

tax&investment newsletter

March 2011

MONTGOMERY TAYLOR, CPA, CFP

I'm a great believer in luck and I find the harder I work, the more I have of it. ~Thomas Jefferson



Monty's Opening Thoughts...

A quote that always cracks me up is from **Arthur Godfrey** (do you remember him?) He said, "I'm proud to pay taxes in the United States; the only thing is, I could be just as proud for half the money."

Sure, everyone wants a lower tax bill. Some even cheat to do it. But it seems to me, after talking to people for over 30 years while preparing their tax returns, that they don't mind paying taxes so much – it's how the government spends the money that they object to.

You can't open the paper or turn on the news without the constant media attention to the budget crisis of seemingly every city, county, state, federal government and foreign country. They talk about cutting nonessential services, hiring freezes, work furloughs, pension reform. Now, they're even comparing government pensions to ponzi schemes!



I wonder what percentage of the government makes up "nonessential" services. Personally, I'd like to avoid putting my tax dollars in that bucket. And this makes me wonder even more – what would happen if you could choose, by checking some box on your income tax return, what government spending category you wanted your taxes to go to?? This would be a whole new way of

voting and we would find out really quickly what services the American taxpayers want from their government.

Well, anyway, I do believe Americans are fed up with big government and deeply concerned about the long-term economic health of their country. Toto, I don't think we're in Kansas anymore. Change is in the air. This being the case, I'm watching for tax legislation which gives rise to new tax planning opportunities and changes in economic conditions which necessitate change in our investment and wealth preservation strategy.

Stick with me and I'll try to guide you through the changing landscape—with your wealth intact. In addition to this newsletter, we have lots of other resources, on our web, on our blog, in our office – have you checked them out?

Oh, in case you didn't know... Arthur Godfrey was a radio and television broadcaster and entertainer—very popular in the 50's and 60's. I knew you were in suspense...



Warm regards, *Monty*

A Little Tax Time Humor....



If a lawyer and an IRS agent were drowning, and you could only save one, would you go to lunch or read the paper?

Two men in the foreign legion... one says to the other, "I'm trying to forget a 401k."

Client asking the accountant, "How long do we have to keep statements from banks that don't exist anymore?"

Man buying a rifle in a sporting goods store, asks the clerk, "Do you have any organic bullets?"



Inside This Issue

Looking at the New Estate Tax Laws.....	3
Major Tax Deadlines for March.....	4
IRS Changes April 15 Filing Deadline....	4
Is It Time to Talk Finances with Your Parents?.....	5
College Strategist – Which Colleges Are Worth Your Investment?.....	5
Should You Put Your Savings in a 401k Plan?.....	6
Green Label Portfolio – Private Notes.....	7
Access Your Money Tax-Free at Retirement.....	8

Staff News: Meet Phil Glassey



I was born and raised in a small town in upstate New York. I had a great time working on farms, skiing, camping and fishing. Somehow, I managed to graduate from high school and college--University of Rochester. My next

job was with the United States Air Force--I became a navigator and was stationed at Travis AFB, Fairfield, CA, and at Hickam AFB, Hawaii. I flew all over the Pacific Ocean including many trips to Viet Nam and Japan.

Ann, my first wife, and I were married in 1972 in Waco Texas. We have two children, a daughter and a son. After 8 years in the Air Force, I went to graduate school at Berkeley and received an MBA with an accounting concentration. I worked for Arthur Andersen & Co. for 8 years, followed by my own CPA practice in Washington State. I have taught accounting at Seattle Pacific University and Washington State University and have been controller and Chief Financial Officer for an Alaska barge line and a Seattle manufacturing company. I did take enough time once between jobs to sail with my daughter to Hawaii from Seattle in a 48 foot sailboat.

I nearly retired about 10 years ago when we bought an Airstream Trailer and began travelling extensively. My wife of 43 years came down with early onset Alzheimer's disease and died in 2005. We did get to travel in nearly all of the 48 states and all of the contiguous Canadian Provinces plus Nova Scotia before Ann was no longer able to travel.

I resumed trailer travel and have become a WBCCI (the Airstream travel club) caravan leader. Among many adventures I managed to climb 9 mountains in 2007 including Mt. Kilimanjaro in Tanzania, Africa (photo above.)

In November 2008, Margie and I were married. Margie is a Rohnert Park school teacher (recently retired) with three children, all of whom live nearby. She has six grandchildren; I have only four. Last summer we led a caravan of 25 Airstream trailers and motor homes through the Northwest and we participated in a Texas caravan. Since our marriage we have camped in about 20 states. We plan to go on two WBCCI caravans this summer, covering the east coast from Nova Scotia to Florida. We will be leading another caravan in 2012.



I met Monty three years ago and this is my third tax season with him. I enjoy doing taxes full time with nine months of vacation!



Need some help getting organized? Our client, Barbara Lynch, may be able to help....

Barbara Lynch,
Professional Organizer

Barbara established Top Notch Services in 1987, providing cleaning services to banks, churches, and small professional offices. Later, she expanded her offerings to include personal services to individuals and families. As Barbara says, "We all know that in today's world there are too many demands on our time. Fitting it all in--career, family responsibilities, recreation and renewal opportunities--just seems impossible...You deserve to treat yourself to the 'gift of time.' Let me take care of the details for you."

Among the services Barbara offers: assisting with organizing, cleaning and sorting your household; assisting with moving--packing, unpacking, setting up kitchen and closets; checking your home, picking up mail, watering plants and feeding pets while you're out of town; helping to clean and organize homes and assist in organizing garage or estate sales after a death in the family. Barbara considers no job too big or too small!



For more information, you may contact Barbara Lynch at (707)495-6468 or email TopNotchSvc1@aol.com.

IRA changes for 2011--Check out Monty's blog for details you need to know:
<http://taxwiseadvisor.blogspot.com>



Tax Strategy of the Month

“Here’s an idea I think will save you money!”



LOOKING AT THE NEW ESTATE TAX LAWS

A rundown of recent changes.

In 2011, families and their financial, tax and legal consultants can at last plan estates with a degree of certainty. Thanks to the Tax Relief Act of 2010, we now have the lowest estate tax rate in 80 years, with some new rules to be aware of, and some very interesting choices and options affecting estate planning.

The federal estate tax is now 35% with a \$5 million individual exemption. This is true for 2011 and 2012 – after 2012, estate tax rates could change.

The new \$5 million exemption is portable.

That is, executors have the option to transfer an unused \$5 million individual estate tax exemption (upon the death of one spouse) to a surviving spouse. So with this new portability, a married couple could potentially transfer up to \$10 million of assets without incurring federal estate tax.

Executors of estates for decedents who passed away in 2010 have two options. They can elect to:

- Subject the estate to the 2011 federal rules (35% estate tax, \$5 million estate exemption, stepped-up basis for appreciated assets per IRC rule 1014)
- Subject the estate to the 2010 federal rules (0% estate tax and the \$1.3 million modified carryover basis for appreciated assets in the estate, which becomes \$3 million for assets passing to a surviving spouse).

Estates worth more than \$5 million will have to consider many factors to determine which choice will give them less of a tax burden.

The federal gift tax exemption is set at \$5 million through 2012. This is a fantastic tax break. Wealthy taxpayers can now plan to transfer significantly greater amounts of wealth within their lifetimes without triggering gift tax. This \$5 million exemption is individual and portable, meaning that couples could potentially gift up to \$10 million to heirs.

The annual gift tax exclusion is again \$13,000 in 2011, so one taxpayer may gift up to \$13,000 each to an unlimited number of individuals this year with the lifetime exclusion of \$5 million in mind. (Those gifts can include tuition and payments for medical care.)

Charitable IRA donations are again permitted.

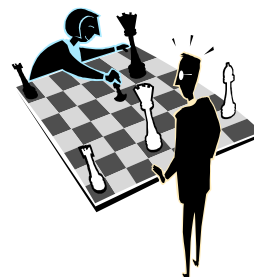
This isn't an estate tax law *per se*, but it factors into estate planning and it is certainly worth noting. Charitable IRA rollovers are back in 2011 (we don't know yet if they will be around in 2012). There may be less financial incentive for families to make these rollovers given the much higher gift and estate tax exclusion this year, but others will act on their altruism.



The charitable IRA rollover allows an IRA owner age 70½ or older to gift up to a total of \$100,000 in IRA assets to one or more qualified charities or non-profit organizations (a move that can count toward his or her annual RMD). It has to be a direct transfer – the gift must pass directly from an IRA sponsor to the charity. The IRA accountholder doesn't get a tax deduction, but he or she can potentially bypass the income tax on the distribution.

- **Charitable IRA gifts made in January 2011 can count for 2010.** The new law says that if you make a charitable IRA transfer in January 2011, you can elect to report the transfer on your 2010 federal return. Additionally, you are free to make another IRA charitable rollover of up to \$100,000 at some other point in 2011 for the benefit of your 2011 federal return.

The GST is back. The generation-skipping transfer tax was 0% in 2010, but it returns at 35% in 2011. The GST exemption is set at \$5 million for 2011 and it will be inflation-indexed for 2012.



In light of these interesting developments, it might be time to review your estate planning strategy.

Tax News You Can Use...

Major tax deadlines for March



- ◆ **March 15** – 2010 calendar-year corporation income tax returns are due.
- ◆ **March 15** – Deadline for calendar-year corporations to elect S status for 2011.
- ◆ **March 31** – Deadline for taxpayers who file electronically to file 2010 information returns (such as 1099s) with the IRS.
- ◆ **March 31** – Deadline for employers who file electronically to send copies of 2010 W-2s to the Social Security Administration.

IRS changes the April 15 filing deadline



This year the deadline for filing various tax returns normally due on April 15 is being changed to April 18, 2011. The reason? Washington, D.C. is observing its Emancipation Day holiday on Friday, April 15, and though that's not a national holiday, the Treasury Department has extended Tax Day 2011 to Monday, April 18. The new deadline applies to individual and partnership tax returns, extension requests, and other tax deadlines such as making 2010 IRA and education savings account contributions and making the first 2011 estimated tax payment.

Filing threshold raised for nonprofit organizations

Tax-exempt organizations are required to file annual reports with the IRS. Those with gross receipts below a certain threshold amount can file an E-postcard rather than a longer version of Form 990. The IRS has just raised that threshold amount to \$50,000, an increase over the previous filing threshold of \$25,000.

The deadline for nonprofit filings is the 15th day of the fifth month after the organization's year-end. For calendar-year organizations, the filing deadline for 2010 reports is May 16, 2011.

More options for tax refunds this year

Last year, you could use your tax refund to purchase U.S. Series I Savings Bonds in your name. This year, there are some new options for purchasing savings bonds with your income tax refund.

You can buy savings bonds for yourself and up to two other individuals. Form 8888 is used to designate the person or persons in whose name the bonds are to be issued. The savings bonds will then be mailed to those individuals.

Up to \$5,000 in bonds can be purchased in \$50 increments. Also new this year: You may request a paper check for the balance of your refund if you prefer that to direct deposit.



Is it time to talk finances with your parents?

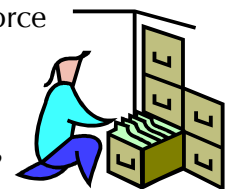
One day you may find yourself taking care of an elderly parent who is in declining physical or mental health. This can be stressful, both emotionally and financially. On the financial side, there are steps you may want to take to prepare for this situation.

Talk to your parents about their financial affairs. Parents may be reluctant to discuss their finances, but someone needs to know the names of their lawyer and accountant. Someone needs to know where their important financial papers are located. Chances are that much of the information will be in your parents' heads, or scattered in various places around their house.

Here's a general overview of the topics you might want to cover with your parents.

Vital statistics

- Where are social security cards kept?
- Where are marriage or divorce records and family birth certificates?
- Where are military service records and pension records?



Tax News You Can Use (continued)...

Financial records

- Help your parents make a list of their financial assets, bank accounts, investments, etc.
- Review the beneficiaries they have designated and how accounts are titled.
- Do they have a safe deposit box? Record the location and box number.
- Find out the name of their accountant and locate copies of tax returns.



Physical assets

- Locate mortgage records and the deed to their house and other properties.
- Locate vehicle titles.
- Do they own any assets stored elsewhere?

Insurance

- Locate records for home, vehicle, health, and life insurance.

Estate planning



- Do they have a will or living trust?
- What is the name of their attorney?
- Discuss any special wishes

for bequests; encourage your parents to put them in writing.

- Have they set up directives for medical care (living wills)?
- Have they set up a Power of Attorney in case they become disabled?

Don't try to find all this information in one exhausting session. Instead, use the list as a starting point for a series of conversations.

Wherever possible, involve your parents in putting their own affairs in order. You may find it's a great opportunity to bond with your parents in their golden years.



Tax Advice Disclosure: To ensure compliance with requirements imposed by the IRS under Circular 230, we inform you that any U.S. federal tax advice contained in this communication (including any attachments), unless specifically stated otherwise, is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding tax-related penalties or (ii) promoting, marketing or recommending to another party any tax-related transaction(s) or matter(s) addressed herein. This general information should not be acted upon without first determining its application to your specific situation. For further details on any article, please contact us. Tax preparation and consultation services are offered through the office of Montgomery Taylor, CPA, with professional memberships in the California Society of CPAs and the American Institute of CPAs.

College Strategist

Paying for College Without Going Broke

Which Colleges Are Worth Your Investment?

A return on investment (ROI) calculation tells you what you get back for what you spend - and it's a great way to compare college costs. With the average cost for college rising, PayScale.com helps you figure out which school's tuition costs will return the biggest dividends (in the context of salary) for you after graduation. Not surprisingly, Ivy League colleges, engineering and tech schools rank highest.



Here are the top 6 colleges and universities ranked by graduate's highest starting (median) salary:

1. Loma Linda University - \$71,400 -Loma Linda, CA
Loma Linda offers strong programs in nursing, dental and allied health.

2. Massachusetts Institute of Technology (MIT) - \$71,100 Cambridge, MA

MIT's most popular department is its Computer Science School, while its School of Engineering has been ranked first by *U.S. News & World Report*. Approximately 61% of students received some form of need-based financial aid.

3. Harvey Mudd College - \$71,000 Claremont, CA
Harvey Mudd's mission is to give burgeoning engineers, scientists and mathematicians a diverse education in both the sciences and the arts, or "science with a conscience." Over 80% of students receive financial aid.

4. California Institute of Technology (Cal Tech) - \$69,700 - Pasadena, CA

One of the highest-rated schools for engineering, technology, and physical sciences, Cal Tech is also regarded for its honor code, which permits faculty to assign take-home exams.

5. Stanford University - \$67,500 - Stanford, CA

Four years at Stanford come with a healthy emphasis on the arts and sciences. Stanford is organized into seven schools: Humanities & Sciences, Engineering, Earth Sciences, Education, Business, Law, and Medicine.

6. Carnegie Mellon University - \$65,300 Pittsburgh, PA
Carnegie Mellon is a global research university recognized for world-class arts and technology programs. Carnegie Mellon University and IBM created "Watson" - the first non-human Jeopardy contestant.

For a **complete list of colleges worth your investment**, go to www.payscale.com/education/average-cost-for-college-ROI. If you'd like more information about financial planning strategies to pay for the cost of college, contact our office at 576-8700.

College planning services are offered through our College Plan Advisors, LLC, company and its affiliation with College Planning Network and the National Association of College Funding Advisors.

Financial Strategy of the Month

“Here’s an idea I think will save you money!”

SHOULD YOU PUT YOUR SAVINGS IN A 401(k) PLAN?

Executive savings programs may be a better retirement vehicle for upper-income individuals.

Section 401(k) of the Internal Revenue Code went into effect in 1980 and subsequently launched what has become the largest private-sector

retirement plan in the United States. The accounts are attractive because they offer efficient salary reduction deposits, deferred taxation on principal deposits and investment earnings, and the ability to pool deposits with other participants to buy mutual funds at wholesale expense ratios.

Although pretax savings and tax-sheltered earnings are alluring, the question remains: Are those factors overshadowing the retirement realities for affluent 401(k) participants and participating plan sponsors?

During the past 30 years, people have lost sight of the 401(k)’s original purpose and have forgotten to test its fundamentals against changing economic and tax environments. This presents significant risk for executives in the upper income-tax brackets. The 401(k)’s pretax benefit is premised on the idea that after an executive retires, he or she will move to a lower tax bracket and incur less tax on retirement savings plan withdrawals. But for most executives, this won’t be true. They will retire in the maximum tax bracket and remain there through most of their retirement.

Executive typically participate in all or some of the following retirement savings vehicles: 401(k)s, individual retirement accounts, non-qualified plans and employee stock ownership plans. In each case, the Internal Revenue Service imposes required minimum distributions, which are taxed as ordinary income at the time of distribution. The operative concept is “taxed as ordinary income at the time of distribution.” Those executives who are in high tax brackets when they receive their required minimum distributions will enjoy less of the pretax benefit that they bought into when they were contributing to their 401(k) account.



Given today’s tumultuous economy, with high-cost government bailouts and adventurous public-sector spending driving staggering fiscal deficits, a future increase in the maximum ordinary income tax rate can’t be discounted. For executives, it would mean paying even more taxes for their distributions.

Executives should consider other viable retirement savings options in their retirement planning. One such option is an executive savings program (ESP), which simply is a custodial account set up at a financial institution to which the executive makes scheduled direct deposits through the efficiency of payroll withholding. Unlike a 401(k), there are no limitations on contributions made to an ESP. All contributions are made on an after-tax basis. A big advantage of an ESP is that upon withdrawal, most earnings will be taxed at the more favorable long-term capital gains rate—currently 15%—with proper investment asset allocation.

Companies can also make matching deposits (considered for corporate tax purposes to be salary, thus creating an

Whether you’re an “executive” or not, this strategy could save your retirement.

immediate deduction for the company) to the executive’s account. Under an ESP, company responsibilities and cost are simplified and in some cases nonexistent as compared with a qualified retirement plan. There are no requirements for a company plan document, IRS plan approval, annual 5500 filings, or annual testing. Money placed in this program isn’t subject to company creditors.

With an ESP, the executive saves efficiently though payroll withholding and can dollar-cost-average into investments. Properly established and managed, an ESP can develop a robust and diversified retirement strategy for an executive that provides easy and efficient participation, no limits on contributions and a valuable buffer against rising tax rates.

A second option would be to deposit those retirement contributions into a cash value life insurance policy. Executives who love the idea of having cash flow that doesn’t show up anywhere on their 1040 tax returns will like this option—as long as they can keep an open mind about interesting uses of life insurance. See page eight for more on this topic.

Montgomery Taylor, CPA

Client Benefits:

1. Expert tax-saving advice as a regular part of your income tax preparation
2. Professional Service Warranty that guarantees you the largest tax refund possible with the lowest tax liability
3. Your tax returns completed within eight business days of when you provide all necessary data
4. Your phone calls returned promptly (any time of year), always within 24 hours
5. Help with allocating your 401(k) investment funds
6. Monthly ClientAdvisor Newsletter
7. Professional online tax advice anytime ~ mtaylor@taxwiseadvisor.com

Platinum Tax Maintenance Program

2010 Member Benefits:

1. ALL CPA Client Benefits listed above, **AND**
2. Three phone consultations (20 minutes each or a total of 60 minutes) during the tax year scheduled through our appointment desk
3. W-4 review to be sure your withholding is correct
4. Audit assistance in the event you are subject to an audit for the 2010 year, limited to four hours of service at no additional expense
5. Answer all IRS notices and correspondence you receive for 2010 tax year
6. Answer FTB notices and correspondence including Head of Household Audit Letter for 2010
7. 1 additional copy of tax year 2010 tax return
8. \$50 discount on our fall tax planning appointments scheduled through our appointment desk

Montgomery Taylor & Company, LLC,

Registered Investment Advisor

Client Benefits:

1. Independent, unbiased, investment advice on a fee-only basis (no commissions)
2. Investment management for any account size (no minimums)
3. Monthly account statements directly from Fidelity Investments
4. Quarterly performance reports and consultation meetings
5. Tax-sensitive investing strategies integrated with your financial planning
6. Monthly ClientAdvisor Newsletter
7. Weekly Economic Update e-mail communication

College Plan Advisors, LLC

Client Benefits:

1. Student Counseling and Assessment
2. Calculate Expected Family Contribution
3. College Funding Strategies & Planning
4. Complete your FAFSA Forms
5. Complete your CSS Profile Forms
6. Appeal/Negotiate Better Awards
7. Monthly Cash for College Newsletter
8. Monthly ClientAdvisor Newsletter
9. Weekly "Tip of the Week" E-Mails



Notes from Monty's private money management file...

With unrest in Egypt, fear crept into the market at the end of January. There was a big selloff on January 28. I expected this would be the catalyst for the correction in the market I had been waiting for, so I sold the position in SPY (S&P 500 Index). Next, I purchased SDS (Inverse S&P 500 Index) to short the market and make some money while the market declines.

The first week of February, markets were teetering and a fall looked quite likely. However, there was a steady flow of money pushing the market up. After holding SDS for five days and having it not go in our favor, I exited the position with a small loss.

By mid-February it seemed apparent that the trend was up and the market internals (advance/decline ratio, put/call ratio, etc.) had strengthened, so I began acquiring additional shares of PRPFX, FSDAX, RSNRX and SPY.

Wouldn't you know it... February 22 stocks sold off sharply as oil prices surged amidst violent anti-government protests in Libya. The markets



declined for three days. However, given all the turmoil in the Middle East and surging oil prices, the U.S. market has held up remarkably well. The S&P 500 is only off 2.75% from its recent bull market highs. All the key indices with the exception of the Dow Transports are still above their respective 50 day moving averages.

The economist writer, Richard Maybury, recently wrote, "I believe the evidence now is showing that 2011 will be the transition between deflationary bust and inflationary boom. Non-dollar assets (primarily precious metals and raw materials, and secondarily real estate and defense stocks) will shine, and fixed-dollar assets such as bonds will swoon."

I'm being cautious and keeping Mr. Maybury's warning in mind as I watch the markets and adjust portfolio allocations. Managing risk and protecting account balances is very important to the design of the Green Label Portfolio.

As of February 23rd our allocations were: 71% Stock, 15% Commodities, 10% Cash and 4% Bonds.

Wealth management services are offered through Montgomery Taylor & Company, LLC, a Registered Investment Advisor. Fidelity Investments is the custodian of our client accounts. While accounts are protected by the SIPC up to \$500,000, including cash claims limited to \$100,000, Fidelity provides supplemental protection that covers accounts over and above this SIPC coverage.



Monty's Money Message

Monty started his career in financial services about 30 years ago as a Stockbroker. He then became a Certified Public Accountant, Certified Financial Planner, Certified IRA Distribution Specialist and Registered Investment Advisor. With all these years of experience, he has a wealth of information to share with you about money and how you can prosper. Monty recently received the "America's Top Financial Planners" award of excellence from the Consumers' Research Council of America. Monty was selected from among his peers based upon years of experience, formal education and specialized professional certifications and designations achieved. In 2010, KZST Radio named Monty "The Only CPA We Trust" and chose him to be the tax expert for KZST listeners.

Access Your Money Tax-Free at Retirement

Let's say you have \$1 million accumulated at retirement and you are earning 10 percent; theoretically, you can take out \$100,000 a year of income and never run out of money. That's because you wouldn't be depleting the principal. If the \$100,000 is not deemed earned, passive, or portfolio income, but instead a return of basis, or a loan proceed, it is tax-free. But if you need \$100,000 a year to live on during retirement and you have your \$1 million trapped in IRAs, 401(k), or other yet-to-be-taxed investments, in a 33.3 percent tax bracket you will need to withdraw \$150,000 a year and pay tax of \$50,000 to net that \$100,000. Withdrawing \$150,000 a year will totally deplete a \$1-million nest egg earning 10 percent within eleven to twelve years! You probably wouldn't be dead yet, but you may likely be dead broke!



A life insurance contract allows the owner to access cash values tax-free. "But, but, but... I don't need any more life insurance," you may say. Hold on, don't get hung up on what it is; focus on what it does.

The smart way to access money is for the owner to change the "withdrawal" to a "loan." It's simply a change in nomenclature. Remember, loan proceeds are not deemed earned, passive, or portfolio income by the IRS—they are tax-free! The nice thing about loans on insurance contracts

is that the loan is not due and payable during the owner/insured's lifetime. When the insured dies, the loan balance is deducted from the death benefit automatically.

Properly structured and properly used investment-grade insurance contracts are great retirement vehicles for providing liquidity, safety, and tax-favored rates of return.

I have a projection for a 30-year-old couple who systematically set aside \$6,000 a year in an insurance contract on the husband's life for thirty-five years, compared to putting it into an IRA or 401(k). Their goal was to obtain a net spendable income of \$64,000 per year, starting at age 65, up through the assumed life expectancy of age 85. Well, the projection shows that their IRA/401(k) would run out of money at age 79, while the insurance contract would still have a cash surrender value of \$798,063. By the time they get to life expectancy, the IRA/401(k) is in the hole by \$573,168 and the insurance contract is worth \$698,490. Ultimately, the insurance contract provides \$64,000 of retirement income for twenty-one years longer than the IRA/401(k). That equals \$1,344,000 (\$64,000/yr x 21 years) more in retirement resources! If the husband did pass away at age 85, the \$698,490 in the insurance contract would immediately blossom into a tax-free transfer of \$816,199 to his wife, or their heirs.

One of the reasons an insurance contract is probably the best alternative in most circumstances is that during the transfer phase, whatever amount is left in the policy blossoms to a larger sum and is transferred free of income tax to the heirs. Other investments do not blossom upon transfer, but transfer at face value and may be subject to taxation—especially qualified accounts (IRAs, 401(k)s) upon which the heirs ultimately have to pay income tax and possibly estate tax as well.

It can be far more advantageous to have tax-favored treatment on the harvest of our investments than just tax-favored treatment on the seed money.

First, I'm a CPA and like to analyze the numbers to figure out what is best. But, I also have a life insurance license so that I can help clients get the right insurance—set up the right way. I don't "sell" insurance, but I can help you buy it. If you would like to have your insurance or retirement issues looked at, you need to call me—I approach this as a consultant, not a salesman!
~ Monty

