

without the adverse U.S. tax consequences typical of offshore investments. Moreover, the client's portfolio should be sheltered from U.S. taxation during his stay in the United States.

### Retirement Planning

Many clients, especially business owners, are subject to qualified plan limitations and can't put as much as they would like into tax-deferred retirement vehicles. These clients could use a PPVA investment account as a simple, yet effective, tax-deferred savings vehicle. The tax-deferred accumulation allows the PPVA account

The PPVA investment account should enable tax-exempt entities to invest without penalty in investments that would otherwise introduce UBTI.

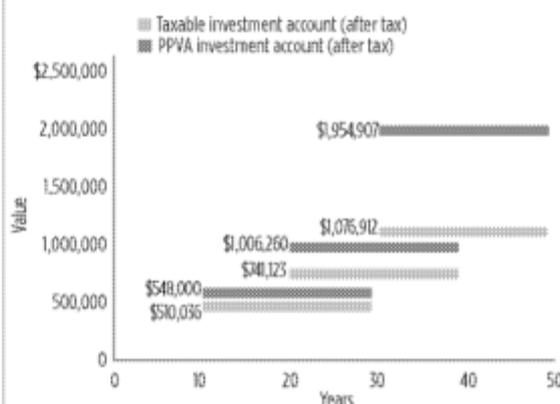
to generate substantial incremental retirement income relative to a taxable investment account.

"Optimizing Retirement Income," this page, shows how much more can be withdrawn each year from a retirement account allowed to accumulate for different periods. When allowed to accumulate for 20 years, a PPVA investment account allows a client to withdraw almost 50 percent more per year for 20 years than a taxable account.

**Practice tip:** Consider allocating the most tax-inefficient segment of a client's portfolio to the PPVA investment account. This will optimize the leverage derived from deferring the investment gains from current period taxation. The PPVA provides significant flexibility in managing a client's retirement income, because scheduled withdrawals can be postponed or accelerated as needed. If the PPVA investment account values are allocated to alternative asset class investment vehicles, careful planning is necessary to assure that the required

### Optimizing Retirement Income

If your client contributes \$5 million to a PPVA account or taxable account and allows that money to accumulate for 10, 20 or 30 years, and then the client takes equal distributions for the next 20 years, here's what the annual distributions will be for each scenario



Assumes 1.5 percent of fund management fees and an 8 percent return after fund management fees on a \$5 million investment in a taxable account and a private placement variable annuities account; 75 percent of realized gains are taxed at ordinary income rates; and no withdrawals are made before age 59½. Ordinary income tax rate is assumed to be 40.7 percent in Year 1 and 48.7 percent thereafter. Capital gains tax rate is 20.7 percent in Year 1 and 29.1 percent thereafter. Assumes that the investment management fees aren't tax deductible in the taxable investment account due to the 2 percent of adjusted gross income threshold for itemized deductions. Distributions are shown on an end-of-year basis.

— SALI Fund Services

liquidity notices are submitted to the investment managers in a timely fashion.

### Foundations with UBTI Investments

Many charities and charitable trusts allocate to asset classes that are deemed to be active business interests, rather than passive investments. These asset classes generally generate UBTI; for example, timber, certain types of real estate, energy transportation and master limited partnerships, which can create current tax liabilities and even endanger the charitable entities' tax-exempt status. A PPVA investment account could be a simple, effective