



DON'T COST YOUR FAMILY MILLIONS

BY LEE HYDER

I had just spent the entire weekend in Dallas immersed in an educational workshop with Ed Slott, one of the nation's foremost CPAs and IRA experts. **Ed has been called the Best Source of IRA information by The Wall Street Journal.**

I am a member of Ed Slott's Elite IRA Advisor Group, which is a Private IRA Study Group of Financial Advisors. The study group is designed to provide its members ongoing access to the most up to date IRA information.

Ed does not endorse or sell any financial products or any one advisor's specific recommendations.

THE NEW LAWS TOOK EFFECT APRIL, 2002

THESE NEW LAWS OPENED UP COUNTLESS OPPORTUNITIES FOR RETIREE'S AND THEIR IRAS AND OTHER QUALIFIED PLANS

Sadly enough I am writing this some 6 years after this new law went into effect.

ALMOST 99% OF THE PEOPLE I TALK TO HAVE FAILED TO TAKE ADVANTAGE OF IT

What a costly mistake!

It amazes me, as I ask countless numbers of attendee's at my financial workshops, by a show of hands, who in the room has either heard of or taken

advantage of the gift the IRS has given us on April, 2002, and almost 100% of the time not a hand goes up. Most of the audience doesn't even know what I am talking about. I guess that really shouldn't surprise me. After I wrote my first book, Estate Planning For Everyone, almost 10 years ago (available by writing to: Lee@LeeHyder.com or calling 800-884-6544)

I again was surprised, to see so many people who would come to my office to discuss Estate Planning, who had no wills, durable powers of attorney, or even living wills in place. But here I am surprised again, nonetheless, 10 years later by the same people not taking advantage of the rare free gift by our Federal Government and the IRS.

**I CONTINUALLY ASK MYSELF,
WHY HAVE SO MANY PEOPLE FAILED
TO TAKE ADVANTAGE OF THIS INCREDIBLE
NEW LAW BY THE IRS ?**

It dawned on me for the first time; I had a sudden voice of clarity, as to why so many people have not taken advantage of the new Internal Revenue Code.

**This new law had created the opportunity,
to create Separate Accounts
from your IRA after your death for each beneficiary.**

**THIS MEANT, AT YOUR DEATH, EACH BENEFICIARY
WOULD BE ABLE TO INHERIT YOUR IRA 100% TAX FREE.
YES, I SAID 100% TAX FREE,
AND WOULD BE ABLE TO TAKE AN INCOME STREAM,
OVER THEIR INDIVIDUAL LIFE EXPECTANCY.**

**Avoiding the immediate, huge income tax they would normally pay, when
they cashed out and received a lump sum payout from the IRA, when they
received their inheritance.**

This also avoided, the family being forced to take an income stream, over the oldest beneficiary's age, forcing a larger taxable payouts per year for each of the beneficiaries.

The income stream they could take would be much like the one you can do now, with your Required Minimum Distributions or as you will do when you turn 70½. They would be required to withdrawal a minimum per year, based on their life expectancy and only pay the tax on the withdrawal and still grow the balance, tax deferred. If you took advantage of this new IRS law and used the **SEPARATE ACCOUNT RULE**

The income stream could be paid over your children's and grandchildren's lifetime.

**THIS INCOME STREAM, FOR YOUR HEIRS,
COULD LAST FOR GENERATIONS.
HENCE, THE NAME
MULTI GENERATIONAL IRA**

With this method of payout for example, taking a modest IRA of lets say \$350,000 at your death and eliminating the almost \$150,000 in taxes that would normally be paid on this \$350,000 IRA lump sum distribution; why not create an income stream over the life expectancy of the heirs that would be worth millions over their lifetime. **Did I mention it's free to do as well?**

SO WHY HAVE SO FEW PEOPLE EVER HEARD OF THIS LAW, LET ALONE PUT IT INTO PLACE FOR THEIR FAMILIES?

I believe the answer lies in the **3 Phases of Life** we all go through and the advice we either get, or don't get along the way.

PHASE 1: ACCUMULATION

Let's turn the clock back 50 to 60 years, when you had that first paper route, lemonade stand, or your babysitting job for your next door neighbor every Saturday night. Then you went to work for the next 40 years to earn a living and make a life for you and your families. Back then you had a desire and a need, to earn and save money for something that was important to you. You recognized the importance of saving your money. In your early days, maybe you were saving for your first bike, train set, doll house. When you got older and married, maybe you were accumulating and saving for your first real home for your new

bride, college for the kids, that special Wedding day and let's not forget, that very important retirement day that just seemed like a far off fairy tale. The bottom line for many of us, this was a 50 to 60 year phase that you lived through.

**DURING THIS PHASE OF ACCUMULATION
YOU ARE WORKING EVERYDAY, YOU COULD AFFORD TO BE RISKY AND A
LITTLE CARELESS WITH YOUR INVESTMENTS
HOPING TO GET HIGHER RETURNS.**

If things went terribly wrong as they often did for many of us, and you lost money in the market, you still had many more working years (sadly enough) to try and replace what you had lost in the market.

PHASE 2: PRESERVATION

Congratulations, you made it, you got the gold watch. You made it to retirement. I'll bet some of you thought that this day would never come. Remember, wondering what you would do with all your free time? Now, you are so busy you wonder how you had the time to go to work each day. Remember the days you weren't even sure who your family Doctor was, and now you see him and the Pharmacist more often than you do your own kids.

And for the "guys only" remember when you could sleep throughout the entire night, without getting up to go to the bathroom 3 or 4 times per night. Times have certainly changed since you retired haven't they?

**DURING THIS TIME
WE CALL IT
THE PRESERVATION PERIOD
IN YOUR LIFE AND THE WORD "RISK"
SHOULDN'T EVEN BE IN YOUR FINANCIAL VOCABULARY**

With most of your income earning years behind you, **it's critical that you protect and preserve everything that you invested your entire life to earn and accumulate.**

You need to protect what you can't afford to lose or said differently...you should only gamble and risk to the market, what you are willing to and can afford to lose, without it changing your lifestyle or making you mad at the world or yourself.

For an example, if you said that your pension is good enough and you don't even need the money from your IRA to maintain your lifestyle, and if you lost it all to the stock market it wouldn't change your life, then for you, investing your entire IRA in the market with inherent risk, would be fine based on your declared situation and risk tolerances. **On the other hand, if you said you couldn't maintain your lifestyle or the thought of losing any money at your age, then in this case having your money in the market and risking your money is not a good idea.** I believe, as someone who has devoted over 17 years to helping retirees remove risk from their lives and creates guaranteed outcome planning programs for my clients,

**PEOPLE WHO HAVE TRANSITIONED TO PHASE 2
NEED TO REMOVE RISK, FINANCIAL INSTABILITY,
NEEDLESS TAXES AND FEES FROM THEIR LIVES.**

PHASE 3: DISTRIBUTION

This is the phase where one plans the most efficient distribution from their IRAs and other qualified accounts, and puts into place the most effective plans and techniques to pass their Estate to their heirs, avoiding probate, delays, and needless fees and tax.

HERE'S THE PROBLEM

When I sit with clients and we review their overall situation, a very clear picture starts to emerge. **Time and time again, we would all agree, at that meeting, that they have passed into the PRESERVATION stage of their lives and can't afford to continue to risk their money in the market. Somehow they find**

themselves, still way too heavy in the market, exposing themselves to possible market losses and still taking advice, from their well meaning broker or financial advisor.

YOUR FINANCIAL ADVISORS MAY HAVE DONE A WONDERFUL JOB DURING THE ACCUMULATION PHASE BUT...

YOU ARE IN THE PRESERVATION AND DISTRIBUTION PHASE.

DEALING WITH A SPECIALIST AND GETTING A 2ND OPINION ARE VITAL TODAY

No one would hopefully ever think of going under a surgeon's knife, with out seeking the advice from another surgeon for a second opinion. Hopefully, that second opinion is coming from someone who is a specialist in the field. It is the same way, or should be, in the financial services industry, but all too often it is not.

IF FOR SOME REASON YOU HAVEN'T HEARD OF OR TAKEN ADVANTAGE OF THE NEW IRS LAW, YOU SIMPLY ARE WORKING WITH SOMEONE WHO DOESN'T SPECIALIZE IN PRESERVATION AND TAX FAVORED DISTRIBUTION.

IF THAT'S THE CASE, IT CAN BE A HUGE AND VERY EXPENSIVE MISTAKE FOR YOU AND YOU'RE FAMILY.

YOU NEED HELP AND YOU NEED IT NOW!

This plan must be in place before you die or lose the opportunity forever. Your beneficiaries need to understand all of this before they inherit from your IRA.

SIMPLY INHERITING AN IRA WRONG CAN COST YOUR HEIRS HUNDREDS OF THOUSANDS OF DOLLARS OF NEEDLESS TAX.

DID I SAY WRONG?

YOU MEAN THAT THERE IS A RIGHT AND WRONG WAY TO INHERIT IRAS? YES THERE IS!

IF YOU DON'T KNOW THE DIFFERENCE YOUR HEIRS CERTAINLY WON'T!!

THAT'S A VERY EXPENSIVE THING NOT TO KNOW!

BY THE WAY, I MAY HAVE FAILED TO SAY, THESE CHANGES TO THE IRA DISTRIBUTION RULES ARE FREE TO ENACT!

What good is accumulating all that TAXED DEFERRED WEALTH in your IRAs, 401Ks and other qualified plans, if all you are going to do is pay needless dollars in tax and lose all that money at your death? That is like renting the values on your statements you get from the broker each quarter.

I'll bet if your statement said something like:

"WARNING, THE VALUES ON THIS STATEMENT ARE FOR ILLUSTRATION PURPOSES ONLY. OF COURSE, YOUR FAMILY WON'T GET ALL YOUR MONEY AFTER YOUR DEATH. YOUR FAMILY WILL LOSE UP TO 40% OR MORE"

I'LL BET THAT WOULD GET YOUR ATTENTION AND SPRING YOU INTO ACTION. WHO SAID WHAT YOU DON'T KNOW WON'T HURT YOU?

I assume you didn't sacrifice all those years, saving and not spending your money to see it go down the drain just because the people you rely on are not giving you the advice you need.

Don't blame your broker; they may not know that they don't know, they did the best they could. They did their job. They made you money.

AND WORSE YET MANY BROKERS DON'T EVEN KNOW WHAT THEY DON'T KNOW, SO THEY DON'T EVEN REALIZE WHAT THIS WILL HAPPEN TO YOUR ACCOUNT AFTER YOUR DEATH, AND IT ALL COULD HAVE BEEN AVOIDED. IT'S NOT YOUR FAULT UP UNTIL TODAY, BUT IF YOU LET THIS MISTAKE CONTINUE, IT WILL BE YOUR FAULT TOMORROW. YOU DIDN'T KNOW BUT NOW YOU DO AND IF YOU STAY UNIFORMED AND FAIL TO LEARN MORE, AND TAKE THE NECESSARY ACTION TO CREATE THE LEGACY FOR YOUR HEIRS, IT WILL BE YOUR FAULT AND YOUR FAMILY WILL SUFFER A NEEDLESS FINANCIAL LOSS!

It is my wish that you take to heart what I have shared with you, and take action to start preserving all that you have worked a lifetime to accumulate.

REMEMBER NO ONES PLANS TO EVER MAKE A MISTAKE OR LOSE MONEY, WE ARE EITHER A VICTIM OF BAD ADVICE OR WORSE YET, NO ADVICE AT ALL!

IN CLOSING, DON'T TURN YOUR IRA INTO AN IRS ACCOUNT AFTER YOUR DEATH

I am available to discuss your concerns and show you a better way to pass your IRAs to your heirs.

Fell free to contact me, LEE HYDER, by
Email: lee@leehyder.com; or
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