

The Last American Tax Shelter™



By: Zumo's Financial Services

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Solely designed for Educational Purposes only!

Ground Rule

“The difficulty lies, not in the new ideas,
but in escaping from the old ones.”

Remember it is not at what age you want to retire,
But at what Income that matters!

Today's Agenda:

- Limitations of Traditional Tax Deferral
- Benefits of UL Policies
- How it Works: Case Study
- Performance
- Expenses

***Why is it so important for the funds to
accumulate and compound
INCOME TAX-FREE?***

**The “Beauty and Magic” of
INCOME TAX-FREE Growth & Distribution
is illustrated by assuming the Doubling a Dollar
every Period for 20 periods**

**If currently TAXED at 27%
each period, the total is...**

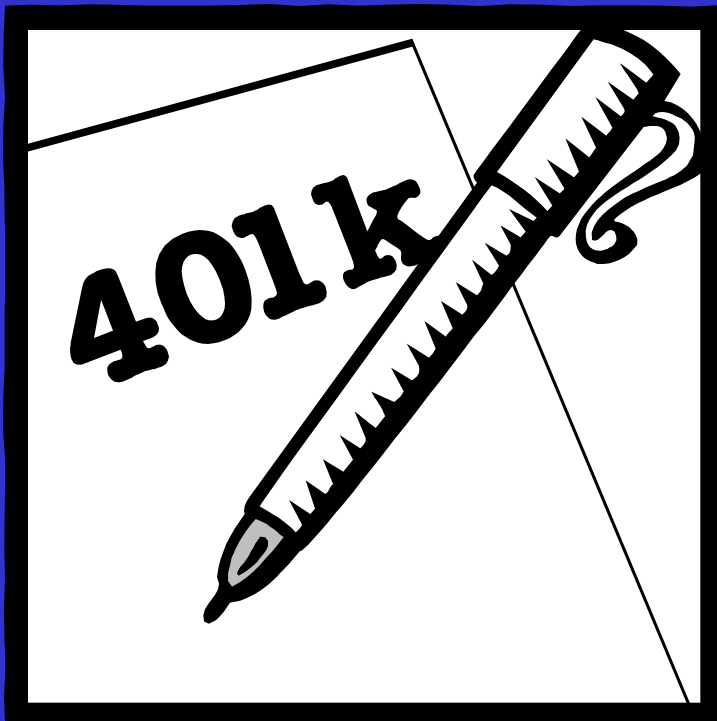
\$57,666

**If TAX-FREE for
each period, the total is...**

\$1,048,576

That is a CRITICAL DIFFERENCE for your financial future!

Current Allowable Tax Deductible/ Tax Deferral Choices



- 401(k)s/ IRAs
- Pensions
- Profit Sharing
- Deferred Comp

The Challenges You Face



- **Up to 35% federal income taxation** on distributions from qualified plans – possibly *much* higher in the future.
- **Accessibility and Age Limitations in Qualified Plans**
- **Municipal bond interest may be subject to AMT**

Four Phases of Retirement Planning

Contribution

Accumulation

Withdrawal

Transfer

IRA/Qualified Plan

Tax Favored

Tax Favored

Taxed

Taxed

Non-Qualified Alternative

After Tax

Tax Favored

Tax Favored

Tax Favored

Why Didn't Somebody Tell Me "The Rest of The Story"?

Hypothetical 401k Contribution = \$15,000 x 30 yrs = \$450,000 Total Contribution

Tax Bracket (State and Federal) = 40% (+)

Tax Deferral Over 30 Years = \$15,000 x 30 years = \$180,000 Total Tax Savings

\$15,000 year @ 8% for 30 yrs = \$1,850,000

**\$1,110,000 Total Income Taxes
Paid in 30 Retirement Years**

VERSUS

**\$180,000 in Taxes "Saved"
During Contribution Years**

x 5%

92,500

x 40%

(-37,000)

Tax Bracket

Annual Tax

= \$ 55,500

Net Income

In just the first 5 years of retirement, every dollar of taxes saved over 30 years of deductions was paid back in income tax.



Your Qualified Plans in a Nutshell:

A minor up-front deduction...

Years of tax-delayed growth...

... and a major tax liability upon distribution.

Honestly, Where Would You Rather Pay Taxes?

On your seed...



...or on your entire harvest?



LIRP

- **L**iving
- **I**nsurance
- **R**etirement
- **P**lan

The non-qualified alternative, or supplement to, 401K, pension, profit sharing and deferred compensation plans.

Living Insurance Retirement Plan

Compliant with IRS Code Section 7702 and tax rules under Section 101 and 72

Audit-proof, and does not increase chances for an IRS audit

Contracts of this type in existence since 1976

Low relative expenses over time

How Does this Stack Up?

	Unlimited Contributions	Penalty-Free Early-Withdrawal	Tax Deductible?	Tax Deferral?	Tax-exempt Distributions?
401(k)	NO	NO	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	NO
IRA	NO	NO	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	NO
Profit Sharing	NO	NO	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	NO
Deferred Compensation	NO	NO	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	NO
Insurance	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	NO	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Insurance Policy Comparisons

	Term Life	Whole Life	Universal Life	Equity Index UL
Purpose	Renewable Protection	Permanent Insurance Protection	Flexible Insurance Protection	Flexible Tax-Free Investment Growth
Premium	Fixed or Increase with Age	Fixed	Flexible: In the Amount & When	Flexible: In the Amount & When
Investment Account	N/A	General Account of Insurance Company	General Account of Insurance Company	Performance is tied to equity index w/ downside protection
Death Benefit	Fixed	Fixed	Flexible	Flexible
Loan Privilege	N/A	Yes	Yes	Yes

Benefits of the UL Policy

Death Benefit Protection on the Insured's Life

Investment Growth Potential

Tax Benefits

TAX Benefits of the UL Policy

- Tax Free Growth of Cash Value
- Income Tax-free Withdrawals
- No Pre-Set IRS Limits on Premiums
 - Except relative to the amount of life insurance being purchased.

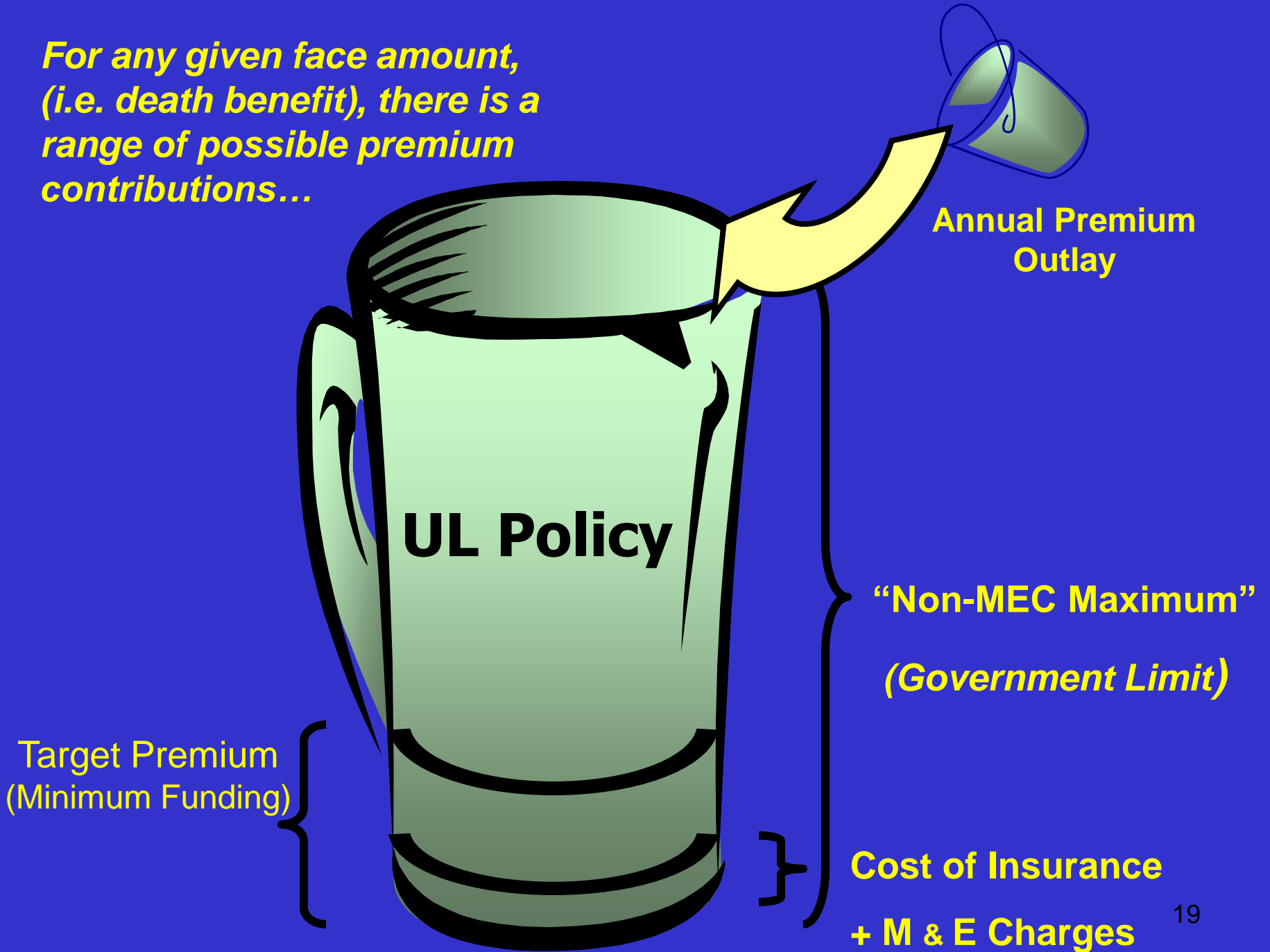
HOW IT WORKS...

CONCEPT

&

CASE STUDY

*For any given face amount,
(i.e. death benefit), there is a
range of possible premium
contributions...*



RULE OF THUMB...

*Paying Premiums up to the
Non-MEC (Gov.) Maximum
Creates the Optimal Expense Ratio*

Case Study



- Healthy Male, Aged 45
- Contributes premium of \$60k per year
- Seeks \$1.8 Million of tax-free liquidity by age 60
- Assumes average net long-term growth of 7.5% per year
- Wants \$11,500/ month of **tax-free** income by age 60, without reducing his accumulated principal.

Policy Values and Benefits

Summary

\$ 900,000	In premiums paid over 15 years
\$1,840,000	In Cash Surrender Value at age 60 <i>(15 years)</i>
\$ 138,000	Per year in tax free income, age 60 – 90
\$4,140,000	In tax-free income, over lifetime, up to age 90
\$3,000,000	In death benefit, still remaining at age 90

The Disbeliever...

How can this Benefit me?

- *Tax Savings*
- *More Money in your Pocket*
- *Ability to retire in comfort*
- *Keep up with Inflation*
- *Not worry about the Income effects on your Ordinary Income*
- *Not worry about Income Limits vs. Social Security*
- *More Disposable Income*
- *It's simple, your putting more money into your pocket in retirement and less into Uncle Sam's.*

Bottom Line

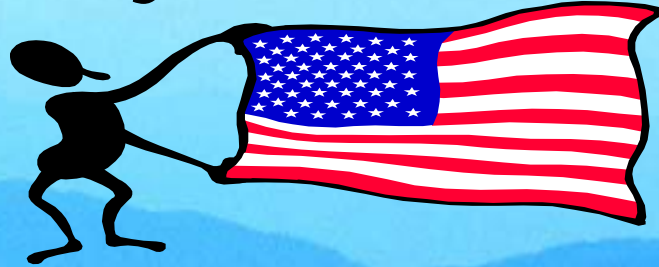
Tax-free income is generated from these life insurance products by obtaining loans on the policy's cash value. These types of loans work similarly to home equity loans in the sense that the investor does not pay income tax on the money borrowed.

Unlike a home equity loan though, the investor does not have to pay back the loan balance. This is pertinent to tax codes 7702 and 72(e).

The need to start diversifying away from taxes is NOW. With the national debt continuing to grow, social programs in jeopardy and all time low tax rates, taxes **will need to go up to pay down the national debt**. Tax deferred programs are helping Uncle Sam's retirement and hurting an investors net spendable dollar during retirement years. All investors want more disposable income.

This can be accomplished by cutting the IRS out of your retirement.

What will your choice Be?



TAXED



No TAX



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