

2018 InsMark Symposium EAST

September 14 - 15, 2018 | Philadelphia, PA

Strategic Alert #6

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The purpose of Strategic Alert #6 is to highlight a portion of the Main Platform on Day 1 of the [2018 InsMark Symposium East](#) scheduled for September 14 - 15, at the Courtyard Marriott (and adjacent to the Marriott Downtown) in Philadelphia.

Double Arbitrage



**Symposium East Presentation by: Robert B. Ritter, Jr.
President/CEO, InsMark, Inc.**

IRA Problem: Income tax at death.

IRA Solution: Convert to a Roth.

Roth Conversion Problem: Income tax cost.

The tax cost to convert to a Roth is not a cost; *it is an investment that produces a terrific return both for your clients and their heirs.* Let's see if I can't prove that.

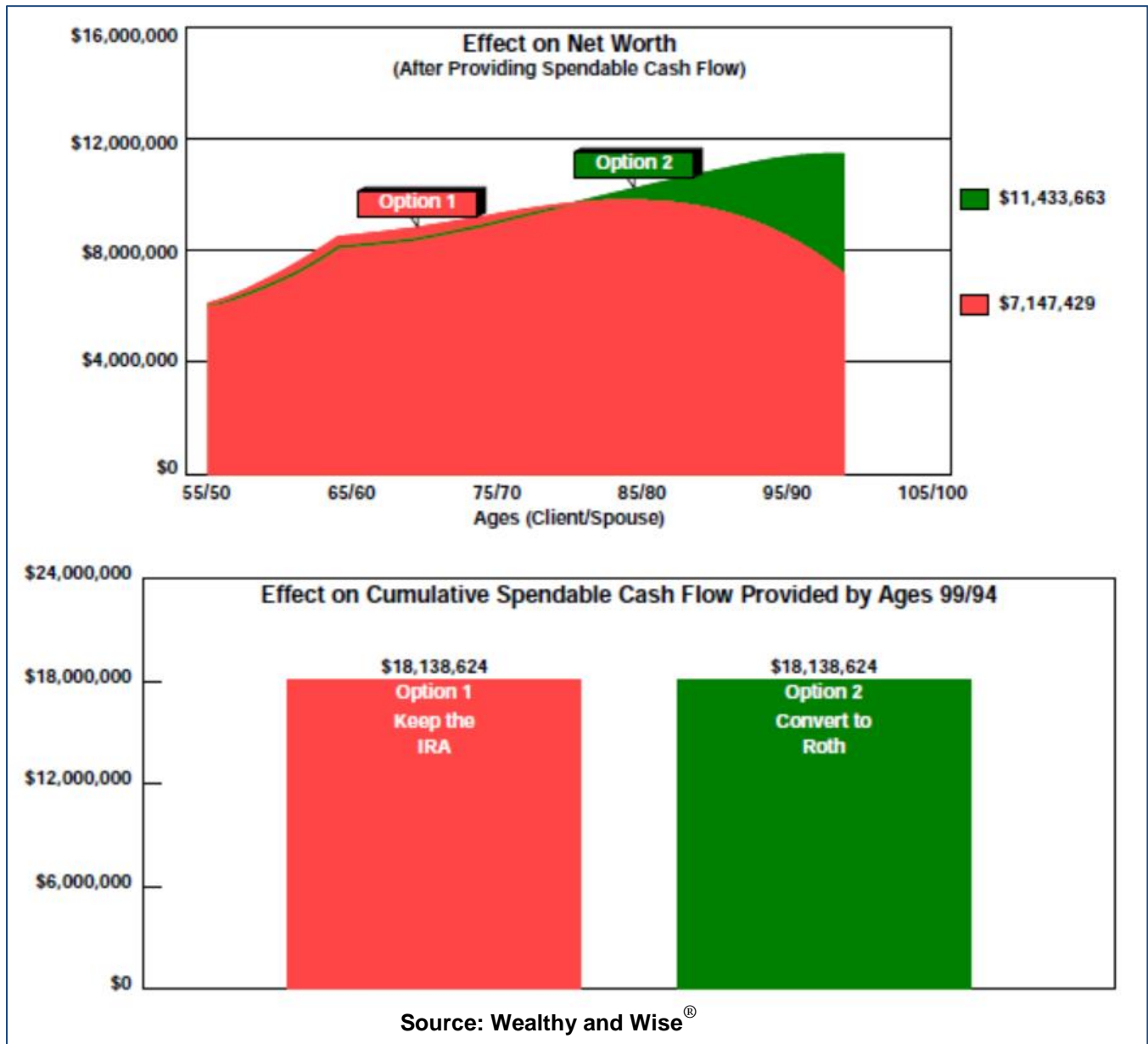
Assume a couple ages 55 and 50. They are in a 40% income tax bracket (federal and state). Their net worth is \$6 million (\$600,000 IRA, \$1,000,000 in

CDs, \$1,000,000 in Munis, \$2,500,000 in Equities plus \$900,000 in home value and personal property).

Below is the long-range result if they convert the IRA to a Roth in equal installments over the next eight years.

Image 1

Option 1: Keep the IRA
Option 2: Convert to Roth IRA



The taxes paid produce an increase in long-range net worth of \$4,286,234, resulting in an 11.00% pre-tax rate of return.

Neutral Cash Flow
(No out-of-pocket cost to the client)

What is Neutral Cash Flow?

Black's Law Dictionary

“Money coming in equals money going out. Any entity has a neutral cash flow if the periodic expenses equal the periodic income to the penny.”

#1 *(The power of the Roth)*

To achieve these results, I directed Wealthy and Wise[®] (our wealth planning system) to start with the asset base noted above and provide the cash flow for the income tax on the Roth conversion using withdrawals from the CDs. The power of the Roth is what produces the gain in long-range net worth taking into account the reduced value of the CDs.

As you can see from the cash flow comparison illustrated by the two bar graphs in *Image 1*, either approach also meets this couple's retirement cash flow objectives of \$25,000 a month starting at age 65 coupled with an annual 3.00% cost of living adjustment ("COLA"). In this example, \$300,000 a year starting at age 65 indexed with a 3.00% COLA produces \$18,138,624 in after tax retirement cash flow.

#2 *(Add the arbitrage of IUL)*

But it gets better! Let's introduce \$1,000,000 of personally-owned indexed universal life ("IUL") into the analysis with annual premiums of \$65,000 for ten years with participating policy loans providing part of the requested retirement cash flow. The premiums are funded by additional withdrawals from the asset base – again **Neutral Cash Flow** is established (no out-of-pocket cost to the client).

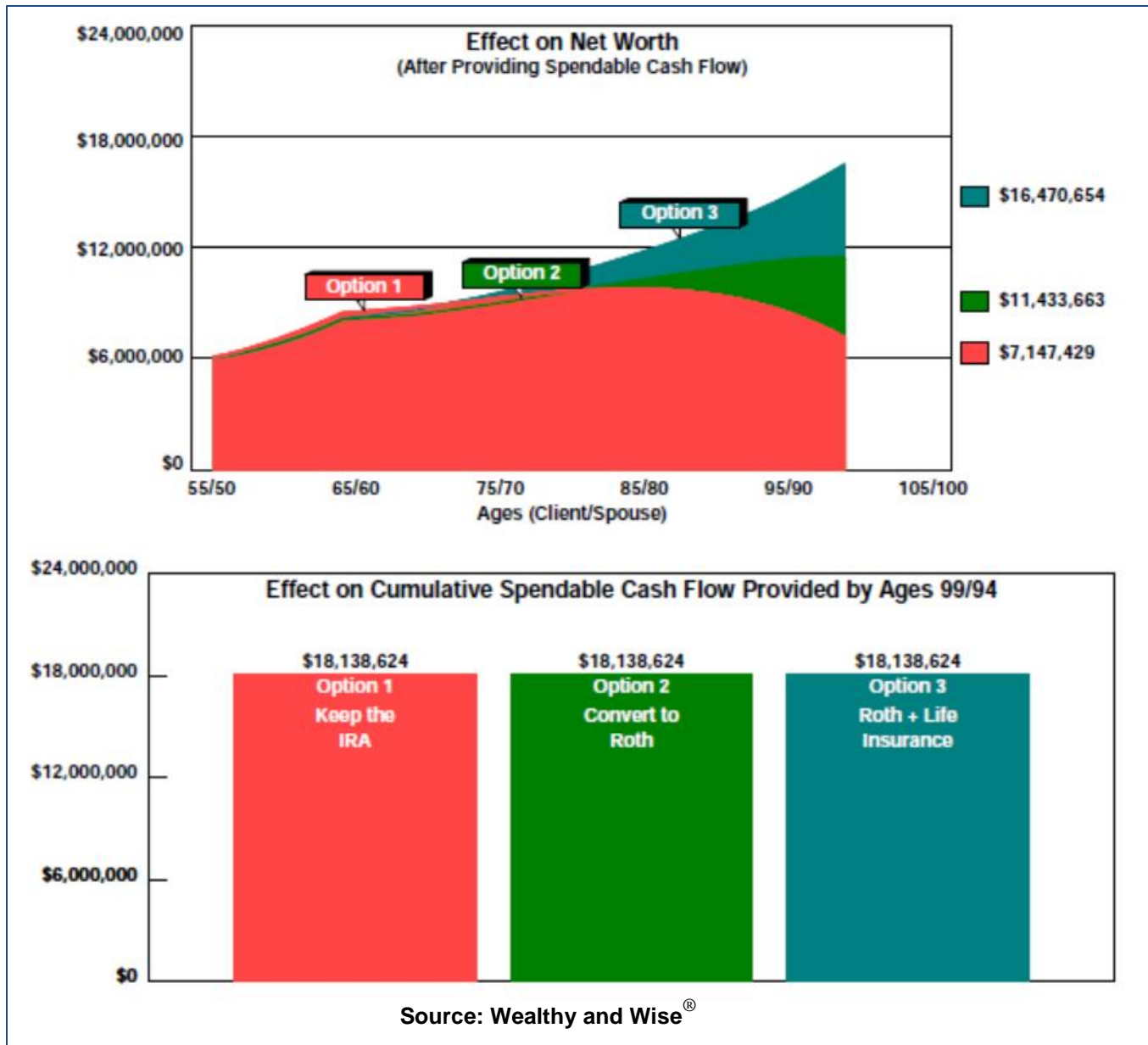
Below are the results:

Image 2

Option 1: Keep the IRA

Option 2: Convert to Roth IRA

Option 3: Add Indexed Universal Life



#3 (Double the arbitrage by adding premium financing)

Can you stand one more step-up? Let's introduce an additional \$3,000,000 of personally-owned ("IUL") into the analysis with an annual premium of \$195,000 for ten years (three times as much IUL as Image 2). In this case, the premiums will be funded partially by the client at \$65,000 a year for ten years with the balance funded by bank loans. Loan interest due the bank is accrued, and the entire bank loan is scheduled to be repaid from policy values at the beginning of year 15. The client's \$65,000 premiums are sourced by additional withdrawals from the asset base – again Neutral Cash Flow has been established (no out-of-pocket cost the client).

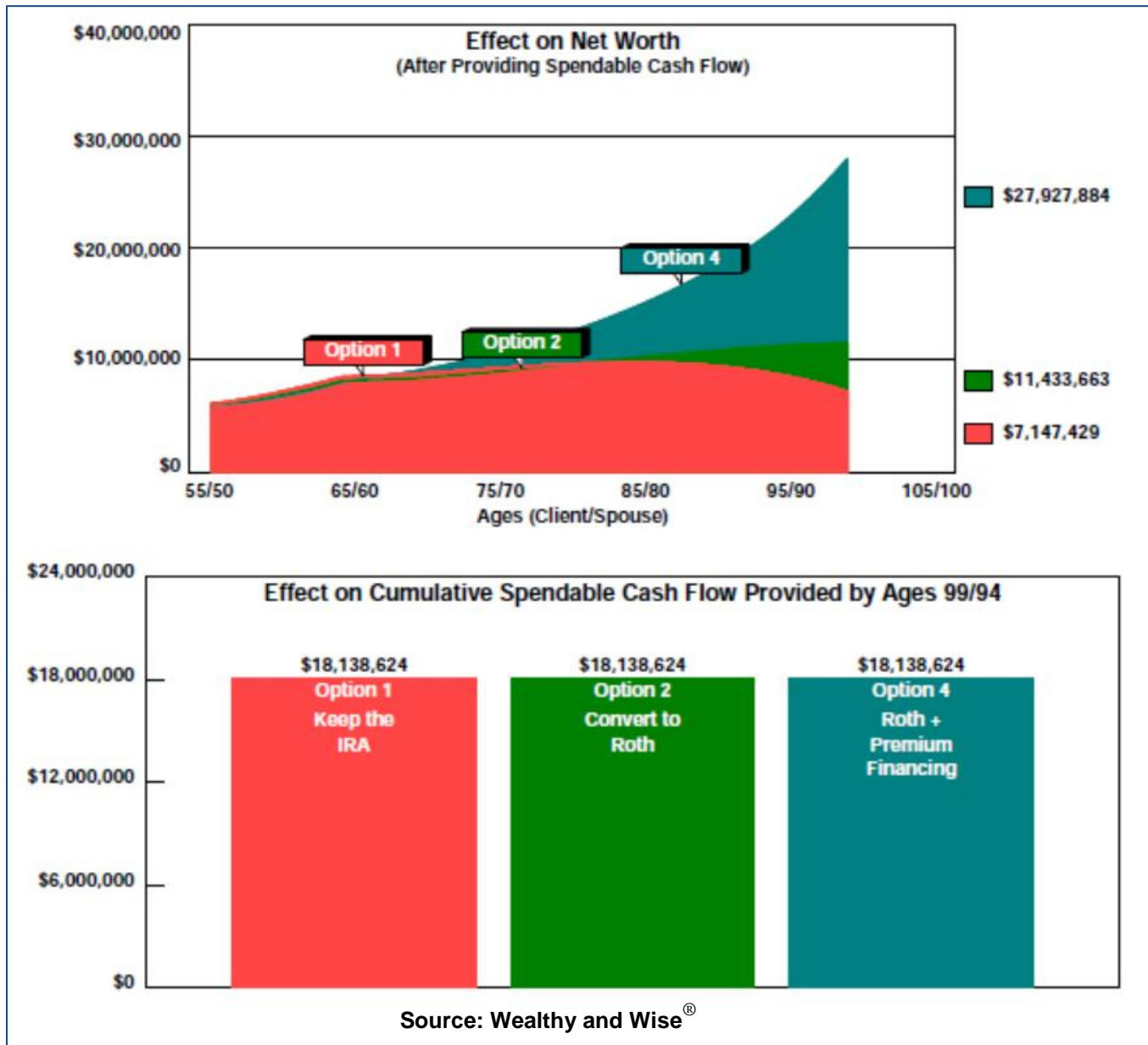
Here are the results:

Image 3

Option 1: Keep the IRA

Option 2: Convert to Roth IRA

Option 4: Add Indexed Universal Life and Premium Financing



Option 4, through its double arbitrage (IUL + premium financing of more IUL), enriches net worth to \$27,927,884, \$16,494,221 over the Roth conversion illustrated in Option 2.

Or, if the client wants more retirement cash flow, \$158,000 more a year (a \$5,530,000 cumulative increase) can be realized by dropping the net worth of Option 4 back to the same as Option 3 - \$16,470,654. (Wealthy and Wise has a calculator that can provide that calculation.)

Details at the Symposium

You don't want to miss this *Double Arbitrage* discussion at the Symposium. All of it noted above will be examined in detail as part of one of the afternoon sessions on Friday, September 14, as well as one of the morning sessions on Saturday. In both, I will also provide illustration input details as well as its application to estate planning.

Contact Julie Nayeri at 1-888-InsMark (467-6275) or julien@insmark.com for more Symposium information or click below for the Agenda and register online:



[Symposium East Agenda](#)

New details are added frequently.



[Register Now](#)

Online registration is open.
Act now - seats are limited!



[Beginners Workshop](#)

September 13, 2018
2pm - 6pm

I look forward to seeing you on September 14 - 15 in Philadelphia.

Bob

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Prior Summaries of Topics to be Discussed at the 2018 Symposium:

[Symposium Strategic Alert #1: \(5/15/2018\)](#)

Dual Security Plan - A New Executive Benefit (with unbelievably favorable tax consequences)

[Symposium Strategic Alert #2: \(5/22/2018\)](#)

Family Net Worth (a new way of presenting the effectiveness of wealth planning)

[Symposium Strategic Alert #3: \(5/29/2018\)](#)

Best Policy for My Clients (examining a client's risk profile in order to determine the best type of policy for that client)

[Symposium Strategic Alert #4: \(6/5/18\)](#)

The InsMark Symposium is coming to Philadelphia. Learn more about this meeting and why you should attend. Limited Seating!

[Symposium Strategic Alert #5: \(6/12/18\)](#)

InsMark's *Advanced Consulting Group* -- specialist firms available for joint case development in premium financing, COLI, BOLI, qualified plan optimization, life settlements, and institutionally-priced life insurance for high net worth investors.

Important Note #1: The hypothetical values associated with this commentary assume the nonguaranteed values shown continue in all years. This is not likely, and actual results may be more or less favorable. Life insurance illustrations are not valid unless accompanied by a basic illustration from the issuing life insurance company.

Important Note #2: This information is for educational purposes only. In all cases, the approval of a client's legal and tax advisers must be secured regarding the implementation or modification of any planning technique as well as the applicability and consequences of new cases, rulings, or legislation upon existing or impending plans.

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