How to Create Six Figures or More in Tax Savings.

The Best Way To Position Your Assets To Win The Tax Game

By Denver Nowicz

IndexedLIFE.net

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Denver Nowicz is the founder of IndexedLIFE.net and President of Wealth For Life Financial Solutions. Over the last 17 years, Denver has successfully developed and implemented comprehensive strategies for individuals and businesses of all sizes.

Through dedication and personal attention, he has helped his clients to develop greater certainty and peace of mind.

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Problem #1:
Taxes don’t go away in retirement.

You’ve probably been told max out your “Qualified Plan” to save you money on taxes. (Qualified Plans such as a 401k, IRA, SEP or defined benefit plan.)

This is not a “tax savings.” This is a “tax deferral.” You still have to pay the taxes – just not right now.

You get a tax deduction now.

Your money grows.

You pay taxes later.

When you retire and withdraw money from your “Qualified Plan” your withdrawal is taxable as ordinary income.

Since you will have to pay those taxes later a few questions may come to mind:

- **What tax bracket will you be in when you retire?**
- **Will taxes be higher or lower?**
- **Will you end up paying more in taxes by waiting to pay them later?**

Pay taxes now on this?

$25,000

Or wait until your money grows and pay taxes on this?

$50,000

Wont you be in a lower bracket when you retire?

"The old thinking was that you should defer tax bills until you are in a lower bracket at retirement. Higher bracket is more like it. … plan on big federal deficits and higher income taxes when you retire…"

The Tax-Deferral Trap
Forbes Magazine - September 07, 2009

Even if you end up in a lower bracket you could still pay more…

401k Deposit

$10,000

24% Tax Bracket

$2400 Tax Savings

Your money grows and you are in a lower bracket

Retirement Withdrawal

$20,000

22% Tax Bracket

$4400 Tax Owed

…because you are simply paying taxes on a larger amount of money.

Also, the advantage of tax deferral depends on age.

The younger you are, the more advantageous it is to save into strategies with a tax free exit vs. a tax-deferred strategy such as a 401k or defined benefit plan. The %'s show how much more spendable income you would have by using a tax-free exit strategy based on future tax rates and age:

	AGE								
CHANGE IN TAX RATE	**25**	**30**	**35**	**40**	**45**	**50**	**55**	**60**	**65**
10%	35%	34%	32%	31%	29%	27%	25%	23%	21%
9%	33%	32%	30%	29%	27%	25%	24%	22%	20%
8%	31%	30%	28%	27%	25%	24%	22%	20%	18%
7%	29%	28%	27%	25%	24%	22%	20%	18%	16%
6%	28%	26%	25%	23%	22%	20%≠	18%	17%	15%
5%	26%	25%	23%	22%	20%	19%	17%	15%	13%
4%	24%	23%	22%	20%	19%	17%	15%	14%	12%
3%	22%	21%	20%	18%	17%	15%	14%	12%	10%
2%	21%	20%	18%	17%	15%	14%	12%	11%	9%
1%	19%	18%	17%	15%	14%	12%	11%	9%	7%
STAYS THE SAME	**18%**	**17%**	**15%**	**14%**	**13%**	**11%**	**9%**	**8%**	**6%**
-1%	16%	15%	14%	12%	11%	10%	8%	6%	5%
-2%	15%	14%	12%	11%	10%	8%	7%	5%	3%
-3%	13%	12%	11%	10%	8%	7%	5%	4%	2%
-4%	12%	11%	10%	8%	7%	6%	4%	3%	1%
-5%	11%	9%	8%	7%	6%	4%	3%	1%	0%
-6%	9%	8%	7%	6%	4%	3%	2%	0%	-2%
-7%	8%	7%	6%	4%	3%	2%	0%	-1%	-3%
-8%	7%	6%	4%	3%	2%	1%	-1%	-2%	-4%
-9%	5%	4%	3%	2%	1%	-1%	-2%	-3%	-5%
-10%	4%	3%	2%	1%	0%	-2%	-3%	-5%	-6%

Roth IRA does better | Neutral | Traditional IRA does better

Source: T. Rowe Price

Problem #2: The Double Taxation Trap.

If you don't have a qualified retirement plan or if you have maxed out your contribution, you fall into the double taxation trap:

"Nearly one out of every three dollars spent by high income retirees goes to taxes."
Lincoln Financial Group/Spectrum research study October 9th, 2009.

Unfortunately, most Americans have their wealth allocated to tax deferred (taxed later) or double taxed positions.

80% Taxed Later	**20%** Double Taxed	**0%** Tax Free

The **solution** is to move toward a **Tax Diversification Strategy** which would look something like this:

40% Taxed Later	**10%** Double Taxed	**50%** Tax Free

How does Tax Diversification impact taxes in retirement?

First, it depends on your spending in retirement.

Studies show that some groups spend a lot more in retirement than was originally thought.

For middle class, spending tends to be within 15% of pre-retirement levels.

Upper income Americans tend to spend about the same as pre-retirement levels.

So let's take a look at the impact of taxes on three different retirement incomes:

$75,000 → $120,000 → $250,000

Retirement Income
Example #1: $75,000

Hypothetical case studies based on 2018 tax rates. Estimates from http://1040.com. Consult your tax advisor for more info.

BEFORE tax diversification
- $30,000 social security
- $45,000 401k withdrawal
- No Tax free withdrawal

- **$5,000 federal tax married filing jointly**
- **$10,000 federal tax – single**

AFTER tax diversification
- $30,000 social security
- $22,500 401k withdrawal
- $22,500 Tax free withdrawal

100% Savings Married

80% Savings Single

- **$0 federal tax – married filing jointly**
- **$2,000 federal tax – single**

Retirement Income Example #2: $120,000

Hypothetical case studies based on 2018 tax rates. Estimates from http://1040.com. Consult your tax advisor for more info.

BEFORE tax diversification
- $30,000 social security
- $90,000 401k withdrawal
- No Tax free withdrawal

- **$15,000 federal tax married filing jointly**
- **$22,000 federal tax – single**

AFTER tax diversification
- $30,000 social security
- $45,000 401k withdrawal
- $45,000 Tax free withdrawal

67% Savings Married

55% Savings Single

- **$5,000 federal tax – married filing jointly**
- **$10,000 federal tax – single**

Retirement Income Example #3: $250,000

Hypothetical case studies based on 2018 tax rates. Estimates from http://1040.com. Consult your tax advisor for more info.

BEFORE tax diversification
- $30,000 social security
- $220,000 401k withdrawal
- No Tax free withdrawal

- **$50,000 federal tax married filing jointly**
- **$60,000 federal tax – single**

AFTER tax diversification
- $30,000 social security
- $110,000 401k withdrawal
- $110,000 Tax free withdrawal

60% Savings Married

53% Savings Single

- **$20,000 federal tax – married filing jointly**
- **$28,000 federal tax – single**

For all three incomes the potential yearly tax savings is significant:

Income	Yearly savings	Over 20yr retirement
$75,000 Income	100% yearly savings	$100,000 over 20yr retirement
$120,000 Income	67% yearly savings	$200,000 over 20yr retirement
$250,000 Income	60% Yearly Savings	$600,000 over 20yr retirement

So where do you grow money for tax free distribution?

- Tax Free Municipal Bonds
- ROTH IRA/ROTH 401k
- Whole Life Insurance
- IUL - Indexed Universal Life Insurance

Of these, **Indexed Universal Life** offers some unique advantages. Let’s look at a quick case study…

A Tax-Free case study with the highest paid coach in college football: Jim Harbaugh

A recent FORBES article detailed how the University of Michigan funded $2 million into an indexed life policy for 7 years for Coach Harbaugh.($14 million total)

This will provide him $1.4 million per year tax-free for life at 66.

With all the resources at their disposal why did they choose Indexed Life over the traditional options?

➔Tax Free
➔Market Protection
➔Growth Potential
➔Flexibility
➔Low Cost

The best part is you don’t have to do this on as large a scale to reap the benefits. Details Here.

The advantages of **Indexed Universal Life:**

- ✓ Designed to provide tax-free income streams while you are living.
- ✓ No income or contribution limits like ROTH IRA/ROTH 401k plans.
- ✓ The principal is guaranteed against market losses.
- ✓ Double-digit growth potential from popular market indexes with no downside risk.
- ✓ Long term costs average 1% or less.
- ✓ If you pass away prior to retirement your plan is fully funded for your family thanks to the death benefit.

Why is life insurance tax free?

IRS Code Section 72(e) and 7702

The most unique feature of permanent life insurance is that under Section 72(e) and 7702 of the Internal Revenue Code the accumulation of cash inside the insurance contract is tax advantaged. Not only can the cash value accumulate tax free, but the cash can also be accessed tax free.

> **"The tax exemption for life insurance is the single biggest benefit in the tax code."**

PBS

Ed Slott – one of America's top nationally recognized CPA's in his PBS Special "Retirement Rescue"

The strategy is already established and proven:

THE WALL STREET JOURNAL.

"The richest Americans own over half of the tax free investment gains built up in life insurance." **October 3rd, 2010**

Indexed Universal Life is one of the fastest growing segments in the insurance industry:

$2.0 Billion +
2017 Indexed Life Sales Estimate

$1.97 Billion
2016 Indexed Life Sales

$1.86 Billion
2015 Indexed Life Sales

Indexed Universal Life has disadvantages as well:

- Indexed Life is a medium to long term strategy.
- While costs over the life of a policy will average less that 1% they will be highest in the early years.
- They must be structured and funded in a certain way.
- They carry surrender charges if you bail out.
- You must be able to qualify health-wise.
- Most appropriate for households in the top 10% of income.

You can see a complete overview of indexed life pros and cons on our youtube channel.

Want to know your tax free options?

You can recieve a FREE customized Wealth Report by email and avoid these common mistakes:

- ✘ **Paying too much in taxes**
- ✘ **Inconsistent growth or loss of capital**
- ✘ **Inefficeint use of your wealth**
- ✘ **Paying too much in costs and fees**

Get your report free by email!

This custom, 20 page report will highlight the best tax-free income strategy for you.

Learn more here: Compare Tax Free Options

Comparing your options – Sample Report

YOUR PERSONAL WEALTH
REPORT SUMMARY

KEY ASSUMPTIONS

Age: 40

Income Distribution Age: 55

Annual Contribution: $200,000

Lifetime Investment: $1,000,000

Working/Retirement Tax Rate: 28%/ 28%

IUL Interest Rate: 7%

		Interest Rate	Expense Percent
	Indexed Universal Life (IUL)	7%	Included in report
	Taxable	7%	1.5%
	Tax Deferred	7%	1.5%
	Tax-Exempt	7%	1.5%

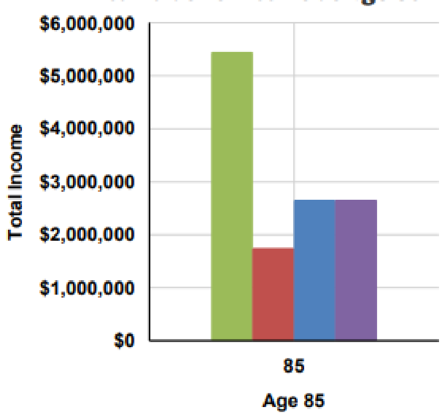
A hypothetical historical report showed that in a typical scenario an IUL has an average return of **7.32 %** annually or greater. With IUL having a floor of **0%**, you don't participate in the negative losses of that index.

KEY TAKEAWAYS - $175,692 ANNUAL RETIREMENT INCOME

		Values at Age 85						
		Total Income	Death Benefit	Total Benefit	Total Fees	Total Taxes	Cumulative Fees	Age You Run Out of Money
	IUL	$5,446,452	$1,618,504	$7,064,956	$718,281	$0	$718,281	Never
	Taxable	$1,746,175	$	$1,746,175	$339,358	$422,152	$761,510	64
	Tax Deferred	$2,662,021	$	$2,662,021	$686,732	$1,035,230	$1,721,963	70
	Tax-Exempt	$2,662,021	$	$2,662,021	$494,447	$0	$494,447	70

Account Value by Age

Cumulative Income at Age 85



Important takeaways from this e-book:

- 401k, IRA, SEP, 403b and Defined Benefit Plans are not tax savings plans. They are tax deferral plans. They simply delay paying the taxes you owe until the future.

- When you withdraw money at retirement from qualified plans it is taxed as ordinary income – just like your income is now.

Important Questions to Ask:

- Will you pay more in taxes by waiting until retirement to pay them?

- What tax bracket will you be in during retirement?

- Will taxes be higher or lower in future?

- Would you rather pay your taxes now and have them out of the way or wait until retirement?

The reality is taxes get paid either now or later. It is just a matter of how much and when.

"Nothing is certain except death and taxes."

Benjamin Franklin
November 13, 1789

- ✓ By waiting to pay all the taxes you owe until retirement, you could end up paying two or three times as much as you should.
- ✓ A balanced approach between taxable and tax free income sources could save you 50%-90% per year in retirement taxes.
- ✓ This could give you a lot more money to spend during retirement.
  Get a free report here.

IndexedLIFE.net

Questions? Email Us Here.

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