment or commissions from or for any investment product or insurance.
- This meeting and discussion is for educational purposes only and is not, nor should be construed as, legal advice.



People love their estate planning attorneys because we help you...

- **Control** your property while you are alive and well
- **Plan** for yourself and your loved ones if you become incapacitated
- **Give** what you have
 - **To whom you want**
 - **How you want**
 - **When you want**



Congratulations!



If you have an IRA of any kind, you have made a series of very wise decisions over a long period of time.



But Now...

- With recent changes in the law you have an opportunity to take action to protect and preserve what you have worked so hard for.
- This decision could literally make or break your IRA!



Your biggest "problem" asset:

YOUR IRA



Here, an "IRA" means:

- Traditional IRAs
- Roth IRAs
- Even 401(k), 457, 403(b), and other Corporate Retirement Plans



IRA Changes Over Past 40 Years



1975: "Plain vanilla" IRA created

1975 - 2002: Not much going on

April, 2002: "Stretch" IRA concept was born, but left uncertainty about how a trust could be used to implement the benefits and protections of a stretch IRA


2004, 2005, and 2006: Many Revenue Rulings and Private Letter Rulings were issued to clarify how a revocable living trust can qualify as a "designated beneficiary"

June, 2014: Stretch IRAs owned by certain trusts are creditor protected; stretch IRAs owned by individuals will not be protected.
(U.S. Supreme Ct - Clark v. Rameker).

Upon Your death, your IRA may be subject to potential double taxation

Federal Income Tax Up To	39.6%
Michigan Income Tax	4.25%
Federal Estate Tax Up To	40%
State Inheritance Tax Up To	10% (Some States)
	93.85%

But Wait...



- Even without any Federal Estate Tax
- And without any State Inheritance Tax
- The State and Federal Income Taxes alone can take over **40%**!

For Every \$100,000 of your IRA...

Your family gets:


- Only \$60,000?
- Or \$100,000 Instead?
- How About \$590,000?
- Would you believe \$1.22 Million?

Plus better protection against:

- Bankruptcy
- Lawsuits
- Divorces
- Creditors





Two Important Concepts



Stretch-out

Protection



WARNING!!!

The "stretch-out" is **NOT** automatic!



The New RMD Rules for Longer Income Tax-Free Compounding

After you're gone:

- Generally, your beneficiary can now use his own life expectancy
- The power of income tax free compounding
- The Rule of "72"
- At 7% annual growth, an asset doubles every 10 years!



New Opportunity

The Power of Compound Interest and Income Tax Deferral Over a Long Period of Time



Your IRA Will Outlive You

RMDs (Required Minimum Distributions) will NOT entirely spend down your IRA during your lifetime.



Under the Rules

- Age 70 1/2
- RMDs are based on an expanded distribution over 27.4 years
- RMD is less than 1/27 of total fund which is less than 4%
- Assuming even a 7% rate of growth, your IRA is still growing!



Value of IRA Preservation Trust	Beneficiary Age	Remaining Life Expectancy	IRA Preservation Trust Yield	Gross Distribution
\$100,000	60	25.2	7%	\$268,557
\$100,000	50	34.2	7%	\$407,113
\$100,000	40	43.6	7%	\$633,320
\$100,000	30	53.3	7%	\$1,026,533
\$100,000	20	63.0	7%	\$1,690,723
\$100,000	10	72.8	7%	\$2,862,643

Example:

- Husband aged 70.5; Wife aged 68
- IRA of \$300,000
- At 7% rate of return, taking all RMD's, they will still have **\$414,265** at the end of their Joint Life Expectancies!

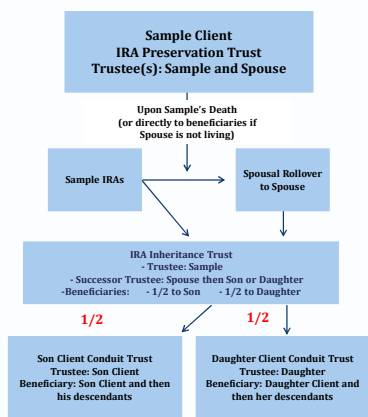


Example - Same Couple with an IRA Protection Trust:

- If they left that \$414,265 to their 10-year old grandchild in an IRA Preservation Trust, it would ultimately pay out a sum total of **\$5,267,532** before tax.
- Even after tax, a total of **\$3,704,674!!**
- That's how a \$300,000 IRA becomes a **HUGE ASSET!**



Sample Client IRA Preservation Trust (IRAPT)



Requirements of Treas. Reg. § 1.401(a)(9)-4

1. The trust must be a valid trust under State law.
2. The trust must be irrevocable at death.
3. The required trust documents must be provided to the plan administrator no later than October 31st of the year after the IRA Participant's death.
4. The beneficiaries of the trust must be identifiable (subject to numerous PLR's).



A "Designated Beneficiary" is NOT:

A Charitable Entity
(Church; Grand Rapids Lions Club Charities, Community Foundation, YMCA; University, etc.)

Non-Charitable Entity
(Your Business, Lions Club; Your Lawyer's Firm)

Pet / Farm Animal
(not even a pet named IRA)

Estate
(Yours or others')

People of the Future
(Individual born after Participant's death unless properly designated)



Individual Beneficiaries May Create Problems:

- Beneficiary can decide to cash out earlier than required & destroy the "Stretch"
 - Not aware of rules and choices
 - Asks custodian what to do and they send a check
 - Corporate plan requires payout in one year regardless of the stretch-out rules (consider rollover!)
 - Beneficiary rolls over your IRA to his own IRA
 - Or the beneficiary, their spouse or another third party just wants to spend it!



What about Protection against ...

- Being inherited by minor children or grandchildren
- Spendthrift children or grandchildren
- Controlling or manipulative daughters-in-law or sons-in-law
- Loss of public benefits for a "special needs" child or grandchild
- Unscrupulous persons influencing vulnerable beneficiaries
- Loss if spouse needs long-term nursing care



The Solution for Stretch Out & Protection:

THE IRA PRESERVATION TRUST



The IRA Preservation Trust

What Is It?

- It is the latest, breakthrough strategy in IRA planning.
- It is a fully revocable trust – Change it anytime you wish.
- It is totally separate from your Will or Living Trust.
- It is created now to be the beneficiary of your IRA.



The IRA Preservation Trust (Continued)

- It will be controlled by you as the initial Trustee.
- It will be the trust through which your beneficiaries will receive your IRA's, after your death.



The IRA Preservation Trust (Continued)

What's new about it?

- Contains "A-B Switch", which allows selection of Conduit Trust or Accumulation Trust
- Accomplished through authority of the "Trust Protector"
- Offers better creditor and predator protection
- Helps to protect minor beneficiaries
- Helps prevent termination of governmental benefits to special needs beneficiaries
- Helps ensure proper distribution to your beneficiaries



The IRA Preservation Trust (Continued)

What about married couples?

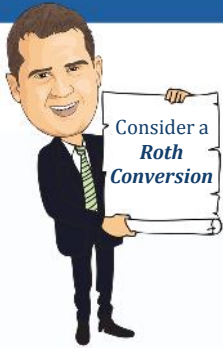
- Your surviving spouse can still be your primary beneficiary (qualified rollovers).
- After the death of both you and your spouse, your intended beneficiaries (children or grandchildren) will receive their distributions through the IRA Preservation Trust.



3 Choices of IRA Beneficiary (after your Spouse)

	Stretch-Out?	Better Protection?
1. Individuals	Maybe	No
2. Living Trust	No	Maybe
3. Separate "IRA Preservation Trust"	YES	YES

Want to SUPER Size Your Stretch?



Planning with an IRA Preservation Trust

Protect the legacy for those you love, even after you are gone.

The IRA Preservation Trust is a huge legacy for you, your spouse, and your family...

Carry your lifetime plan into next generations, NOT ONLY for you & your spouse, but for others.



... or defer taxes over a long period of time.

Questions?



Call to set up your free
initial consultation.



(616)777-5293
Thank You!!
