72-T STRATEGY

About The 72-T Strategy

The IRS allows Americans to make an exception for Distributions in substantially equal periodic payments. This may be done over your life expectancy or the life expectancies of you and your designated beneficiary, the rule 72-T does not apply.

If these distributions are from a qualified plan, not an IRA, you must separate from service with the employer maintaining the plan before the payments begin for this exception to apply. If the series of substantially equal periodic payment is substantially modified (other than for reason of death or disability) within 5 years of the date of the first payment, or if later, age 59 ½, the exception to the 10% tax does not apply. In that case, your tax for the modification year is increased by the amount that would have been imposed (but for the exception), plus interest for the deferral period.

So why could this be an attractive option? Let's look at an example.

Let's say you are 50 years old, and want to protect and grow your money from a qualified plan that you may not be happy with. You were planning on moving to a different company, so now may be the perfect time to adjust your thinking. What you may decide to do is transfer your qualified plan to a new investment house or Insurance Company, creating an IRA. If your goal was to protect your principle and grow your money, you decide to put it into a fixed-indexed annuity with the help of your Advisor or Insurance professional. With the use of IRS methods of determining substantial and equal distributions, you now can make 1 time per year annual withdrawals from the annuity.

What you do now is to take the annual distribution, pay any tax due with no penalty, and then distribute the funds as you see fit. But, In this case you decide to fund an indexed life insurance policy for death benefit, growth, and an additional benefit that many people do not even know about. The IRS, thru publication 7702, authorizes that people with life insurance policies can loan themselves money from life insurance, and will not pay tax from those loan proceeds.

This is a powerful financial strategy when managed correctly. Drawing free of tax income can be accomplished by funding this modern indexed life insurance policy for 10 years or more, than (with the help of your financial professional) loaning yourself substantial income for years or even till age 100. Those loans if designed correctly, will never have to be paid back.

Here is another interesting aspect. You may draw income free of tax for years from this type of account and get a death benefit that is still significant for the designated beneficiary.

Wait a minute, we haven't even spoken about the Indexed Annuity that is still growing. But that is for another discussion.

Ask your financial professional at Wealthcamp to explain further on how the 72-T IRS exception can change your retirement life!