

Focus On Advanced Sales
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President Signs New Tax Law

On Wednesday, May 18, 2006 the President signed into law the Tax Increase Prevention and Reconciliation Act of 2005 (“TIPRA”). While the provisions contained in the Act are not directly relevant to insurance planning, there are two worth mentioning.

First, TIPRA extends the lower capital gain rates until 2010. They were set to expire in 2008.

Second, and more interestingly, the income limitation to convert to a Roth IRA is removed starting in 2010. Currently, if a taxpayer has over \$100,000 of adjusted gross income, he cannot convert a traditional IRA to a Roth. Starting in 2010, that taxpayer will be able to make such a conversion. Also, if the conversion is done in 2010, the income can be included one-half on each of the taxpayer’s 2011 and 2012 tax returns.

The expectation is that this will result in many conversions, and thus increased income tax revenue. However, since Roth IRA distributions are not subject to income tax, this will reduce income tax revenue in the future.

The adjusted gross income limitation for contributions to Roth IRAs was not removed.

More tax legislation is expected to come before Congress in the next month, including the estate tax repeal. We will keep you informed on any important developments.

AIG Life Brokerage Group has retained the law firm of FRIEDMAN & DOWNEY, P.C., as national counsel for estate and business planning to answer your questions about advanced sales cases. We practice in the areas of business and estate planning and advise insurance companies and agents about marketing issues. We also conduct advanced sales seminars and write articles about life insurance for the Journal of Financial Service Professionals (formerly the CLU JOURNAL), The National Underwriter, and law reviews.

HOW TO CONTACT DOUG FRIEDMAN and HEATHER DOWNEY

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time. BE SURE TO MENTION THAT YOU ARE AN AIG/AG BROKERAGE REPRESENTATIVE!!

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