

A Tax Free Retirement

by [Tom Koziol](#) on November 21, 2009

Doesn't that sound dandy? Retiring with tax free dollars. Almost reads like a come-on from a certain East Coast based investment hustler.

My friends, as of this writing if you own the product I am about to explain, you have a tax free retirement [vehicle](#) second to none. How you grow it determines how much you'll have at retirement.

I bring this to your attention because the new Obama administration is making a lot of noise about the 401ks, IRAs, SEPs and other pension funds you now own. They want to roll all of them into something called a GRA – government retirement account.

These newly elected politicians have the same thought theology that created the Department of Energy to free us from dependence on foreign oil (that's working isn't it?) and the Department of Education to make our kids smarter (our students rank in the top 80% of the world, right?). Oh, lest I forget, the war on drugs. That's another marvelous program brought to you by the same intellectual thinkers.

Social Security Not Really A Worry

For everyone who is wondering if social security will be there for them when they retire, quit worrying. It isn't there today. The government melded the SS funds into the general account so as to make the deficit look smaller than it really was. I'll let you guess the name of the president who concocted that sleight of hand.

By the way, you shouldn't even have this particular worry – about this thing some call a government shell game -on your worry list because they are in the proverbial stuck position. If they tell the truth about the zero dollars in the kitty, the current crop of SS payers will revolt immediately if not sooner. And, those folks receiving the checks will start a panic unlike any seen in any country throughout recorded history. Basically, they have to keep up the charade and send out the checks. Hence, no worries.

Back to my tax free retirement. Today, maybe more than ever, people are looking for stock market alternatives, savings flexibility and something that can be used in addition to other plans. I think you probably are nodding your head in total agreement so I'll move right into this little jewel.

I will skip over the IRS imposed limits on 401ks, IRAs, SEPs, etc since I am writing about an alternative to these plans. I will tell you upfront this strategy comes with associated costs and fees. If you are wise, you will ask about those costs when you start your search for the one that is right for you.

EIUL

As I typed the above subtitle, the thought “tropical disease” popped into my head. I can assure you this product is not even a home grown disease.

EIUL is the acronym for equity-indexed universal life insurance. It is permanent life insurance offering all the benefits of universal life with accumulation values tied to a [stock market index](#). It is like having

had a put option on the housing market at the beginning of 2007 with an expiration date of December 2008.

An EIUL policy comes with two parts. One is a fixed interest rate component while the second part is an indexed account option. Don't worry (pun intended), it gets easier as you read the rest of the story.

This creature called an EIUL has the ability to receive index-linked gains. In years in which the index does well, interest-crediting rates will rise, and in years in which the index performs poorly, interest crediting will fall but without a loss to your principal. Stated another way, when the linked index rises so does your cash accumulation. On the other hand when the index tanks, the capital tied to the index component doesn't take a hit.

The policy owner is protected with minimum-guaranteed interest rates in case of stock-market losses. That's why it won't tank. If this sounds a lot like the current government bailout, well, what can I say...

The index used by most insurance companies is the S&P 500. Today as you probably know, it is tanking and tanking like a rock in water. Theory says if you bought one today, you should be in the cat bird's seat because what goes down must go up.

What this means to you the policy holder is the potential to realize higher upside returns without a total crash on the downside. Therefore, it becomes a very unique and [attractive](#) cash-accumulation vehicle.

Tricks and Techniques

As with all investment [vehicles](#) there are tricks and techniques to building cash in a EIUL. I do not intend to explain each and every one. However, I will tell you the technique of overfunding is popular with a lot of people who buy one. Couple that with selecting an interest strategy and you have one heck of an investment.

Since the IRS does not tax borrowed cash value dollars, I bet you can immediately deduce how you will take your tax free dollars at retirement. Finally, remember to keep the policy in force until death. This prevents the nasty tax bug from sneaking in the back door.

If this little expose has whetted your appetite for more knowledge, start by searching the Net for more information. Once you think it is right for you, call your insurance agent and ask every question you can think of before plunging head first into these unfamiliar waters.

None of this is meant as investment advice. It is merely a for your information explanation of a product that is gaining popularity as of this writing. If you are doing well in your real estate investments, this may be the perfect place to stash dollars for your "golden" years.

After all, you won't stop needing money when you hit that life segment called retirement. It is almost impossible to not only outlive, but be taxed out of, your retirement set aside dollars if you have done well in real estate and kept your EIUL force fed to the maximum.

Something to think about, right?