



An educational guide for individuals



Enhance the value of your retirement assets for your heirs

With the IRA Maximization strategy

As a result of careful planning, some individuals are financially prepared for their retirement, and may have more retirement assets than they'll ever need.

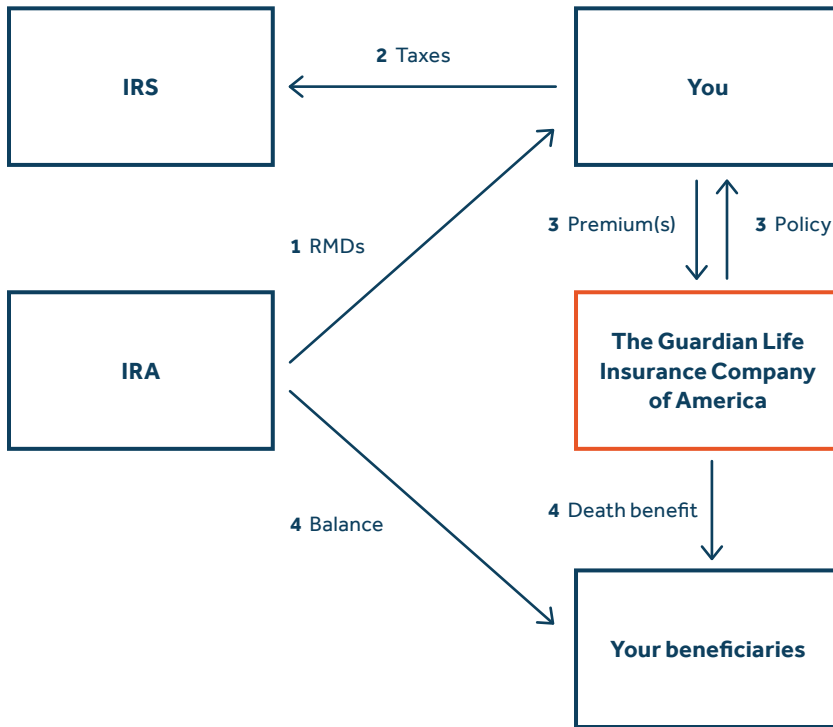
If you are in that position and would like to make the most of the retirement assets you have for the benefit of your loved ones, there's a solution you may wish to consider. It's called IRA Maximization.

The IRA Maximization strategy is a legacy planning option that can help you reposition your IRA assets to leave a larger legacy to your heirs.

When you implement the IRA Maximization strategy, you use the money you are required to withdraw from your IRA or qualified plan account(s) each year to purchase a permanent life insurance policy that names your loved ones as beneficiaries. With this approach, your beneficiaries may ultimately receive more money than they would have received if you hadn't purchased the life insurance.

We've designed this guide to help you learn more about the numerous benefits of the IRA Maximization strategy.

How IRA Maximization works



- 1 You receive your annual required minimum distribution (RMD) from your IRA.
- 2 Each year, you pay taxes on the RMD.
- 3 You purchase a permanent life insurance policy from Guardian on your life and use the net proceeds from each RMD to pay your policy's premium. The policy is typically owned by an Irrevocable Life Insurance Trust (ILIT).
- 4 When you pass away, the remaining balance of your IRA (after any Income in Respect of a Decedent (IRD)/estate taxes) is distributed to your beneficiaries. The life insurance/trust proceeds also go to the beneficiaries.

Questions for you to consider

- Are you on track with respect to your retirement assets — do your retirement income projections meet or exceed the amount of retirement income you'll actually need?
- Have you thought about what you are going to do with the RMDs from your qualified plan/IRA? Do you need that cash to live on, or do you consider that "extra" money you won't need?
- Have you thought about the taxes due on your IRA when you pass away if you leave it to anyone other than your spouse?
- Would you like to put your IRA assets to work to potentially benefit your beneficiaries even more?
- Would you like to find a way to potentially help your loved ones avoid estate, generation skipping taxes, and even income taxes on your IRA assets?

IRA Maximization in action

A case study

Take a look at how an individual with retirement assets she didn't need was able to help her daughter enjoy greater financial confidence as her own retirement approached.

Alexandra Giddens is a 72-year-old widow with three children. Her husband, Harold, left her very well off. Most of Alexandra's retirement income is from the sale of Harold's family business, as well as his large 401(k) account, which she inherited. Alexandra also has a smaller IRA, which she funded herself while she was still working part-time. The value of her IRA is \$325K. Alexandra doesn't need any additional income from that IRA, and would like to have her daughter, who is the only one of her three children who has not yet been able to pay off her mortgage, benefit from those assets.

She discusses this situation with her Guardian financial professional, who tells Alexandra that upon her death, the IRA will be subject to Income in Respect of a Decedent (IRD) taxes, which will substantially lower the amount her daughter will ultimately receive from her IRA.

Alexandra's Guardian financial professional suggests that Alexandra use the annual required minimum distributions (RMDs) from her IRA — money she must withdraw each year, unless she wants to be subject to government penalties — to purchase a Guardian whole life insurance policy. This will increase the amount of money available for her daughter upon Alexandra's death, when her daughter will likely either be approaching or in retirement herself.

Policy year	Age start of year	Current scenario					With life insurance				
		Required minimum distribution	After-tax distribution	IRA growth	EOY IRA balance	IRA net to heirs	Insurance outlay	Out-of-pocket cost	Cum. net effective cost	Insurance death benefit	Net to heirs
1	72	\$12,695	\$8,633	\$18,738	\$331,043	\$238,351	\$9,000	\$367	\$45	\$112,931	\$351,282
2	73	\$13,403	\$9,114	\$19,058	\$336,699	\$242,423	\$9,000	\$-114	\$-9,110	\$114,499	\$356,922
3	74	\$14,147	\$9,620	\$19,353	\$341,905	\$246,172	\$9,000	\$-620	\$-17,221	\$116,990	\$363,162
4	75	\$14,930	\$10,153	\$19,618	\$346,593	\$249,547	\$9,000	\$-1,153	\$-26,105	\$119,724	\$369,271
5	76	\$15,754	\$10,713	\$19,850	\$350,689	\$252,496	\$9,000	\$-1,713	\$-35,849	\$122,724	\$375,220
10	81	\$20,120	\$13,682	\$20,402	\$360,438	\$259,516	\$9,000	\$-4,682	\$-98,120	\$143,236	\$402,752
15	86	\$24,878	\$16,917	\$19,554	\$345,462	\$248,732	\$9,000	\$-7,917	\$-174,070	\$164,161	\$412,893
20	91	\$28,790	\$19,577	\$16,928	\$299,068	\$215,329	\$0	\$-19,577	\$-268,661	\$157,862	\$373,191

This is a hypothetical whole life illustration and is not representative of an actual whole life insurance policy. This hypothetical illustration is intended to show, in general terms, how a typical participating whole life insurance policy might work. If purchase of a Guardian whole life insurance policy is being considered, a full illustration with guaranteed values and other important information must be provided. The IRA's hypothetical growth rate is 6%.

By the time Alexandra is age 86, the IRA is projected to grow to about \$345K. After IRD taxes at 28%, the amount left for her daughter would be only about \$248K. But her Guardian Financial Professional suggests that Alexandra redirect the \$9,000 after-tax RMD into a policy that is projected to provide a death benefit of about \$164K at age 86, meaning Alexandra's daughter would receive a total of \$412K. The bottom line? The IRA money that was not needed for Alexandra's retirement income was leveraged to provide a larger inheritance for Alexandra's daughter.

Special considerations

A final checkpoint: Is the IRA Maximization strategy right for you?

Before implementing the IRA Maximization strategy, please make sure that you:

- Have enough money for retirement;
- Are certain that you want to use your unneeded retirement money for the benefit of your loved ones; and
- Can easily afford the life insurance premiums.

Are you concerned about the taxes your beneficiaries will pay on your retirement assets?

Under the SECURE Act of 2019, most non-spouse beneficiaries of inherited IRAs have to take their RMDs within 10 years of the owner's death, rather than "stretching" them over their lifetime. That may have serious tax consequences for the beneficiaries you've designated to receive your retirement assets. On the other hand, if you implement an IRA Maximization strategy, your beneficiaries would receive the proceeds from your life insurance policy income tax free.

The advantages of the IRA Maximization strategy

- **It can provide your loved ones with additional financial confidence:** The amount of money that your heirs ultimately receive can be greater than they would have received without life insurance in place.
- **It gives you the ability to convert a taxable asset to an income tax-free one:** Through withdrawals to fund the premiums, you will slowly convert an asset subject to estate and income taxes to one received income tax free¹ — life insurance.
- **You have the potential to save money on taxes:** If the life insurance is designed properly, estate and generation skipping taxes may be avoided.
- **There are potential cost savings:** The death benefit payable to the trust upon your death will be excluded from your gross estate.
- **You may have access to cash:** Permanent life insurance policies build cash value,² which the owner can access in emergencies. If the policy is not owned by a trust, you may be able to use income tax-favored loans and withdrawals to access your policy's cash value.³

Contact a Guardian financial professional to learn more about the advantages of the IRA Maximization strategy today.



Is the IRA Maximization a strategy you'd like to implement for your loved ones?

Only you can be the judge of that, but a Guardian financial professional will be happy to work with you to help facilitate the purchase of your life insurance coverage and make sure that you've carefully considered the features of this valuable option before you proceed.

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¹ Guardian, its subsidiaries, agents, and employees do not provide tax, legal, or accounting advice. Consult your tax, legal, or accounting professional regarding your individual situation.

² Some whole life policies do not have cash values in the first two years of the policy and don't pay a dividend until the policy's third year. Talk to your financial representative and refer to your individual whole life policy illustration for more information. Dividends are not guaranteed. They are declared annually by Guardian's Board of Directors.

³ Policy benefits are reduced by any outstanding loan or loan interest and/or withdrawals. Dividends, if any, are affected by policy loans and loan interest. Withdrawals above the cost basis may result in taxable ordinary income. If the policy lapses, or is surrendered, any loans considered gain in the policy may be subject to ordinary income taxes. If the policy is a Modified Endowment Contract (MEC), loans are treated like withdrawals, but as gain first, subject to ordinary income taxes. If the policy owner is under age 59½, any taxable withdrawal may also be subject to a 10% tax penalty.

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