

Dorothy Rogers and the 'Finding Money' Concept

Dorothy, your present age is 86, and you have approximately \$600,000 available in a liquid investment portfolio (such as cash, CD's, money market accounts, stocks and bonds). It earns about 5.0% at the present time, and provides approximate income of:

Current annual income	\$ 30,000		After-Tax Income	\$ 25,500
Current monthly income	\$ 2,500	After-Tax Income Monthly	\$ 2,125	

You benefit greatly if this \$600,000 can produce more income, and are willing to use principal IF the principal will be replaced for heirs. Here is how you can accomplish both goals:

STEP 1 -- Increase Your Income

You purchase an Immediate Annuity (SPIA) which pays the lifetime of Dorothy. The SPIA will pay:

Guaranteed annual income	\$ 98,300		After-Tax Income	\$ 97,450
Guaranteed monthly income	\$ 8,190	After-Tax Income Monthly	\$ 8,120	
Annual increase (over present)	\$ 71,950	Monthly Increase In		
Monthly increase (over present)	\$ 5,990	After-tax Income:	\$ 5,990	

STEP 2 -- Replace Your Principal

If you purchase a specialized individual life insurance policy, you can replace the value of for heirs at your death. If warranted for estate planning purposes, the policy may be placed in an Irrevocable Life Insurance Trust (ILIT), with the heirs as beneficiaries.

Specialized life insurance policy	\$600,000
Guaranteed annual premium	\$47,000

RESULT (after tax)

After-tax income from SPIA	\$ 97,450	
Less present investment income	\$ 25,500	
Less cost of insurance policy	\$ 47,000	
Net SPIA Income	\$ 50,450	Pre-tax equivalent: \$59,353
"Found Money"	\$ 24,950	Income Gain: 98%

The portion of the Immediate Annuity (SPIA) that is income tax-free equals: **94%**

By doing this, Dorothy may reduce the estate by \$600,000. In addition, the heirs will receive the proceeds of the life insurance free of income taxes and/or estate taxes.

Note: There are variations to accommodate different circumstances.

* Assumes 15.0% Federal and State combined tax bracket