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A Sound Saulution™
Case Study: The Hidden Cost of an Inherited IRA

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When an Inheritance Becomes a Tax Burden

When Susan, a 50-year-old mother of two, inherited her father's $800,000 IRA, it initially felt like a financial blessing. With a stable career and no immediate need for additional income, she planned to simply let the account grow.

However, under the rules of the SECURE Act, Susan was required to fully deplete the IRA within 10 years. As she began taking distributions, she quickly realized the problem: each withdrawal was added to her taxable income, pushing her into higher tax brackets.

By the time the account is fully distributed, nearly 35–40% of the IRA could be lost to taxes, significantly reducing what she could ultimately pass on to her children.

To make matters worse, her only life insurance was a small group term policy through work, offering no long-term legacy protection.

A Sound Saulution™: Repositioning into a 10-Pay Legacy Asset

Instead of absorbing the tax drag, Susan implemented a strategic repositioning plan. She began systematically withdrawing approximately $100,000 annually from the inherited IRA over 10 years, netting about $65,000 after taxes, assuming a blended 35% tax rate.

She then redirected $50,000 per year into a 10-pay permanent life insurance policy. By age 60, she had contributed $500,000 into the policy, which was projected to create a tax-free death benefit of approximately $1.2–1.5 million.

This approach effectively transformed a heavily taxed asset into a tax-efficient legacy for her children, more than replacing the after-tax value of the inherited IRA.

In the process, Susan also secured permanent coverage beyond her employer's term policy, helping ensure her family would receive a guaranteed, income-tax-free benefit regardless of when she passed.

$800,000
IRA inherited

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$1.2–1.5 M
projected tax-free death benefit

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