

advanced markets 1040 overlay



case study

Help CPAs Uncover Estate Planning Opportunities Using 1040 Overlay

Situation

Bob has been Scott's and Mindy's CPA for years. With the help of Marsha, a life insurance producer, Bob was introduced to AXA Equitable's 1040 Overlay Sales Tool. Marsha and Bob used the program with Scott and Mindy on their recent tax return. The 1040 Overlay highlighted a number of planning opportunities that might have otherwise been missed.

What Did the Overlay Uncover?

Scott and Mindy may be strong estate planning candidates. Why?

- High W-2 income indicates potentially substantial savings accumulations.
- Interest and dividend income indicates the existence of other assets.
- Simple Sales Tool calculations estimate these assets are valued at approximately \$1,250,000.
- Reported capital gain distributions reflect significant capital assets.
- Rental income indicates potentially valuable, but illiquid assets.

Strategy

The clients may need IRA distribution planning.

The Sales Tool alerted Bob to IRS Form 8606 Non-deductible IRAs, which showed that Scott and Mindy may have large IRAs, which increases their estate and requires specialized post-death planning.

These assets are exposed to potential double taxation, estate and income, which risks eroding their value by 60% to 70%. They may want to explore taking IRA distributions¹ to pay for life insurance owned outside their estates to provide estate liquidity. Or, they may want to consider a Roth IRA conversion when either Scott or Mindy dies. The income taxes due at conversion can be paid with life insurance death benefit proceeds.²

¹ IRA distributions are subject to ordinary income tax.

² These strategies are complex and may be suitable only in certain specific estate tax planning situations.

client profile: Scott and Mindy

- Earn high W-2 income
- Are business owners
- Have interest income
- Take real-estate-related deductions
- Deduct charitable contributions

“What can we do to reduce our taxes?”



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