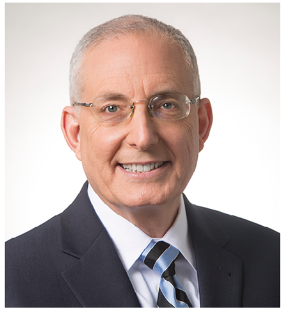

ED SLOTT'S
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Tax & Estate Planning for Your Retirement Savings

WHAT'S INSIDE?

Join the Retirement Planning Conversation

The Daunting Tasks of an IRA Trust Trustee

An IRA owner should name a trust as his IRA beneficiary only when there is a legitimate and justifiable reason to do so. If an adult beneficiary is otherwise healthy and responsible, and if there is no desire to control assets after death, then naming a person directly as an IRA beneficiary may be a better option. However, in those cases when a trust is necessary, be sure the trustee – the person responsible for following the provisions of the trust and dispersing its assets — *understands the trust and IRA rules.* Otherwise, saddling an inexperienced trustee with such a daunting task can lead to egregious mistakes — *as a recent IRS private letter ruling illustrates.*

Trust Distribution Disaster

PLR 202125007, released by the IRS on June 25, 2021, is another in a long line of botched IRA trust beneficiary horror stories. In this situation, an IRA owner named a trust as IRA beneficiary. After her death, IRA assets were properly moved into a trust-owned inherited IRA. The adult children of the original IRA owner, as trustees and trust beneficiaries, had total control of the assets. The children wanted to trade stocks within the inherited IRA but were informed by the custodian that the existing account could not accommodate their request. So, the trustee children decided to transfer "substantially all" of the inherited IRA assets to a non-qualified (non-IRA) brokerage account, owned by the trust. This action resulted in a taxable distribution — *at trust tax rates!* — of most of the IRA assets.

Once inherited IRA dollars are withdrawn by a non-spouse beneficiary (and a trust is a non-spouse beneficiary), there is no putting them back. Even if the error is discovered within 60 days of the original transaction, a rollover is not allowed, and the distribution is likely taxable. Even though the trustees identified their error several months later and requested that the former IRA dollars be returned (thus avoiding the massive tax hit), this PLR was doomed.

The IRS concluded that:

> *"...once the assets have been distributed from an inherited IRA, there is no permitted method of transferring them back into an IRA. In this case, the assets of IRA X were transferred to a non-IRA account. Accordingly, the assets may not now be transferred to an IRA account."*

Purpose of the Trust?

What was the point of this trust? The adult children had complete control over the funds and could pay the inherited IRA out to themselves at any time (which they erroneously did).

Executive Summary

The Daunting Tasks of an IRA Trust Trustee

- An IRA owner should name a trust as his IRA beneficiary only when there is a legitimate and justifiable reason to do so.
- Once the assets have been distributed from a non-spouse inherited IRA, there is no permitted method of transferring them back into an IRA.
- There is no income tax benefit that can be gained with a trust which cannot be gained without a trust.
- When deciding whom to name as the trustee of a trust, one must carefully consider several issues, such as fiduciary obligations and potential personal liability of the trustee.

Why the Mega Backdoor Roth Strategy Doesn't Always Work

- The Mega Backdoor Roth strategy will not work in some cases— *especially for employees in small and medium-sized companies where IRS nondiscrimination rules often get in the way.*
- The Mega Backdoor Roth allows 401(k) or 403(b) participants to make after-tax contributions to the plan and convert them to a Roth IRA while still working.
- The Mega Backdoor can theoretically involve as much as $58,000 in 2021.
- For the strategy to work, the 401(k) or 403(b) plan must offer after-tax contributions, but plans are not required to do so.
- The biggest impediment against Mega Backdoor Roth success is the need for 401(k) plans to satisfy nondiscrimination testing: the ADP test and the ACP test.
- Making a safe harbor contribution relieves a plan from passing the ADP test and releases the plan from running the ACP test — *but not with respect to after-tax contributions.*
- When the Mega Backdoor Roth strategy can be used, any in-service distribution of after-tax contributions is subject to the pro-rata rule.

Life Insurance Has Become More Meaningful for Beneficiaries

- Two-income households may need to insure both spouses to maintain a lifestyle to which the survivors have become accustomed. Moreover, retirees are living longer and therefore are increasingly concerned about outliving their retirement savings.
- The role of life insurance professionals is evolving away from educating clients on the need for life insurance to now educating clients on the process of searching for those products that offer low costs and superior performance relative to the buyer's risk tolerance.
- Using life insurance to provide for a surviving spouse so retirement savings can be spent down more quickly by both spouses is a good way to enable a satisfactory standard of living in retirement yet avoid depletion over multiple decades.
- Assuming the policy is held in an irrevocable life insurance trust, the death benefits will avoid estate tax.
- Just as low-cost investment products outperform higher-cost products, life insurance policies with lower internal costs are bound to deliver higher growth for retirement and/or higher death benefits for beneficiaries, per premium dollar.

Additionally, using a trust as IRA beneficiary will not save income tax — *there is no income tax benefit that can be gained with a trust which cannot be gained without a trust.* Adding to the children's misery, high trust tax rates were likely imposed. (In 2021, trusts reach the top 37% bracket after only $13,050 in income.)

While we do not know the purpose of the trust in this PLR, there can be legitimate reasons to name a trust as IRA beneficiary. For example, a trust makes sense if the beneficiary is a minor, disabled, incompetent or unsophisticated.

Also, a trust is a good way to provide an income stream or, for a subsequent marriage, to provide income to a spouse and the remainder to the original IRA owner's children. A trust can ensure beneficiaries do not withdraw more than required distributions. Trusts can also provide creditor and divorce protection and can fund charitable bequests through charitable remainder trusts (CRTs).

Naming a Trustee

Assuming a trust is named as IRA beneficiary for a valid reason, great care must be given to selecting the trustee of the trust. As we saw in PLR 202125007, the inexperienced adult children trustees committed a fatal error. Such a grievous mistake could have been avoided had a proper trustee been chosen — *one who was knowledgeable of trust and IRA rules.*

When deciding who to name as the trustee of an IRA trust, one must carefully consider several issues, including:

- *Does the trustee know the fiduciary obligations and whom to turn to for guidance? (Based on the outcome of PLR 202125007, it seems clear that the trustees made no such outreach.)*
- *Is the trustee aware of the potential personal liability (as trustee) to trust beneficiaries for mistakes that could either accelerate taxes or cause losses for trust beneficiaries?*

Recognize that serving as a trustee is no small task.

Does the Trustee Have the "Know-How" to Address These 12 Questions?

While there are many issues a trustee must deal with, here are a dozen basic questions to which every trustee of an IRA trust must know the answers. A competent tax advisor, financial advisor and/or estate planning attorney can certainly offer professional assistance should it be needed.

1. *Does the trustee know how to set up and properly title an inherited IRA left to a trust?* The assets can only be moved via a trustee-to-trustee transfer. The decedent's name must remain on the account, and the title must indicate it is an inherited IRA. For example, the inherited IRA could be titled as follows: "Frank Johnson, IRA (deceased June 30, 2021) F/B/O Susan Johnson, Trustee of The Johnson Family Trust, beneficiary."
2. *Does the trustee know how and when to get a trust tax ID number?* A trust may be able to use the IRA owner's Social Security number while the individual is alive, but after death the trust will need to apply for its own tax ID.
3. *Does the trustee know what to do if the trust includes property other than an IRA?* A knowledgeable estate planning attorney can help.
4. *Does the trustee know to check if any beneficiaries should be removed?* For example, should a charity be paid out, or is a disclaimer appropriate?
5. *Speaking of disclaimers, is the trustee aware of the IRS disclaimer deadlines?* A trust beneficiary may want to disclaim certain assets as an estate planning option.
6. *Does the trustee know to pay off trust and estate debts and expenses to avoid, for example, the estate becoming a trust beneficiary?* An estate planning attorney can assist and should understand the repercussions of trust language that declares estate debts and expenses "shall" be paid from the trust assets vs. "may" be paid from trust assets.
7. *Does the trustee know that October 31 of the year following the year of the IRA owner's death is the deadline to provide trust documentation (or a copy of the trust) to the IRA custodian?* This deadline must be met for the trust to meet the "look-through" rules and be eligible for the maximum payout period.
8. *Does the trustee know that the IRA owner's year-of-death required minimum distribution (RMD), if applicable, must be taken by the trust?*
9. *Does the trustee know the payout term for the IRA left to the trust and does the trustee understand the impact of the SECURE Act on the payout term (i.e., the stretch for an eligible designated beneficiary and the 10-year rule for other designated beneficiaries)?*

Such a grievous mistake could have been avoided had a proper trustee been chosen — *one who was knowledgeable of trust and IRA rules.*

10. *Does the trustee understand each of the trust provisions and when and how much is to be paid out from the trust to the trust beneficiaries?* Once again, an estate planning attorney should be consulted to determine how to proceed based on specific trust language.
11. *Is the trustee familiar with state trust law?*
12. *Does the trustee know what tax reporting must be done by the trust (i.e., trust tax returns and K-1 statements)?* A competent tax advisor could offer assistance.

Conclusion

Ultimately, it was the adult children in PLR 202125007 who were to blame for their own mishandling of the trust's IRA assets. Had they sought competent advice, or had a knowledgeable trustee been named, the entire debacle could have been avoided.

This private letter ruling clearly demonstrates the potential ramifications of not understanding the rules and mismanaging trustee responsibilities. Serving as trustee can be a daunting task. As such, it is imperative to take caution and perform a thorough due diligence when selecting an IRA trust trustee. ■

Why the Mega Backdoor Roth Strategy Doesn't Always Work

Roth IRAs continue to grow in popularity as savers look for security against possibly higher taxes down the road. One possible way for employees in company plans to funnel large amounts of after-tax employee contributions to Roth IRAs is through the "Mega Backdoor Roth IRA." Beware, however, that the Mega Backdoor Roth strategy will not work in some cases — *especially for employees in small and medium-sized companies where IRS nondiscrimination rules often get in the way.*

Background

Think of the Mega Backdoor Roth as the company retirement plan version of the "Backdoor Roth." For individuals whose income exceeds the limits for making a direct Roth IRA contribution, the Backdoor Roth permits those individuals to make Roth contributions indirectly. This is done by making a nondeductible traditional IRA contribution (which has no income or age restrictions) and subsequently converting the contributed dollars to a Roth IRA.

The Mega Backdoor Roth allows 401(k) or 403(b) participants to make after-tax contributions to the plan and convert them to a Roth IRA while still working. ***Note:*** *After-tax contributions are not allowed in 457(b) plans.*

Like the Backdoor Roth, the Mega Backdoor takes advantage of the favorable tax treatment of Roth IRA earnings when they are paid out. Earnings on after-tax 401(k) contributions are taxable when distributed. However, earnings on Roth IRA distributions are tax-free if made as a qualified distribution.

The Mega Backdoor Roth is potentially much more lucrative than the Backdoor Roth. The Backdoor Roth is limited to the amount of traditional IRA contributions that can be made each year ($6,000 for 2021, or $7,000 for individuals who are age 50 or over). But the Mega Backdoor can potentially involve considerably higher amounts — *theoretically as high as $58,000 in 2021*.

> Think of the Mega Backdoor Roth as the company retirement plan version of the "Backdoor Roth."

This is because 401(k) plan contributions are subject to two different annual limits: the elective deferral limit and the overall (section 415) limit. The elective deferral limit restricts the sum of pre-tax and Roth 401(k) contributions to a maximum amount, which for 2021 is $19,500, or $26,000 for employees ages 50 or over.

After-tax contributions are not subject to the elective deferral limit. Instead, they are subject to a higher overall limit that caps the sum of all contributions (pre-tax, Roth, after-tax and employer) to a maximum amount — *for 2021, $58,000, or $64,500 for those using the age-50 catch-up.*

Example 1: Melanie, age 44, is paid $200,000 in 2021 as an executive at Munder Difflin. Munder Difflin offers a 401(k) plan with pre-tax, after-tax and Roth contributions, plus an employer matching contribution.

Melanie wants to maximize her Roth 401(k) contributions and also take full advantage of the Mega Backdoor Roth strategy. She contributes the maximum $19,500 of Roth contributions and receives a $3,000 match. Melanie could also potentially contribute as much as $35,500 ($58,000 - $19,500 - $3,000) of after-tax contributions in 2021.

Mega Backdoor Roth Requirements

Unfortunately, the Mega Backdoor Roth requires almost a perfect storm in order to work. To start with, the 401(k) or 403(b) plan must offer after-tax contributions. Plans are not required to offer such contributions and many — *especially smaller plans* — do not.

Also, employees must have enough disposable income to put away large amounts of after-tax contributions. Most employees are not as fortunate as Melanie from Example 1. And, even if a plan offers after-tax contributions, it is not required to allow in-service distributions, which can add to the cost of plan administration. (Plans that do not offer in-service distributions may alternatively allow participants to do an "in-plan conversion" in which after-tax contributions and other non-Roth contributions are converted to a Roth account within the plan.)

By far the biggest impediment against Mega Backdoor Roth success is the need for 401(k) plans to satisfy nondiscrimination testing. The nondiscrimination rules are designed to ensure that plans do not favor "highly compensated employees" (HCEs) at the expense of "non-highly compensated employees" (NHCEs). A plan participant is an HCE for a particular year if that participant:

- Owns more than 5% of the company sponsoring the plan during that year or the prior year; *or*
- For the prior year, received pay of more than an indexed dollar amount ($130,000 if the

prior year was 2020). ***Note:*** *The employer may choose to limit HCEs to employees who are also in the top 20% of employees ranked by pay*.

By classifying many employees as HCEs who normally would not be considered highly paid, the HCE definition makes nondiscrimination testing harder to pass.

Many 401(k) plans actually must pass *two* nondiscrimination tests annually: the actual deferral percentage (ADP) test and the actual contribution percentage (ACP) test. ***Note:*** *403(b) plans are only subject to the ACP test.*

The ADP test regulates pre-tax deferrals and Roth contributions, while the ACP test regulates after-tax contributions and employer matching contributions. Therefore, it is the ACP test that can cause problems with using the Mega Backdoor Roth strategy.

To run the ACP test, the plan must first calculate a contribution percentage for each employee. That percentage is the sum of after-tax contributions and employer matching contributions, divided by pay for the year. (If an employee is eligible but does not make any after-tax contributions or receive any matching contributions, his ACP percentage is 0%.)

By far the biggest impediment against Mega Backdoor Roth success is the need for 401(k) plans to satisfy nondiscrimination testing.

Second, the plan must calculate an average contribution percentage for all NHCEs and an average for all HCEs. The HCE average cannot exceed the NHCE average by a certain amount.

These are the rules:

- If the NHCE average is 2% or less, the HCE average cannot be more than twice the NHCE average.
- If the NHCE average is between 2% and 8%, the HCE average cannot be more than the NHCE average plus 2%.
- If the NHCE average is more than 8%, the HCE average cannot be more than the NHCE average times 1.25.

Example 2: Metro Company has 4 NHCEs and 2 HCEs eligible for its 401(k) plan in 2021. Metro performs the ACP test based on the following data, which includes the employee (E), after-tax contributions + match (ATC + M), pay, and contribution percentage:

E	ATC + M ($)	Pay ($)	Contrib. Percent
NHCE1	0	40,000	0%
NHCE2	500	50,000	1%
NHCE3	1,400	70,000	2%
NHCE4	4,500	90,000	5%
HCE1	11,200	140,000	8%
HCE2	20,000	200,000	10%

Here, the NHCE average percentage is 2% [(0% + 1% + 2% + 5%) / 4]. Since the NHCE percentage is 2% or less, the HCE average percentage cannot be more than 4% (2% x 2). The Metro plan fails the ACP test for 2021, because the HCE average percentage is 9% [(8% + 10%) / 2].

Performing the ADP and ACP tests each year can be an administrative burden, and the available fixes are not ideal. For this reason, many companies make annual "safe harbor" contributions, which can be either across-the-board contributions to all employees or matching contributions to those who defer.

Making a safe harbor contribution relieves the plan from passing the ADP test. It also releases the plan from running the ACP test but only with respect to matching contributions. *Safe harbor contributions do not relieve the plan from testing after-tax contributions.*

HCEs are often the only participants able to afford after-tax contributions. And, even if some NHCEs decide to make them, their contribution amounts may be relatively small. These factors often make it difficult for after-tax contributions to pass the ACP test. This explains why some plans, especially those at small and medium-sized companies, do not even offer those contributions. Larger companies are better able to incentivize NHCEs to make after-tax contributions.

One type of plan where the Mega Backdoor Roth strategy will always succeed is a solo 401(k) plan. Solo 401(k)s are not subject to the ADP or ACP test.

The Pro-Rata Rule

When the Mega Backdoor Roth strategy can be used, any in-service distribution of after-tax contributions is subject to the tax code's pro-rata rule. The pro-rata rule dictates how much of the distribution is taxable.

Most 401(k) plans account for after-tax contributions and pre-tax earnings on those contributions in a separate bucket. In that case, the pro-rata rule applies only to that separate account. So, the taxable portion of each distribution is the amount of earnings on after-tax contributions divided by the balance of just the separate account. That amount is taxable unless it is rolled over to a traditional IRA pursuant to IRS Notice 2014-54. The remaining portion is nontaxable.

Example 3: Jonathan participates in a 401(k) plan that allows after-tax contributions and separately accounts for those contributions and their earnings. His after-tax account consists of $27,000 of after-tax contributions and $3,000 of earnings. Jonathan leverages the plan's in-service distribution option and uses the Mega Backdoor Roth to convert $20,000 to a Roth IRA.

Jonathan cannot cherry-pick $20,000 of after-tax contributions for a completely tax-free conversion. Instead, the pro-rata rule requires that 10% ($3,000 / $30,000), or $2,000, of the withdrawal is taxable, while the remaining $18,000 comes out tax-free.

Jonathan could avoid immediate taxation on the $2,000 by rolling it over to a traditional IRA.

Conclusion

For individuals still working and looking to convert large amounts of 401(k) and/or 403(b) after-tax contributions to Roth IRAs, the Mega Backdoor Roth strategy is definitely worth considering.

Unfortunately, it is not always available. Especially for employees at small and medium-sized companies, the IRS nondiscrimination rules will often thwart this strategy. ■

Life Insurance Has Become More Meaningful for Beneficiaries

Guest IRA Expert

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Bookended by the 9/11 attacks that occurred 20 years ago and the current COVID-19 pandemic, the last two decades have brought new awareness of unexpected fatalities. Among the results are increased consideration of life insurance and its potential value for survivors.

Indeed, life insurance has come to play an increased role in retirement planning: *how will loved ones fare in case of an untimely death?* Life insurance can offer insured individuals and their beneficiaries something that no other asset can provide, because it matures at exactly the same time that a need for cash arises.

Turning Point

Twenty years ago, people were less likely to proactively buy life insurance. Typically, it was sold by life insurance professionals, often at the time of a major life event such as the birth of a child or the start of a small business. One-breadwinner families were also more common then, so the focus was on providing for the survivors after the breadwinner's passing.

Jumping ahead to the present time, we have seen how unforeseen events can end life earlier than anticipated. Two-income households may need to insure both spouses to maintain a lifestyle to which the survivors have become accustomed. Moreover, retirees are living longer and therefore are increasingly concerned about outliving their retirement savings.

> Life insurance can offer insured individuals and their beneficiaries something that no other asset can provide, because it matures at exactly the same time that a need for cash arises.

For all these reasons and more, consumers are more likely to understand the need for life insurance to protect their beneficiaries, as well as their own retirement, and thus seek coverage on their own. In response to this growing need, buying life insurance online has become more accessible, in some cases even without a medical exam, and such transactions are now just a few clicks away.

Even so, this growing need for life insurance remains largely unfulfilled. The 2021 Insurance Barometer Study, conducted jointly by nonprofit LIMRA and Life Happens indicates that 47% of Americans say they have put off purchasing the life insurance coverage they know they need. That's the case even though certain types of policies have been granted four tax preferences unique to life insurance, which can be highly beneficial to retirement planning.

Cost Conscious

In the same way that low costs and superior performance matter to all types of tax favored retirement plans, low costs and superior performance matter to life insurance used for retirement planning. As such, the role of life insurance professionals is evolving away from educating clients on the need for life insurance to now educating clients on the process of searching for those products that offer low costs and superior performance relative to the buyer's risk tolerance.

The role of financial advisors is also evolving to increasingly include life insurance as part of the holistic planning process, to a greater extent than had been the case before. Life insurance buyers, as well as potential beneficiaries, appreciate the need to have adequate coverage in place. It's not only the spouse responsible for young children who will implore a spouse to acquire coverage but also a second spouse concerned about being passed over in favor of children from a first marriage, partners with non-relatives in a closely-held company, children likely to be disinherited if they don't take over the family business, and so on, who recognize the need for life insurance as a means for leaving an equitable legacy.

Example 1: Ann is a widow who now holds all the shares in ABConcepts, Inc., a thriving real estate agency. Her daughter, Diane, is the heir apparent to this valuable enterprise.

Diane's brother Earl, realizing he is unlikely to inherit any of the company shares, may suggest that Ann acquire an insurance policy — *payable to him* — in order to somewhat equalize the assets that ultimately will pass to the next generation.

Retirement Planning, Re-Focused

Retirement planning has generally focused on longevity planning. Increasing concerns over extended life expectancies have people naturally asking: *How can tax-favored retirement plans such as IRAs and 401(k)s be managed to enable a satisfactory standard of living in retirement yet avoid depletion over multiple decades?* One way is to use life insurance to provide for a surviving spouse, so retirement savings can be spent down more quickly by both spouses.

Taxes also come into play for beneficiary planning. Traditional IRAs and 401(k)s are tax-deferred, and the recent SECURE Act ensures that many individual beneficiaries will have to withdraw the inherited funds over 10 years or less.

Example 2: Flo, a successful professional in her 50s, is the beneficiary of her father's IRA. Flo is earning top-bracket income, so when she inevitably inherits her father's IRA, the distributions will be taxed at the top rate — *and who knows how high income tax rates might be at that future time.*

In such a scenario, Flo's father might use unwanted required minimum distributions (RMDs) from his IRA, or even non-required distributions, to thin down future taxable withdrawals and use the after-tax funds to acquire life insurance, payable to Flo.

Under current law, the money Flo eventually receives will avoid income tax, regardless of her income then and prevailing tax rates.

One way is to use life insurance to provide for a surviving spouse, so retirement savings can be spent down more quickly by both spouses.

Eluding Estate Tax

Besides income tax, federal estate tax may become more of an issue in the future. Numerous proposals would change the law, reducing the current gift and estate tax exemption.

Today, a decedent with an estate in the $5 million-$10 million range avoids these taxes. If the gift and estate tax exemptions are lowered by future legislation, such estates could face steep tax bills.

Again, life insurance may provide an answer. Assuming the policy is held in an irrevocable life insurance trust (ILIT), the death benefits will avoid estate tax. The ILIT trustee will have intact death benefits to provide to the trust beneficiaries, who can use the funds to meet the tax bill.

Or, because life insurance held in an ILIT is unavailable for retirement spending, a spousal lifetime access trust (SLAT) could provide a married couple with access to policy account values for retirement while still exempting death benefits from estate tax.

Safety Net

For the aforementioned reasons, life insurance should play a key role in retirement planning. For instance, purchasing life insurance can lead to a better retirement for seniors, as well as providing a valued legacy for survivors.

Example 3: Jack is a widower with two children, Harry and Eileen. Jack would like to leave each of them at least $250,000 at his death. Thus, Jack acquires a $500,000 life policy, payable to Harry and Eileen as co-beneficiaries.

With this bequest locked in, Jack can afford to be more aggressive with his retirement plan distributions, rather than adhering to something like the "4% rule."

He can spend down his assets as he pleases, to provide himself with a comfortable retirement, knowing that his children will receive $250,000 apiece, in tax-free life insurance death benefits, regardless of when Jack dies or whatever assets he might still retain.

Cost Conscious

If life insurance policies are to play a role in retirement planning, to provide ample sums for retirement and/or to beneficiaries, they should be subject to the same scrutiny as retirement investments receive. Just as low-cost investment products outperform higher-cost products, life insurance policies with lower internal costs are bound to deliver higher growth

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for retirement and/or higher death benefits for beneficiaries, per premium dollar.

The difference can be enormous, in terms of growth for retirement and/or payout to beneficiaries. Veralytic's analysis routinely finds some policies overcharging by 20%, 40%, or as much as 80% more than policies with the best-available rates and terms (BART). Moving a policy account from a high-cost provider to a low-cost provider captures present-value cost savings of tens of thousands, hundreds of thousands, or even millions of dollars.

Such cost savings can then be used to potentially double the death benefit for beneficiaries while maintaining the same premium and risk profile, or doubling or more the growth of the account for retirement while again maintaining the same premium and risk profile.

Alternatively, buying BART policies can reduce premiums or risk for the same growth or death benefit, or increase or add benefits such as long-term care. Lastly, when account values are no longer needed to cover high costs, excess account values can be distributed to reinvest elsewhere while maintaining the same death benefit and same risk profile.

Exercising the same diligence in life insurance policy selection as has become common in investment choices can save pre-retirees and retirees money, increase moneys available for retirement, increase payouts to beneficiaries, or some combination of these desirable outcomes!

Advisor Action Plan:

- Develop expertise on life insurance cost analysis within your firm. Working with qualified consultants may accelerate the process.
- Ask clients to provide you with copies of their life insurance contracts and in-force illustrations. If internal costs appear to be above relevant benchmarks, suggest seeking lower-cost replacements.
- If some clients seem to be underinsured, considering the perils in today's environment, urge them to increase coverage with low-cost policies, while they are younger and healthier than will be true in the future.
- Put life insurance on the to-do list for on-boarding new clients. When addressing prospects, emphasize the value you will add by life insurance evaluation. ■

Barry D. Flagg, CFP®, CLU, ChFC, GFS®, AEP® is the inventor and founder of Veralytic®, the only patented online publisher of life insurance pricing and performance research and product suitability ratings. Veralytic is the product of his unique background as both the now oldest, youngest Certified Financial Planner (CFP®) in history schooled in the investment business, as well as a life insurance practitioner consistently ranked in the top 1% of the industry.

Barry is a recognized expert in applying Prudent Investor principles to life insurance product selection and portfolio management and serves as subadvisor to thousands of life insurance trusts. Barry has authored numerous articles for national publications on the management of life insurance as an asset according to established and proven asset management principles, teaches continuing education courses about same to attorneys, CFP®s, CPAs, and CTFAs, and leads insurance products curriculum development at The Center of Board Certified Fiduciaries.

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