Protective

IRA Maximization

The legacy enhancement strategy can help you leave more to those who matter most

Planning ahead for what you'll leave behind can feel like a complex process, especially when you factor in funds from an Individual Retirement Account (IRA). Imagine leaving a legacy behind to your loved ones, only to have taxes eat up a significant portion of their inheritance? Thankfully, life insurance can be a tax-advantaged route to helping you avoid a hefty tax burden, while maximizing the legacy you pass on.

How does it work?

The legacy enhancement strategy focuses on efficiently transferring your IRA to your loved ones. But by preparing ahead and being aware of the taxes you'll incur; you can purchase a life insurance policy to enhance their inheritance.

By making withdrawals from your IRA, you'll pay for the annual premiums of a life insurance policy. We can then determine the death benefit from that policy based on the annual earnings from your IRA. When you pass, both the life insurance policy and the remaining IRA value goes to your loved ones.

Here's an example:

John has an IRA that he wants to leave for his daughter, Jane, but he would also like to leave her more than just the IRA. This would be easier to achieve by using the tax enhancement strategy to leave a more valuable inheritance to his daughter.

Assumptions	Legacy enhancement strategy[2]	Results
John Age 65 (survives to age 90)	$50,000 IRA annual earnings	$288,351 With an assumed age of death at 90; income taxes will be incurred on the inherited IRA.
Jane Age 40	$1,455,400 Life insurance policy	$1,455,400 Inherited death benefit
$1,000,000 IRA balance		$1,946,377 Jane's total inheritance
$35,000 Insurance premium		
5% IRA annual return income tax rate 30% for John, **37% for Jane**[1]		

With John reallocating his IRA annual earnings to purchase a life insurance policy, he was able to maximize Jane's total inheritance.

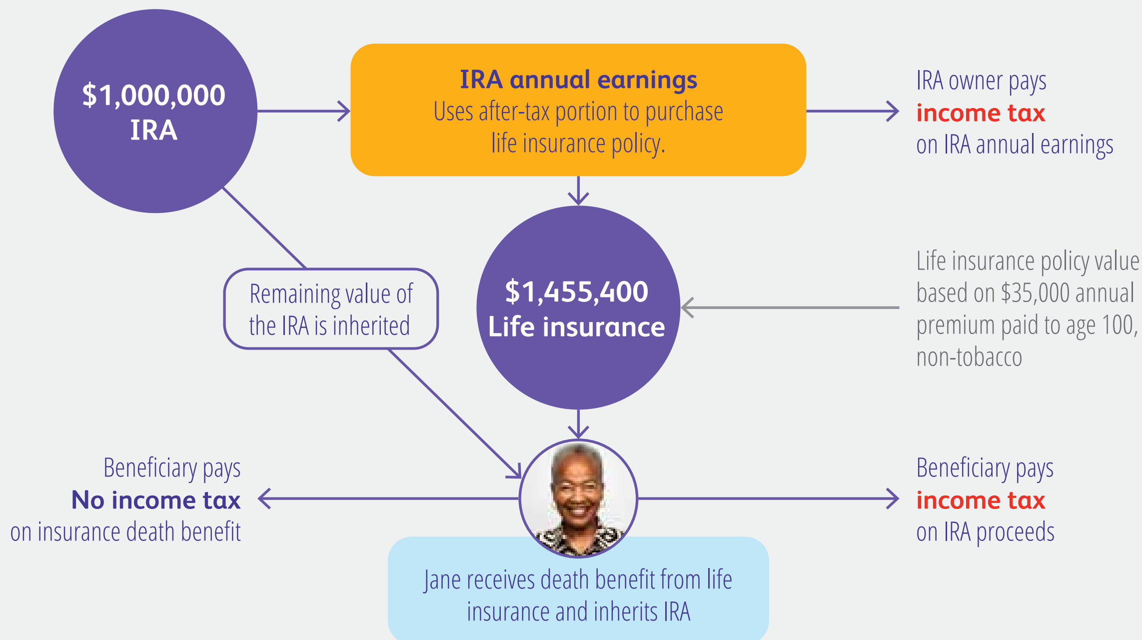
[1]All payments and guarantees are subject to the claims-paying ability of the issuing company.

[2]37% tax rate includes state tax.

Additional information on next page.

Protective refers to Protective Life Insurance Company and Protective Life and Annuity Insurance Company.

Legacy enhancement strategy process:



Result: Jane inherits John's IRA when he passes, and then pays tax on her inheritance. But when you consider the combination of the tax-free death benefit, it increases Jane's total inheritance to $1,946,377, if we assume that John lives to 90.

Since a life insurance death benefit is not taxable, neither you or your loved ones will pay taxes on any of the funds that are being passed on. Get in touch with your financial representative today to find out how this strategy can help you enhance what you leave behind to your loved ones.

For more information, please contact your financial representative.

This material contains statements regarding the tax treatment of certain financial assets and transactions. These statements represent only our current understanding of the law in general and are not to be considered legal or tax advice by purchasers. The tax treatment of life insurance and Individual Retirement Accounts (IRAs) are subject to change. Income, estate, gift, and generation skipping tax rules are subject to change at any time. Neither Protective nor its representatives offer legal or tax advice. Purchasers should consult with their legal or tax advisor regarding their individual situations before making any tax-related decisions.

The income tax on an IRA is not due until each distribution is taken. If an individual made non-deductible contributions to the IRA, a portion of the IRA proceeds may be an income tax-free of basis.

While these strategies may help reduce or eliminate income taxes, they may cause an equal or greater amount of estate taxes, depending on an individual's situation.

Protective® is a registered trademark of Protective Life Insurance Company. The Protective trademarks, logos and service marks are property of Protective Life Insurance Company and are protected by copyright, trademark, and/or other proprietary rights and laws.

CLC.1122 (04.23)

Not FDIC/NCUA Insured	Not Bank or Credit Union Guaranteed	Not a Deposit
Not Insured By Any Federal Government Agency		May Lose Value