PLANNING TO PASS ON YOUR IRA ASSETS?

Consider a different option.

Sagicor® LIFE INSURANCE COMPANY

Tax laws regarding inherited IRA and retirement plans changed when the SECURE Act (Setting Every Community Up for Retirement Enhancement) went into effect at the beginning of 2020. Before the SECURE Act, adult children and non-spouse heirs could inherit an IRA or other retirement plan assets, and minimize their tax exposure by stretching withdrawals from these accounts over their lifetime. Now, most non-spouse heirs who've inherited these retirement plan assets after January 1, 2020, must liquidate the account by the end of the tenth year after the passing of the account owner.

Inheriting an IRA can have significant financial consequences

Depending on your beneficiary's income and the size of your IRA or what you've saved in your employer's retirement plan, inheriting these assets could create a tax burden for your loved one, potentially:

- Increasing their income tax and capital gains tax exposure
- Moving them to a higher tax bracket
- Raising their modified adjusted gross income, with potential adverse effects on retirement planning

Consider the following example:

Meet Marie and her son, George

Marie is a widow, age 75. George, her only child is a chemical engineer, age 50.

Marie has non-qualified assets in a money market account and receives Social Security benefits that cover her monthly living expenses. There is no mortgage on her home.

When Marie's husband Saul died, she was the sole beneficiary of his $500,000 IRA. Even though she must take required minimum distributions from her IRA account, she realizes that the IRA asset balance will become George's inheritance.

<table>
<tr><th>What if Marie does nothing?
George's net inheritance could be $499,253.</th><th>What if Marie makes a tax-smart decision?
George's net inheritance could be $612,532.</th></tr>
<tr><td rowspan="2">Marie passes at age 85, and George is the sole beneficiary of her IRA assets.

▪ Marie reinvested her annual net after tax Required Minimum Distributions (RMDs) of $20,000 at a hypothetical 3% growth rate (2.4% after tax), in a non-qualified money market account. After 10 years, the money market account value of $254,357 is inherited by George.

▪ George must distribute all remaining IRA assets within 10 years of Marie's death.

▪ If George is to distribute the entire IRA asset value at his mother's passing, he nets $244,896.[1]

▪ The net inheritance of $499,253 is the $254,357 money market account value, plus the $244,896 IRA value after tax.</td><td>Marie's tax advisor suggests she take annual distributions of $25,000, which satisfies her RMDs. After tax, she uses $20,000/year to fund a Sage Indexed Universal Life Insurance policy, offering:

▪ A $367,636 death benefit, which has cash value and an income tax-free death benefit[2]

▪ Access to funds should Marie be diagnosed with a chronic illness</td></tr>
<tr><td>When Marie passes at age 85, George will receive the $367,636 death benefit income tax free and will not have to distribute the death benefit within 10 years.

▪ At a hypothetical 3% growth rate, the balance of the IRA that will be inherited by George is $376,763, which is fully taxable upon distribution at George's tax bracket.

▪ If George is to distribute the entire IRA asset value at his mother's passing, he nets $244,896 after tax, plus the $367,636 death benefit, which is a total net $612,532.</td></tr>
</table>

[1]Assumes $25,000 in annual distributions to satisfy RMD requirements; George is in a 35% tax bracket.

[2]Standard NT underwriting class, $20,000 per year annual premium, solve for maximum DB to endow death benefit at maturity. 5.18% illustrated rate, 100% allocation to Global Multi-Index Bonus Index Strategy. This example assumes that Marie is in 20% tax bracket ($25,000 RMD - $5,000 tax = $20,000 after tax life insurance premium).

Exceptions to the SECURE Act 10-year withdrawal rule

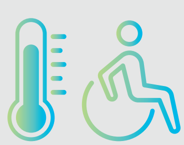
The following individuals may have longer than the usual 10-year deadline to liquidate an inherited qualified account.

Beneficiaries excluded

A surviving spouse

Minor children of the account owner

Individuals not more than 10 years younger than the account holder



Those who meet government definitions of disabled or chronically ill

Individuals who inherited an IRA or a qualified plan before January 1, 2020

What you can do now

If you're thinking about creating a legacy for your children or loved ones, consider life insurance. Let's discuss how you can potentially leverage IRA assets to accomplish your goals and seek to increase your legacy in conjunction with guidance from your tax and estate planning team.

Licensed Insurance Agent or Insurance Professional:

Agency:

Address:

Telephone:

Cell phone:

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