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From the Desk of . . . .

## Chuck Testino

It is with pleasure to send this newsletter, which focuses on accessing retirement funds tax-free. It is my hope that you will find these brief articles thought provoking and worthy of a phone call to my office to start a discussion!

Over the last month, I have received calls from clients concerned about their income and their taxes. In this newsletter I highlight some of the strategies and information I shared with them ~ information I want to share with you! If you are concerned that taxes may eat away at your retirement income, I want you to call me. Together, we can build a strategy to achieve control over your income and your taxes.




### Are You Retiring?

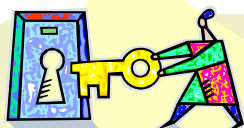
If you are planning on retiring this year, call me to review all of the options that are available to you. The state of Arizona offers many choices for those who are going to retire and it can be very confusing.

I will review these options with you and explain the differences between each option given. You **DO NOT** want to leave lifetime benefit payments on the table.

I will show you how to maximize your benefits to sustain a lifetime income stream that is suited for your personal needs. You should review and finalize these options **THREE MONTHS (3)** prior to retirement.

Call me at **(520) 323-3036** to set an appointment now.

**HAS YOUR CONTACT INFORMATION CHANGED?**  
If so, please email or call me!



### Roth Conversion Opportunity

Under previous law, employees who wanted to move some of their pre-tax saving to the Roth option were permitted to do so only if there was a qualifying event. For 403(b) plans, this would be an attainment of age 59½, in 457(b) plans the attainment of age 70½, or in both plans, separation from service with their employer. Under new law, employees are now free to convert to the Roth option without a qualifying event. This opens a new world of opportunity for both plan participants and sponsors.

Those who could benefit from the Roth option are:

- ◆ Lower paid employee who at this time may not need tax deferral from traditional qualified plans.
- ◆ Employees that believe they will be subject to higher tax rates when it comes time to start taking distributions.
- ◆ Employees that have already accumulated sizeable amounts in pre-tax accounts and now wish to balance their retirement savings between taxable and non-taxable retirement income distributions.

Checking with your benefits department to see if a Roth option is available to you is the first step in taking advantage of this opportunity. Plans that do not have a Roth option can be amended by having the benefits department contact their third party administrator to include the language for a Roth option.

*(PlanMember Partner Update, Winter 2013,p5. Legislative Update, Feb 2013 Edition)*



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## Tax-Free Retirement

You've spent years tracking your investments, adjusting your allocations and sacrificing a percentage of your paycheck to finance a comfortable retirement. That was the easy part. The challenge is developing an income stream that takes into consideration your new retirement lifestyle, Medicare thresholds and continual tax law revisions.

The complexity of tapping into a mixed bag of retirement assets, from personal savings to pensions to IRAs to 401(k) and 403(b) plans, is compounded by distribution requirements, potential penalties and tax liabilities. Therefore, retirees and those soon to be retiring must learn to adapt their withdrawal strategy to a changing tax environment by managing their tax-advantage accounts like IRAs and 401(k)/403(b) plans. Adding a source of tax-free income through the purchase of life insurance has the ability to not only create a legacy but can also create a cash-flow with this powerful income strategy planning instrument.

A product called Index Universal Life allows you to capture market gain based off of a market index and it guarantees that you never lose your principal. All the while, you are providing protection for your family. For example, if your Index Universal Life policy follows the S&P500 index and the index was up 7.50% that year, the cash value in your policy would benefit from the upward move. If, however, the S&P500 index declines and showed an annual loss, the cash value within your Index Universal Life policy would not change.

Another advantage to the Index Universal Life policies is its ability to create a tax-free cash flow utilizing policy loans. IRS tax code 7701 states that life insurance benefits to an individual are tax-exempt. This allows the opportunity to accumulate retirement funds without the worry of loss of principal and have your income distributed to you in a tax-free fashion while providing your family with a legacy. Carrying this type of policy into retirement or purchasing one in retirement lends itself to providing an excellent cash flow stream that can fill the income gap without causing additional taxation.

In our previous newsletters over the last year, we've written a lot about planning your income stream in retirement. We've talked about income strategies, social security and creating balance to meet your risk tolerance. The bottom line is structuring your investments and your income stream once you're in retirement is a bigger challenge than saving for retirement. Consulting with your financial professional and obtaining his or her expert advise will go a long way in creating a successful retirement.

\*Cap and/or participation rates limit returns. Loans reduce cash value and death benefit and may cause lapse or affect guarantees. Additional premium may be required. Lapsed policies become subject to ordinary income. Tax laws are subject to change. Consulting your tax professional is advised.

(<http://www.bankrate.com/finance/financial-literacy/how-to-create-a-retirement-income-stream-1.aspx>)  
(<http://www.foxbusiness.com/personal-finance/2012/10/26/can-really-have-tax-free-retirement/>)



## 2013 Contribution Limits

Plan	2013 Limit	Over Age 50	"Catch-Up"	Total
IRA/Roth	5,500	1,000	+ N/A	= 6,500
403b	17,500	5,500	+ 3,000	= 26,000
457/401(k)	17,500	5,500	+ N/A	= 23,000

\*Note - If you will be 50 or older by the end of 2013, you have the benefit of being able to make "catch up" contributions.

\*SEP IRAs do not allow for catch up contributions.

## What is an Index?

As we consider products like Universal Indexed Life, we need to educate clients as to what an index is. Below is a brief description revisited from our third quarter 2012 newsletter.

The Dow Jones Industrial Average (DJIA), S&P 500 and Nasdaq Composite are all indices that have become part of our everyday vocabulary. As it turns out when most people talk about "the market," they are actually referring to the Dow Jones Industrial Average index.

Technically speaking, an index is a statistical measure of a group of selected stocks representing a portion of the all the companies doing business publically.

It would be too difficult to track every single security trading in the country. To get around this, we take a smaller sample of the market that is representative of the whole. Ideally, a change in the price of an index represents an exactly proportional change in the stocks included in the index.

In 1896, Charles Dow created the first index. At that time, the Dow index contained 12 of the largest public companies in the USA. Today, the Dow Jones Industrial Average (DJIA) contains 30 of the largest and most influential companies in the USA.

While the DJIA is the most widely referred to index, there are literally thousands of other indices. However, Universal Indexed Life normally offers only well established indices that provide a large body of statistical data to make reasonable future cash value projections.

([www.investopedia.com](http://www.investopedia.com). Index Investing: What Is An Index?)