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Issue 44

the ADVISOR

GUIDING YOUR INSURANCE PLAN, PROVIDING PEACE OF MIND

in this issue

- Play it Safe with Your Required Minimum Distributions
- Capital Transfer Turns Your IRA from a Tax Monster to a Tax Friend
- A Message from Your International President
- Advisor Answers

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PLAY IT SAFE WITH YOUR REQUIRED MINIMUM DISTRIBUTIONS

Many of you who are reading this article are familiar with required minimum distributions (RMDs), and you probably either like taking them or not. However, the "R" means required, and once you reach 70½, you must take out a minimum amount from your traditional IRA and other retirement plans. Exception: If you are still working and own five percent or less of the company, you don't have to take RMDs from your current employer's retirement plan at that time. Also, the owners of Roth IRAs do not have to take RMDs.

Time Your RMD Correctly

You're usually required to take RMDs once you reach age 70½, but that doesn't mean you must start exactly six months after your 70th birthday. Technically the deadline is April 1 of the year after the year you reach that magic age. Suppose Ole was born on June 30, 1947; he will be age 70½ on Dec. 30, 2017. Ole must start taking RMDs from his IRA by April 1, 2018. Here is another scenario: Lars was born on July 1, 1947 so he won't be age 70½ until Jan. 1, 2018. Here, Lars doesn't have to start taking RMDs until April 1, 2019.

Subsequent RMDs are due the following December 31 and every December 31 after that. In our first example, Ole must take his first RMD by April 1, 2018, and his second RMD by Dec. 31, 2018, so two RMDs in one year. From then on Ole must take his RMD by December 31 of every year.

Regarding Ole, he can take his first RMD in 2017 rather than wait until April 1, 2018. That will give him one taxable RMD per year and may allow him to stay in a lower tax bracket.

Continued, next page →

Play it Safe with Your Required Minimum Distributions

Continued from front page

How to Calculate Your RMD

The amount of your RMD depends on two things: your age and the amount of your IRA. Here is how you calculate it:

1) Look up the IRS Uniform Lifetime Table. You can find it at irahelp.com/2017.
2) Find your age as of December 31 of the year for which the RMD is due.
3) Find your life expectancy in years.
4) Divide your life expectancy into your prior year-end account balance to find your RMD for the year.

For example, when you look at the Uniform Lifetime Table, at age 70 there is a life expectancy of 27.4 years. If there is over $100,000 in your IRA at the prior year end (2016), you divide 100,000 by 27.4 and get 3,650 — the RMD amount.

Take Your RMD, Or Else

The cost of not taking your RMD is steep — any shortfall is subject to a 50% penalty. So if the RMD is $3,650 and Ole takes only $3,000, Ole will be $650 below the minimum and he will owe a $375 penalty (50% of 650). If Ole takes no RMD, the penalty will be 50% of the entire $3,650 or $1,825.

Mix and Match IRA RMDs

Many people have more than one IRA. If so, you must calculate the RMD for each IRA to come up with your total RMD. Then you can take that total RMD from any or all of your IRAs.

For example, suppose Ole has one large IRA, another with $10,000 and yet another with $5,000. By adding up the RMDs from all these accounts, Ole determines that he must take a total of $20,000 in RMDs. Ole can decide to empty his two smaller IRAs and just be left with the larger one from which he will take all future RMDs.

I hope this information is helpful.

- Leonard Carlson, Director of Agencies

A Message from Your International President

Dear Members,

It's that time of year when we strive to be carefree and enjoy the last holidays of the season. However, December also brings to mind money matters that we should reflect on from time to time.

This issue of the Advisor brings a few topics that are worth a read. You'll appreciate the reminder about potential penalties due to the timing of taking your IRA required minimum distributions, and you may have the same question about the term "lazy money" featured on the insert. Learn how you may realize a favorable tax benefit by reading the article about utilizing the capital transfer concept.

I hope you take away some new knowledge from these articles, and I also hope you hold many fond memories of 2017 as we usher in the New Year.

Jon Tehven

International President
Sons of Norway

Current 12 Month Interest Rates

Single Premium Deferred Annuity

Deposit Amount	Current Interest Rate	1st Year Interest Bonus*	Total 1st Year Return
$10,000 - $24,999	1.85%	.70%	= 2.55%*
$25,000 - $49,999	2.00%	.70%	= 2.70%*
$50,000 - $99,999	2.10%	.70%	= 2.80%*
$100,000 and over	2.15%	.70%	= 2.85%*

* These rates include a .70% first year bonus. Guaranteed Minimum Interest Rate: 1.00%

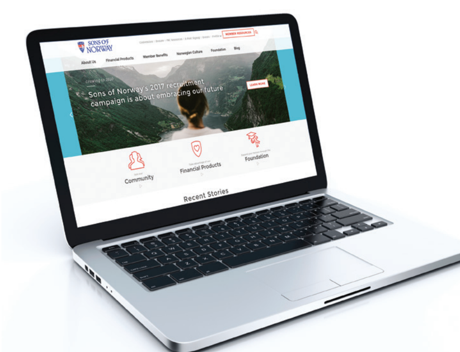
Interest rates as of 10/01/16 and are subject to change. New contracts only.

Flexible Premium Deferred Annuity

Deposit Amount	Current Interest Rate	1st Year Interest Bonus*	Total 1st Year Return
$2,000 - $9,999	1.60%	0%	= 1.60%
$10,000 - $24,999	1.90%	.70%	= 2.60%*
$25,000 - $49,999	2.05%	.70%	= 2.75%*
$50,000 - $99,999	2.15%	.70%	= 2.85%*
$100,000 and over	2.25%	.70%	= 2.95%*

* These rates include a .70% first year bonus. Guaranteed Minimum Interest Rate: 1.00%

Interest rates as of 10/01/16 and are subject to change. New contracts only.



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Capital Transfer Turns Your IRA from a Tax Monster to a Tax Friend

by Ken Thul

If your Traditional IRA or any other non-Roth qualified retirement plan (QRP) such as your 401k, 403b or profit sharing plan is money you will not use in the the next five years, the capital transfer concept may help you maximize your tax favored assets and the amount your beneficiaries receive.

How does Capital Transfer Work?

Not all assets are taxed the same way. Some are great vehicles for accumulating wealth, but others are better for passing wealth to beneficiaries. Capital transfer is an allocation of funds from a currently highly taxable asset (your IRA or QRP) to an asset with tax favored treatment (life insurance). Life insurance provides an income tax free death benefit to help maximize the legacy. Capital transfer can solve two IRA or QRP tax dilemmas.

The Retirement Plan Tax Dilemma

Traditional IRAs and other QRPs become ***tax monsters*** when funds are distributed at retirement. Furthermore, if you die with money in your Traditional IRA or QRP, the remainder may be subject to double taxation, both income and transfer taxes. Income tax may be due when funds are distributed to beneficiaries and if your estate is large enough, federal estate and state inheritance taxes may also come into play.

Required Minimum Distribution Dilemma

Income and transfer taxes are not your only concern. After you reach age 70½, annual distributions must also be taken from traditional IRAs and most QRPs. As noted in the cover article, failure to take this required minimum distribution (RMD) means the IRS will slap a whopping 50 percent penalty tax on any amount you were required to withdraw, but didn't.

A "One and Done" Solution

Many people are using the capital transfer strategy to place their retirement dollars in one of the most tax-efficient vehicles for transferring assets - a single premium payment (one and done) life insurance policy. By using the after-tax amount of your IRA or QRP to purchase life insurance, you help maximize their legacy and avoid transfer taxes. Properly designed and funded, the death benefit of life insurance passes free of income tax and estate taxes - helping you maximize your income while alive and maximize your legacy for your beneficiaries.

Here's an Example

Sven just turned age 70, and he has a traditional IRA with a balance of $150,000 invested in a bank CD earning 1.5% interest. See the comparison chart of how the money would flow if Sven just kept the Bank CD IRA @1.5% and took his RMDs, compared to if he cashed in his IRA, paid his taxes on the lump sum (Sven is in a 33% tax bracket), took the remainder ($100,000) and made a one-time single premium payment into a Sons of Norway Universal Life. If he took a withdrawal from the life insurance cash value each year equal to what would have been his RMD in his IRA, which way would Sven come out ahead if he lived to age 100?

Preserve Your Legacy: As you can see, Capital Transfer can help stop the drain on your assets. The name says it all because this planning tool involves transferring wealth from one asset to another. The Capital Transfer Strategy lets you replace an inefficient tax consequence asset with an asset that provides a favorable after-tax result. Contact your Financial Benefits Counselor to see if Capital Transfer can work for you.

	Results at age 100	
	IRA	Nordic UL
Total Income Received (Age 70 to 100)	$128,951	$128,951
Total Income Tax Paid (Age 70 to 100)	$42,554	$42,554
Total Interest Earned (Age 70 to 100)	$31,099	$91,224
Remaining Account Balance At Age 100	$9,593	**$15,206**
Death Benefit at Age 100	$9,593 (taxable)	**$101,566 (tax free)**
Terminal Illness Accelerated Death Benefit Available	$9,593 (taxable)	**$50,000 (tax free)**
Chronic Illness Accelerated Benefits Available	$9,593 (taxable)	**$101,566 (tax free)**

The content of this presentation is not intended, and should not be construed, as tax or legal advice. Always consult your personal tax and/or legal professional for counsel regarding your specific situation.

Advisor Answers

Q. *I have heard the term "lazy money" at lodge meetings when there was a Financial Benefits Counselor speaking. Can you please clarify your definition of lazy money?*

A. Good question, let me explain. Lazy money is money that you do not plan on spending. Rather, it's money that you will pass along to the next generation when you die. This lazy money can be in different investment vehicles such as bank CDs, savings accounts, annuities, stocks, mutual funds, etc.

The good news is that you can leverage this lazy money and leave more to your heirs now than you would by having the money staying in one of the accounts I mentioned above. For example, let's say you are a male, age 70, and have $50,000 in a CD earning practically no interest. By transferring this $50,000 to a single premium life insurance policy, your heirs would receive $75,795 when you die. That's $25,000 more income tax free money to pass along!

Here is another example. Say you presently have an annuity worth $125,000, and you don't need this money. You have four adult grandkids, ages 28 to 32, that you'd like to help out. Here is an idea: Cash out the annuity, pay the taxes on whatever gain there is and divide up the money among your four grandkids. So you net out $100,000 and each grandkid receives $25,000. Take $14,000 of the $25,000 and purchase a Single Premium Whole Life policy for approximately $70,000 in face amount for each grandchild, and give the remaining $11,000 to each of them in cash.

I hope this helps clarify what I term "lazy money." Feel free to contact the Financial Benefits Counselor listed on the front of this Advisor.

—Leonard Carlson, Director of Agencies

The Paid Up Additions (PUA) Rider

If you

- Will need additional life insurance in the future.
- Want to increase your life insurance policy's cash value
- Want to build a fund of income tax deferred money for future needs, such as college tuition, mortgage down payment or enhancing your retirement funds
- Want to use your policy's cash value to pay future premiums
- Have cash value in other life insurance policies that could work harder for you
- Want to do all of the above without providing proof of good health in the future

Then consider adding a PUA rider to your Nordic Whole Life Insurance Policy. It will allow you to:

- Increase the amount of guaranteed cash value of your policy.
- Increase the guaranteed death benefits of your policy.
- Purchase additional paid-up life insurance with a single premium paid at issue.
- Purchase additional paid-up life insurance each year after issue.
- Take annual withdrawals from the rider to pay the premium on your base policy with a corresponding decrease in the death benefit of the rider.
- Take policy loans from the cash value of the rider.
- Enjoy the PUA Rider's features of guaranteed cash values and dividends.