

LegacyTree Foundation LAZY Money to ROTH Case Study



Bob & Sharon Wilkes, ages 75 and 73, currently have over \$400,000 in various bank accounts earning less than 1.5%. They also have a number of IRA's totaling \$300,000. They would like to reduce or eliminate their RMD's, as they currently have enough income from social security and their pensions to enable them to live comfortably. Their long-term care needs have been addressed. Their unwanted RMD's are pushing them into a higher tax bracket, and they are also concerned that their heirs would pay substantial taxes should they inherit the IRA's.

The Wilkes' advisor suggested the possibility of a LegacyPlan as a way to support their favorite charitable work, have a future income, and create a way to re-characterize their qualified money **without substantial tax consequences**.

A LegacyPlan from LegacyTree Foundation (LTF) provided a great solution for the Wilkes.

Here's how it worked:

1. Bob & Sharon funded a LegacyPlan with \$200,000 of non-qualified assets that were earning very low rates.
2. LTF issued a Deferred Term Certain LegacyPlan that will payout to them, or to their heirs beginning in 10 years (they may turn on income sooner if they need to) for 20 years.
3. Bob & Sharon received an immediate income tax deduction of \$94,137.
4. The Wilkes recommended that their church and their local homeless shelter receive immediate charitable grants as a result of their completed LegacyPlan.
5. Their advisor helped them complete Roth conversions on some of their IRA's, utilizing the tax deduction to offset what would otherwise have been a taxable event.

An LTF Deferred Term Certain LegacyPlan was created by transferring \$200,000 of non-qualified assets to LegacyTree Foundation. In 10 years, the LegacyPlan will begin paying them \$14,283 annually for 20 years. If Bob and Sharon need additional income during their lifetimes, they can turn on the income early. If they pass away, their children will receive this portion of the estate as a structured inheritance. The immediate tax deduction of \$94,137 will allow the advisor to assist them in re-characterizing a portion of their IRA's to Roth IRA's.

Here's how it worked: Their current income from all sources is \$70,000. The Wilkes did Roth conversions in the amount of \$70,000 the first year, thus increasing their AGI to \$140,000. By applying the charitable income tax deduction to reduce their income by up to 50% as allowed, (\$70,000) their taxable income is back to \$70,000. The \$24,137 tax deduction not utilized this year is carried forward to offset another possible Roth conversion next year. They have re-characterized a nice portion of their IRA's tax-free, helped their favorite charities, and set up an income for themselves and/or their family for the future.

LegacyTree Foundation reinsured the future income stream with a highly rated insurance company in order to provide peace of mind to the advisor and the family.

Total Value of Assets transferred	\$200,000
Tax Deduction Created	\$ 94,137
Tax Savings @ 25%	\$ 23,534
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Annual Income (10 yr. deferral /20 yr. payout)	\$ 14,283
Potential Benefit (payout plus tax savings)	\$ 309,194
Amount of Charitable Recommendation	\$ 6,000



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