



DADS AND GRADS: GIVE THE GIFT OF CONFIDENCE

Traditional gifts are great, but lifetime income, legacy options, and savings strategies are gifts that can keep on giving. What options can you offer the dads (and their grads) in your client base?

We celebrate dads and grads in June and often wonder what the most thoughtful gift might be. While a “best dad” mug, tickets to a game, or a new tie—all given with love from the kids—are great, the best gift a dad can receive is the ability to provide financial support and protection for his family. As a financial professional, you can honor dads and celebrate graduates by discussing how retirement and legacy planning can become an opportunity to consider for both. The SECURE Act and additions to it changed the landscape for legacies, but there is an interesting new 529 plan-to-Roth IRA strategy to consider for grads saving for retirement. Here’s what you need to know.

Roth IRA for Graduates—a Legacy that Gives Grads a Head Start

- Roth IRAs can be a great retirement-savings vehicle—and the earlier started, the better. Qualified distributions are tax-free for retirees, and clients can start contributing as soon as they earn income. When college graduates start their careers, parents can consider putting money (perhaps dollars originally designated as an allowance) into a Roth IRA account in their names.

- The SECURE Act 2.0 also has provided a new option for parents who have saved for their child’s college expenses, particularly if the student did not need all the funds. **Effective January 1, 2024, clients can convert unused 529 college savings accounts into Roth IRA(s)** in the 529 beneficiary’s name, under certain conditions:
 - The account must have been open for 15 years.
 - No more than \$35,000 can be rolled over during the 529 beneficiary’s lifetime.
 - The amounts taken annually from the 529 plan and subsequently contributed to the Roth IRA cannot exceed the Roth IRA annual contribution limit.
 - The Roth IRA’s owner must have earned income.

These Roth IRA options can give the graduate a **head start on retirement savings** while he or she may not yet have the means to save. And parents are certain to cement their legacies as providers when graduates begin to think about retirement funding.

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Annuities for Dads—Income, Legacy Options, and More

As fathers continue to care for and support their college-aged children, how can they ensure their retirement savings stay on track? As kids move from grade school to high school to college and beyond, parents simultaneously move toward an age where retirement planning considerations must take precedence.

As clients get closer to retirement and some of their financial obligations—such as paying for college—are fulfilled, their spending patterns change. The chicks leave the nest and expenses fly away with them. This means dads can focus on discretionary spending and enhancing their retirement planning strategies to secure a comfortable retirement and leave a legacy.

- **Annuities can help bridge gaps in Social Security benefits** if a client wants to take advantage of delayed retirement credits (DRC). Clients who are contemplating early retirement and expect to be in good health can choose to delay benefits to as late as age 70, earning credits that can increase their benefit amount. Consider using an annuity to help them generate income to bridge the gap between early retirement and the first Social Security check.
- **Annuities offer protected retirement income options** including income guaranteed for life.
- **Nonqualified annuities can be used to fund long-term care (LTC) insurance premiums** via a 1035 exchange. LTC is becoming increasingly expensive,¹ so preparing for these costs early will help mitigate surprises in the long run.

- **Annuities also can be used for legacy planning** that ensures loved ones' needs are met.

- Some annuity companies offer **enhanced death benefits** at an additional cost, which can increase the size of the legacy.
- You also may consider recommending a **stretch option for nonqualified annuities**, where the SECURE Act still allows beneficiaries to spread the tax liability of earnings accumulated over several years, rather than in one tax year.

Honoring dads and celebrating graduates are typically happy milestones that families look forward to. There's nothing more special than knowing the gift you give will be cherished by the recipient. So, remember that as a financial professional, you can give the gift of confidence by helping dads—and all parents—plan for both their legacies to their families and their own retirement.

Actions You Can Take Right Now

- Discuss rollovers from 529 accounts to Roth IRAs with clients who have grads.
- Use Father's Day as a touch-point opportunity to reach out for a lifetime income review.

¹“Cost of Care Trends & Insights,” Genworth.com, February 2, 2022

Additional Resources and Links

[Secure Act 2.0: A 101 On Its Impact to College Planning](#)

[Using Retirement Funds to “Mind the Gap” for Social Security Benefits](#)

[Retirement Income Strategies](#)

For more information about retirement planning,
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