How Does the RMD Max Plan Work?

MEET MARK. He is 72 years old and has a qualified plan account value of $1,000,000. His wife, Mary, is the same age and the sole beneficiary of Mark's plan. They do not need the annual RMD income and plan to ultimately leave the qualified plan as an inheritance for their adult children. Factoring in 4% annual growth and his scheduled RMDs, Mark will need to withdraw $39,061.50 this year with increasing annual RMDs that reach over $50,000 by age 80. See the table below.
Mark and Mary are concerned about income taxes and believe they will be even higher in the future.

PROBLEM: Qualified plan dollars are efficient ways to accumulate dollars on a tax-deferred basis for retirement income, however they are an inefficient asset to leave to the next generation since they are subject to income taxes in an uncertain and potentially higher income tax environment. Mark and Mary want to protect their qualified plan asset against this risk.

SOLUTION: By repositioning the after-tax dollars of the RMD income annually towards a life insurance policy, Mark and Mary were able to turn the taxable qualified plan asset into an income tax-free asset. They took only $23,737 of the annual RMD and leveraged those dollars to lock in an income tax-free life insurance death benefit of $1,000,000 to benefit their children. This is in addition to the qualified plan assets remaining. The RMD Max Plan had no impact on their retirement lifestyle and gave Mark and Mary the peace of mind knowing that the qualified plan value would be protected. RMD after-tax dollars producing an **income tax-free IRR of 8.38%** at age 90 was the solution that met their goals.

	Death Benefit (Income Tax Free)	Qualified Plan Balance (Income Taxable)
Year 1 (Age 72)	**1,000,000**	**$1,000,937**
Year 18 (Age 90)	**1,000,000**	**$697,337**

Age	Uniform Life Expectancy	Minimum Distribution	Balance
72	25.6	$39,062.50	$1,000,937.50
80	18.7	$51,453.25	$949,209.55
90	11.4	$64,235.24	$697,337.73

Contact your advisor to learn more about how to implement this solution