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Protecting & Preserving Wealth

The Roth "Stretch" IRA is no longer the ideal wealth transfer vehicle. How will you provide tax-free, asset protected, lifetime income benefits for your family?

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Death of the "Stretch IRA" and "Roth Stretch IRA"

The 2019 Secure Act killed the stretch IRA and more importantly the Roth Stretch IRA. Prior to January 1st, 2020, you were able to leave your Roth IRA to your non-spouse beneficiaries (your children), and they had the ability to inherit your Roth IRA account and stretch the tax-free required minimum distributions (RMDs) over the remainder of their entire lives.

Consider the benefits the "Roth Stretch IRA" provided as the ultimate tax-free legacy wealth transfer tool.

1. You could name your spouse as the primary beneficiary, he/she could make the Roth IRA account their own at your death and had full use of the tax-free funds while they were alive.
2. Your spouse could name your children as beneficiaries of the Roth IRA account.
3. Upon your spouse's death, your children could establish inherited Roth IRA accounts, and they were only required to withdraw the tax-free RMD amount each year for the rest of their lives. A tax-free income stream for life.
4. This allowed the Roth IRA account to continue to grow and provide lifetime tax-free retirement income to your children. If the account could grow faster than the RMD percentage of say 4% it could leave a tax-free inheritance to your grandchildren.

It was the ultimate tax-free wealth transfer strategy.

The Roth Stretch IRA allowed parents to leave their children with a tax-free income stream that would likely last their entire lives. The only catch was that the children needed to have the financial acumen and diligence to only withdraw the required minimum distribution each year and nothing more.

You see the one disadvantage of the Roth IRA, is that as soon as you withdraw funds from the account, those funds have lost their tax-free qualities and can never be placed back into the account again. Think of it like toothpaste being squeezed out of the tube. Once it is squeezed out of the toothpaste tube you can never put it back in.

Hence, the Roth IRA account becomes one of the last accounts that you will want to touch for income.

That has all changed with the 2019 Secure Act.

Once the Secure Act became law it killed the Stretch IRA, and the Roth Stretch IRA. All the benefits of leaving these vehicles as wealth transfer tools was destroyed.

Inherited IRAs and inherited Roth IRAs must now be withdrawn by non-eligible designated beneficiaries (Non-EDBs) (your children) within 10 years after the Roth IRA account owner's death. Beneficiaries that fall into this class of beneficiary are primarily your children and adult grandchildren.

Now that these accounts must be fully distributed within 10 years after the IRA or Roth IRA owner's death, the long term tax-free / tax deferred growth is forced out and destroyed with the full distribution of the account value. Once the funds are withdrawn, they lose their tax shelter qualities, and those distributed funds will then be subject to the future current tax rates in the United States. It is true, if the funds were invested in a Roth IRA that the final distribution is not a taxable event.

But where are your children going to reinvest those funds?

What will the future income tax rates be at that time?

All future growth, income, dividends, and interest will be subject to taxation at future tax rates going forward.

Higher future tax rates in the United States.

Many experts are predicting that we will likely face much higher income tax rates in the United States over the coming years. Some of the reasons attributed to why we will likely see much higher tax rates over the next ten years include:

1. Our out-of-control National Debt. (Currently more than $34.5T in April of 2024)

2. The Medicare Trust fund becomes insolvent in 2031.

3. The Social Security Trust fund becomes insolvent in 2033.

4. Interest on the national debt is very concerting with inflation and higher interest rates.

If you look forward into the future of the United States over the next 10 years, what do you think happens to our income tax-rates?

Do they stay the same?

Go lower?

Or do they go higher?

How will you provide tax-free, asset protected, lifetime income benefits for your family?

The Secure Act has forced Americans to begin to consider other options for creating wealth transfer and legacy planning for their families. Over the last several years I have created a whole new approach to Legacy planning. I have called it:

"The Two Generation Tax-Free Legacy Plan™

This type of planning may not be a fit for everyone. If you don't care what happens to your children as far as future tax rates, you may just want to leave all or your money as a lump sum benefit when you die.

On the other hand, if you are fearful that we are likely going to experience future tax rates that are much higher, maybe twice as high as our current tax rates. Then you will likely have some interest in trying to protect your family from higher future tax rates in the United States.

The Two Generation Tax-Free Legacy Plan™ is not intended to pass all of your wealth to your children. It is generally used to pass a portion of your wealth to your children. These plans are able provide benefits that are unique and potentially very beneficial for your family.

The Two Generation Tax-Free Legacy Plan™ can provide:

1. Tax-Free income that can provide a lifetime income steam to your children.

2. Tax-Free lump sum benefits for your Grand Children.

3. Withdrawal & Reinvestment capabilities that allow flexibility of income and new asset investment options for your children during their lifetime. (This is very important to protect against higher tax rates in the future)

4. The ability for you and your spouse to receive and use tax-free income during your life, and then replace it at any time, if you should need or want it.

5. Long Term Care benefits for your children if they need them.

6. The ultimate asset protection for your children – protecting their inheritance from an unexpected Divorce, Bankruptcy, Business Failure, Car Accident or any other creditor.

7. Flexibility to leave some of your wealth as a lump sum to your children, and other portions of your estate in a tax-free, asset protected, lifetime income legacy transfer strategy.

As you can see from the benefits above this type of planning involves the integration of multiple disciplines of financial expertise.

· Financial Planning

· Retirement Planning

· Tax Planning

· Estate & Legacy Transfer Planning

· Insurance Planning

· Investment Planning

· Asset Protection Planning

Using the combination of these various disciplines together the Two Generation Tax-Free Legacy Plan™ is able to provide unique benefits that I don't believe are available in any other way.

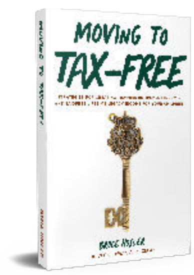
With the publication of my new book “**Moving to Tax-Free**” I am introducing The Two Generation tax-free Legacy Plan™ to investors and advisors nationwide so they can provide these tax-free benefits to their families now that the Secure Act has destroyed legacy planning using Roth IRAs.

For more information and to find out if a Two Generation Tax-Free Legacy Plan™ may help you, your family, or your clients, please reach out to my team at info@movingtotaxfree.com, or on our website at www.movingtotaxfree.com.

I hope you have found this information helpful in your quest to leave a better inheritance option for your children and for the families of your clients. Wishing you every success in your efforts to move closer to a tax-free retirement and tax-free legacy plan.

Kindly Yours,

Bruce Hosler
Author of “Moving to Tax-Free”



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