Intro

This sales kit is a little different than our others. This month, we want to provide information and support to help you talk to clients about taxes. Specifically, how current and future tax rates affect their retirement – and what to do to maximize the amount of money they get to keep.

This kit will help you get the conversation started. Once you have the client's interest, transition the discussion into specific tax-free strategies, like IUL.

In this kit, we've got:

- Sharable social media images in 2 sizes – perfect for Facebook, Twitter, LinkedIn, and Instagram
- Discussion starters and conversation guide
- Resources for more information and statistics (great for social sharing!)
- Sample emails for clients and prospects on tax-free retirement income and the 0% tax bracket
- Advisor strategy: How to get clients into the 0% tax bracket in retirement
- 2-part consumer guide: Wealth Strategies – The Financial Tool Used by the Top 25%

Let's get the word out about smart retirement planning with tax-free income.

Need help digging into the specifics of tax-free strategies, like IUL?

Call us! We're happy to help with ideas, illustrations, and more.
Call 800-823-4852 and ask to speak to a brokerage manager.

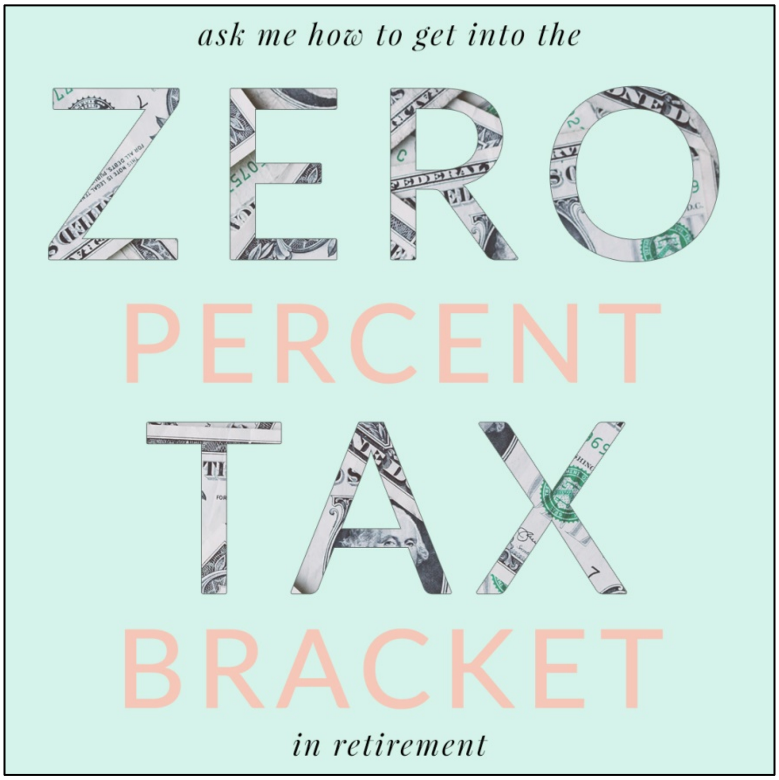
This kit provides general information regarding the subject matter covered. It is not intended to serve as legal, tax, or other financial advice. Because each individual's legal, tax, and financial situation is different, specific advice should be tailored to a client's particular circumstances. Please advise clients to consult with their attorney and/or CPA regarding their specific situation.

Social Media Images

Square Images: 1080x1080 pixels – perfect for Instagram or Facebook.

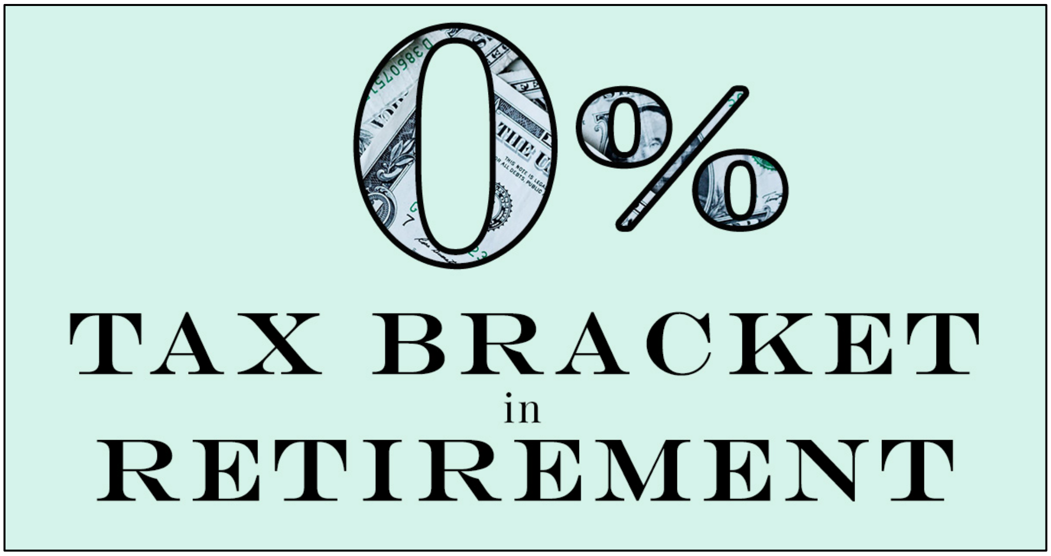
Click any image to view in a browser, then right-click and save to your computer.

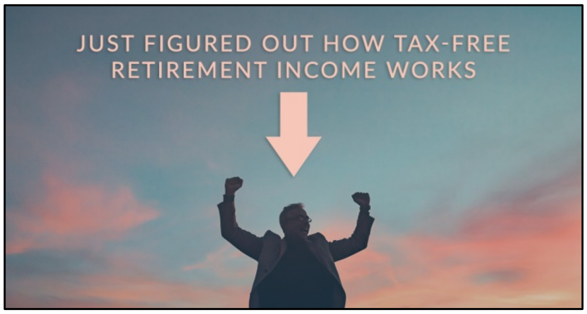

WANT
TAX-FREE INCOME
FOR RETIREMENT?
I can help.


ask me how to get into the
ZERO
PERCENT
TAX
BRACKET
in retirement

Rectangular Images: 1200 x 628 – perfect for LinkedIn and Twitter.

Click any image to view in a browser, then right-click and save to your computer.





Discussion Guide & Conversation Starters

To use this guide, ask a few of the "getting started" questions. As you listen to your client's responses, take a few quick notes – what larger issues come up? Use the follow-up questions in the relevant sections below to steer the client into a deep-dive on their most pressing issues. Once you know what they want and what they fear, you can highlight the solutions and product features that work best for them.

Get Started

- How do you feel about your finances these days?
  - Would you say you're confident, cautious, or worried?
- Did you have a retirement plan before the pandemic? If so, has it changed?
  - If not, what are your retirement goals?
- Have you thought about making any changes to your budget or portfolio because of what we've seen in the market lately?
- What assets do you have that are tied to the market (qualified account, stocks, bonds, etc.)? What assets do you have that are independent of the market (business, home, cash reserves, etc.)?

Transition

- So we've been talking about [issue here]. You're feeling [insert client answer], and have thought about [insert client answer].

Option #1: Address the Stock Market/Portfolio Value

Now, let's get specific and talk about how the crazy stock market affects your retirement.

- Is the volatility in the stock market causing you to make changes to your spending habits?
- Is market volatility resulting in a lower standard of living for you and your family?
- What stresses you out more: losing money, or missing out on potential gains?
- What if we could look at a way to protect your portfolio from the volatility we've seen lately?
- Are you interested in looking at ways to protect part of your portfolio from the kind of volatility we've seen lately? If there were a way to protect that money, grow it, and keep part of it available in case you needed it, would you be interested in finding out how?

Option #2: Address Higher Taxes in the Future

Now, let's shift gears and talk about higher taxes – that seems to be what's on everyone's mind these days. Let's start with some of the questions my other clients have been asking:

- How do you think the government will pay for the programs helping fight COVID-19? What do you think the government will do to recoup revenue lost in employment taxes?
    - **Print more money:** That's interesting! So if the government prints more money, that's going to lead to inflation, right? How would that affect your retirement savings?

      Raise taxes: That's very likely! If they raise taxes before the current tax cuts expire in 2025, how would that affect your retirement plan? Would you be worried about those higher taxes eating into your retirement income?
- If you could pay tax **now** on money in your untaxed accounts, would you rather do that if it meant saving more money in the long run?
- What if there was a way to keep more money in your account – and with your family for the next generation – instead of paying it to the IRS?

Option #3: Address Consumer Debt

Now, let's shift gears again and talk about debt. No one wants to talk about it, I know, but if we talk about it, I can help figure out how to help you balance that debt with a plan for your future and your retirement.

- Is increasing debt one of your financial issues right now?
- And what kind of insurance do you currently have – any life insurance in the mix?
    - **No:** You know what to do!
    - **Yes:** Great! I'm glad to hear it. Let's do a quick review to make sure that coverage is still meeting your needs.
    - **I did, but I cancelled because I couldn't afford it:** I understand – things are tough all over right now. Let me just ask a quick question…if you can't afford the premiums for life insurance to offset your debt, how do you think your family will be able to afford it if something were to happen to you? What if we could find a more affordable way to protect them from these debts?

Option #4: Address Inflation

Now, a lot of my clients have come to me very concerned about inflation. Inflation is what happens when the government prints more money to make up a debt or shortfall. Because there's more money available, that money becomes worth a little less. Essentially, with inflation, when you take a dollar to the grocery store, you get less than you would have before.

- Does the potential for inflation worry you at all?
- If the money you saved for retirement bought 70% as much then as it could today, would you still have enough to live comfortably?
- What if it didn't matter what happened with the inflation rate because you had a way to keep your income growing at or above that rate?

Option #5: Address Longevity

There's one more issue I want to bring up while you're here…and it's one a lot of people don't think about until it's too late. Now, this issue is longevity. What that means, essentially, is outliving your money. If you plan for a 20-year retirement, for example, what happens if you live 25 more years? Or 30 years? This is especially common for women, who frequently outlive their spouses but don't have a plan to pay for those extra years.

- Do you have a target retirement age? How long do you expect that retirement to last?
- Is there a backup plan for what happens if that money runs out?
- Would you like to hear about options that can help turn money you already have into a guaranteed income stream you can't outlive?

Need help digging into the specifics of tax-free strategies, like IUL?

Call us! We're happy to help with ideas, illustrations, and more.
Call 800-823-4852 and ask to speak to a brokerage manager.

Resources

Because anything you don't have to Google saves you time.

Stats, Government Sites & General Use

U.S. Debt Clock: https://www.usdebtclock.org/

TruthInAccounting.org: https://www.truthinaccounting.org/

Social Security: https://www.ssa.gov/

Congressional Budget Office: https://www.cbo.gov/

IRS.gov, 1040 Instructions and Tax Table: https://www.irs.gov/forms-instructions

IRS.gov, Capital Gains and Losses: https://www.irs.gov/taxtopics/tc409

Good Resources for Tax Talk

Our archive of Van Mueller newsletters: https://pinneyinsurance.com/blog/?tag=van-mueller

Professor Laurence Kotlikoff of Boston University: https://kotlikoff.net/
This site includes an easy-to-navigate compendium of his columns, articles, and books on the left sidebar. Super useful.

TheAmericanCollege.edu Webcasts: https://www.theamericancollege.edu/resources/webcasts/covid-19s-impact-tax-and-retirement-planning
Recent topics covered include income tax planning for families with special needs kids, Social Security insecurity, COVID-19's impact on wealth management, and more.

From our archives:

Selling in the COVID-19 Economy: 6 Problems and 3 Opportunities

Financial Independence Sales Kit

5 Ways to Support Clients During a Crisis

How to Use Life Insurance Instead of a Stretch IRA to Transfer Wealth

Sample Email Text: Worried about Taxes Increasing?

Subject line: Worried about taxes increasing?

Hi Mrs. Client,

In the past, we've talked about [topic].

But now I want to ask you a question about taxes. Do you think taxes are likely to be higher or lower in the future?

If you said higher, you're right. The national debt is increasing faster than normal, thanks to the coronavirus. And the government's best chance of getting that money back is to raise taxes on its citizens.

This is going to cause big problems for people who are depending on pre-tax retirement accounts like 401(k)s and traditional IRAs. If tax rates go up, how much of that money can you actually keep?

If you don't like the idea of paying more tax, you're not alone. In fact, it raises a good question: if you could pay taxes now, while they're lower, would you do it? That's what a lot of my clients have been asking me lately.

And yes, there is a way to make sure you're not paying more hard-earned money to the IRS than is absolutely necessary.

Did you know I can help you:

- Reduce or eliminate tax rate risk from your retirement
- Make sure what's left of your money goes to your kids, not the government
- Give you a way to hedge against the need for long-term care
- And also give you a way to hedge against the expenses caused by a major illness

I don't want the "tax train" to catch you unaware. If we could reduce or eliminate your tax liability in retirement, would you be interested? Do you have a few minutes to talk this week?

Sample Email Text: The Zero Percent Tax Bracket

Subject line: Did you know it's possible to retire in the zero percent tax bracket?

Dear Mr. Client,

Have you seen any of the videos or stories online about the zero percent tax bracket?

If so, you might be thinking it's too good to be true.

But as long as you know how to put your money into different "buckets," you could retire and pay **no** income tax on your 401(k) distribution, your Social Security payments, and several other available streams of income.

Here's an overview of how it works:

- **401(k):** Only withdraw as much money per year as the tax year's standard deduction (about $24,000 for a married couple in 2019)
- **Social Security:** Keep taxable income under the threshold for Social Security taxation
- **Roth IRA:** Distributions aren't taxes because you funded the account with after-tax money.
- **Life insurance:** Sock away money in a cash value policy now, and withdraw tax-free income later.

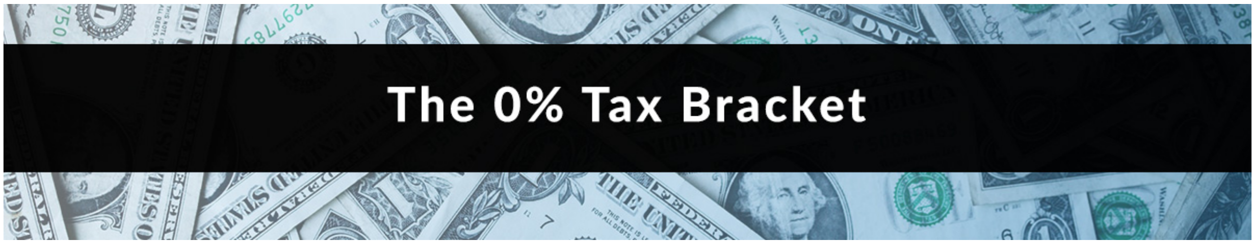
The great thing about this strategy?

You never have to stress about future tax increases.

Even if the tax rate doubles, zero times two is still zero.

If I could show you how to apply this strategy to your current retirement portfolio, would you be interested?

Call me or email me and let's talk about ways to get you into that zero percent tax bracket.



How to Talk to Clients about the 0% Tax Bracket

IF YOUR CLIENTS HAVE BEEN ASKING ABOUT RISING TAXES, YOU'RE NOT ALONE. THEY WANT ADVICE ON HOW TO PLAN FOR THIS – AND HOW TO TAKE ADVANTAGE OF OUR CURRENT LOW TAX RATE.

There are several strategies we can use to keep as much of your clients' retirement income tax-free as possible. For some, they'll even be able to get into that 0% tax bracket. But let's back up a bit first and explain the trouble with relying on traditional retirement accounts and Social Security.

The Problem with Traditional Retirement Accounts

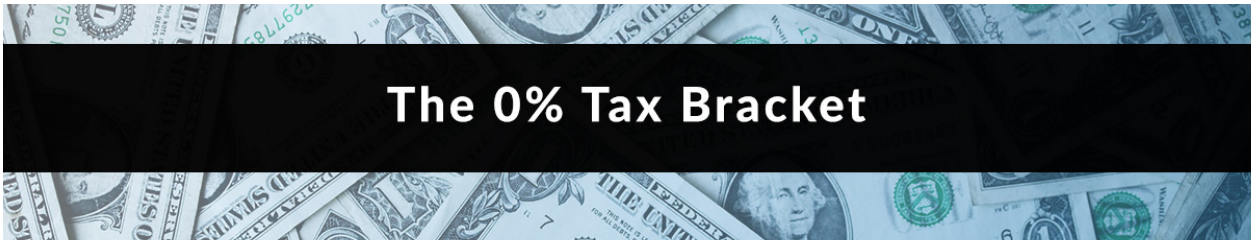
How many of your clients think they're set for retirement because they max out their yearly contributions to a 401(k) or IRA? The selling point for these traditional accounts is the tax break you get *right now*. You fund your account pre-tax and let both the principal and the gains grow tax-free.

Essentially, the government is giving your clients a tax break *now*, during a time when taxes are low. In return, your clients will pay tax *later*, when taxes will likely be higher.

THAT FUTURE TAX RATE IS EXACTLY WHAT'S WORRYING MANY CLIENTS THESE DAYS.

What's the point in growing a tax-free account if the government can take it all back in the future with higher taxes? While it's highly unlikely the government will take *all* of it back, we don't know exactly what they *will* take back.

We know they have a massive funding shortfall. And we know higher taxes are an easy way to start making up that difference. But that's not all.



The Problem with Social Security

Social Security benefits are taxable at the federal level based on your clients' income. Depending on that taxable income, up to 85% of their benefits can be taxed.

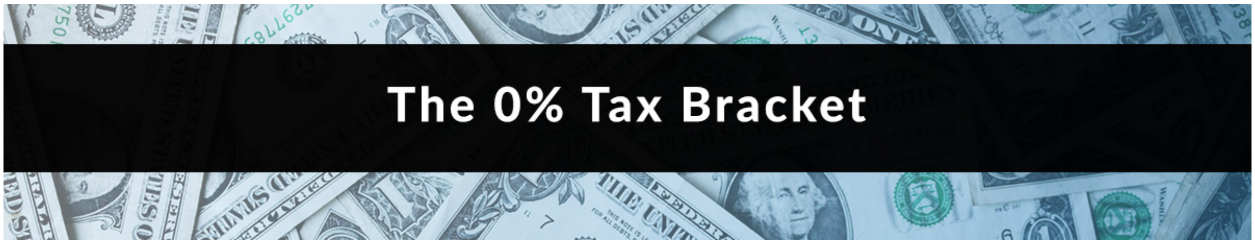
- **If you are single and your income exceeds $25,000,** up to 50% of your Social Security could be taxable.
- **If you are single and your income exceeds $32,000,** up to 85% of your Social Security could be taxable.
- **If you are married filing jointly and your income exceeds $32,000,** up to 50% of your Social Security could be taxable.
- **If you are married filing jointly and your income exceeds $44,000,** up to 85% of your Social Security could be taxable.

In this situation, that income is calculated as **modified adjusted gross income** + **50% of Social Security benefits** + **any of the common streams of income listed below**.

- **Rental income:** yes
- **Interest:** yes
- **Dividends:** yes
- **Pensions:** yes
- **Tax-exempt muni bond interest:** yes
- **Traditional IRA distributions:** yes
- **Capital gains:** it depends (we'll get to that in a sec)

If you asked right now, how many of your clients' retirement plans are based on two or more of the above income streams? Now you see the problem we're leading up to.

THE MORE YOUR CLIENTS HAVE IN THEIR 401(K) OR IRA, THE MORE THEY'LL LOSE TO TAX. AND THE MORE MONEY THEY RECEIVE FROM THEIR 401(K) OR IRA, THE MORE OF THE SOCIAL SECURITY THEY'LL LOSE TO TAX.



The Solution: Reduce Taxable Income

If too much tax is the problem, there's one clear solution: reduce the amount of taxable income.

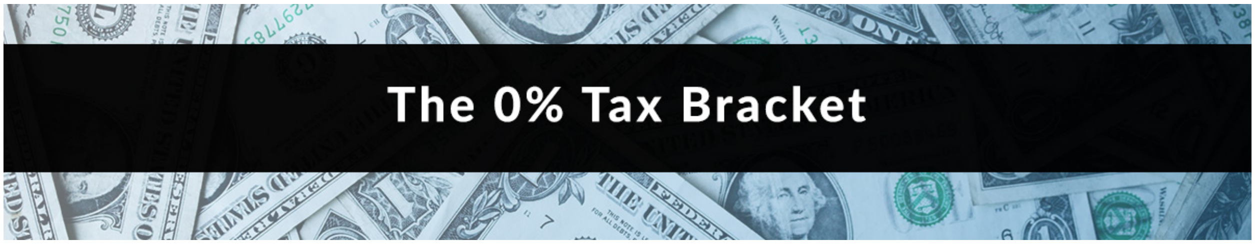
So what *doesn't* count as taxable income?

- Roth IRA distributions (assuming you are over age 59.5 and had the account for at least 5 years)
- Life insurance policy loans (which do incur a bit of interest)
- Immediate annuity payments (up to the initial investment amount)
- Some capital gains, depending on length of time held and taxable income

You want your clients to have as much money as possible in these tax-free vehicles. And you only want them to withdraw as much money from taxable vehicles as enables them to stay in the 0% tax bracket. This keeps their Social Security 100% tax-free. Combining all these strategies, it's possible to have a 0% tax bracket in retirement.

Summary

- **Rely heavily on tax-free sources of income.**
    - **Life insurance**
        - Policy loans are not taxable. They may, however, incur a small interest fee. This works best if you grow that cash value for 10+ years. The longer the money grows, the more you benefit from compounding interest!
        - Think of cash value policies as a replacement for bonds in your clients' portfolios, since bond returns are nowhere near the percentage typically projected (5-7%).
    - **Roth 401(k) or IRA**
        - All withdrawals, including interest, are 100% tax-free since they were funded with after-tax dollars.
        - Calculate the cost of a traditional-to-Roth 401(k) or IRA conversion. Your clients will pay tax now, but have tax-free withdrawals later. A possible silver lining? If the value of their IRA is lower thanks to a general market drop, that also helps lessen the tax burden.



The 0% Tax Bracket

- **Keep taxable income below the standard deduction.**
    - Have to take an RMD? Set it so that it doesn't exceed the standard deduction. That deduction essentially wipes out the same amount in taxable income.
        - **Tax year 2020, single:** $14,050
        - **Tax year 2020, married:** $27,400
- **Factor in Social Security.**
    - The average person collects about $15,000/year. Taking Social Security earlier can result in smaller payments, which may actually help in terms of reducing taxable income, depending on your clients' needs.
- **Remember the 0% capital gains tax rate.**
    - The IRS taxes long-term capital gains (those held for at least a year) at 0%, 15% or 20%. The 0% rate applies to long-term capital gains as long as your 2020 taxable income doesn't exceed $39,375 (for single filers) and $78,750 (married, filing jointly).
    - Capital gains are taxed differently than ordinary income. If your client's income is $10,000 under the 22% tax bracket and they have a $20,000 long-term capital gain, they pay 0% tax on first $10,000 of the gain. The second $10,000, which bumps them into the 22% bracket, will be taxed at 15% - but their ordinary income remains in the 12% bracket.

Need help digging into the specifics of tax-free strategies, like IUL?

Call us! We're happy to help with ideas, illustrations, and more.
Call 800-823-4852 and ask to speak to a brokerage manager.
