

## LAYIN' IT ON THE LINE

Steve Kerby



## Does your retirement account need rescuing?

Because of the accumulation benefits of tax deferral, many individuals have successfully created substantial IRA or 401(K) accounts or other qualified plans.

Many people are shocked at how much of their tax-deferred balances will be erased by current taxes when funds are withdrawn. It is not uncommon for these accounts to have amassed seven figures of total dollars. It is also usually the case that little attention has been focused on what will happen to one's hard-earned dollars when taking money out of the plan.

### Reductions due to taxes can be dramatic

The tax-caused decrease in total assets going to family members can be dramatic. For example, we recently reviewed a client situation where the plan holder had a \$6 million balance. The client wished to begin distributions at age 70½. Further, the client did not require any distributions to maintain their lifestyle and wanted all the funds to go to children. The client was disappointed to learn that, under the client's current structure when distributed over 10 years, the \$6 million would be slashed because of taxes by \$2.6 million and only yield \$3.4 million net proceeds to the beneficiaries.

The \$2.6 million of asset erosion occurs because all funds coming out of a qualified plan are fully taxable as ordinary income. And, contrary to common belief, assets in an IRA do not benefit from a step-up basis when passed on. Thus, while this case was a reduction of some 43%, other plans can be crushed by as much as 75% because of income and estate taxes.

The existing plan had other vulnerabilities, as well. One was the assets were all held inequities subject to significant drops in value. Over a lengthy period, the probability that such a reduction will occur is substantial.

### How to increase net to beneficiaries without risk

Fortunately, a solution that could produce guaranteed results was possible in this particular situation. We set up a plan where taxable distributions from the IRA will be used to purchase the appropriate type of life insurance with the family named as beneficiaries. The client and the client's family can be much better off with this solution because:

- Assets are shifted from taxable to nontaxable.
- Total net after-tax assets to the family are significantly increased.
- The increase in assets is immediate.
- There is no need to enter speculative investments to achieve the gain.
- The value of the account is not subject to market losses.
- The results are guaranteed by some of the most substantial financial companies in the world.
- The entire plan can be implemented on a set-it and forget-it basis.

### Implementing IRA rescue for your qualified plan

Each rescue of an IRA or 401K or other qualified plan is custom-made for your circumstances. For individuals with separate plans and assets, net benefits can increase from some 25% of asset value to many times the asset value. For married couples inheriting each other's IRAs, the after-tax yield can be much higher than otherwise. IRA Rescue can be achieved by converting a client's weakest assets — those with the most significant tax liabilities — to non-taxed assets.

And while a plan's asset value is significantly increased immediately, the tax liability on distributions from the plan is spread over time, much to the client's advantage.

All plans can and should be coordinated with your accounting and legal, trust, and estate advisors, and we do that as a matter of course.

A complete solution is available with plan distributions able to be executed on schedule, trustees guaranteeing that policy premiums are paid as required, trustees delivering gifts to beneficiaries, and taxes able to be paid at the funding source. These solutions can truly be established to set and forget while delivering much more financial benefit to those for whom a client wished to provide financial security.

*As an avid outdoorsman, Joseph and the Wallowa area have been a big part of Steve Kerby's life since 1964. Steve is a Syndicated Columnist member, a national organization committed to a fully transparent approach to money management. With over 50 years in the financial services industry, Steve specializes and focuses on each individual client's goals. Visit [stevekerby.retirevillage.com](http://stevekerby.retirevillage.com) or call 503-936-3535 for more.*

# From parachute rigger to pastor

## WALLOWA COUNTY VETERANS CORNER

Jack James



**M**ission: To highlight some of the awesome veterans in this county, and as a form of education to the general public and reminder of the service, sacrifice, and sometimes fun of duty in the U.S. Military Services. Wallowa County has more than 7,000 residents; more than 1,000 of them are veterans. They are your friends, neighbors, workers and co-workers. Please take a moment and get to know them. Remember — “Support the Troops” and remember the veterans.

### Tim Schmeck, Joseph, Oregon

Tim grew up and joined the Navy in Klamath Falls, Oregon. He served in the Navy from 1967 to 1971 and during his time of enlistment (actually enlisting in the Navy), the Vietnam War was in full-combat operational mode and on the TV news and newspapers every single day. Tim was attending the Oregon Technical Institute (now Oregon Institute of Technology) and had a 2S Deferment as a student (“2S” simply being the designation/meaning for an authorized student in a school of higher learning). However, Tim was not being “challenged” in school and the spirit of patriotism was rising in his very soul. So bam, he joined the Navy to serve his country and to see the world.

Tim went to “boot camp” (recruit training) in San Diego, California, Naval Training Center. Toward the end of training, each recruit is either assigned a job specialty (a rating) or given choices based on performance, test scores, and, of course, the “needs of the Navy.”

Tim said that initially he had six choices and that he wanted to be an “illustrator draftsman.” However, as he talked to his recruit company commander (RCC) and walked down the list of choices, they all seemed to not be available for one reason or another, until his RCC brought up a choice that wasn't even on the list: parachute rigger (PR). Tim said, “Sure, why not!” After graduation from boot camp, Tim was on his way to Navy PR School at Lakehurst, New Jersey.

(Note: If you remember your American History, Lakehurst, New Jersey, was where the German dirigible Hindenburg (lighter-than-air, hydrogen aircraft) accidentally caught fire and burned to the ground on May 6, 1937).

At PR School (now called AirCrew Survival Equipment Maintenance man), he learned about packing parachutes for pilots, sewing machines (especially the 91 parts of a Singer 111-W151, which had to be memorized) and timing of them, packing parachutes, oxygen mask maintenance, as well as survival packs and rafts carried in the ejection seat. Another portion of the training included physical fitness by U.S. Marine Corps drill instructors, with the purpose of preparing the graduating students for a parachute jump at the end of the training and their very first parachute landing fall (PLF), i.e. hitting the ground without injury. (And most importantly, being able to report to your first



Contributed Photo

A young Tim Schmeck during his time in service.

command or duty station without being in a leg cast.)

Tim remembered the parachute jump specifically, “Because once you were out of the aircraft and the noise faded away, it got so quiet, that you could hear the people talking on the ground as well as those who were jumping with me.”

Tim's duty station for the next four years was with Fighter Squadron VF-102 (The Fighting Diamondbacks) at Naval Air Station Oceana, near Norfolk, Virginia. However, he made two deployments overseas; one on the USS America (CV-66) and one on the USS Independence (CV-62). He also remembers deploying down to Naval Air Station Roosevelt Roads Puerto Rico for what was termed “Hot Pad Duty;” in other words being available on the spot in order to support air crews and pilots conducting predeployment training.

Tim remembers the first cruise on the USS America very well, because it was a unique and highlighted one, which included cruising around the world and visiting many foreign ports. It was a “dream come true” for a new sailor in the Navy. Of course, the most arduous portion was off the coast of Vietnam on “line duty.” Sometimes almost 24 hours of flight operations, continuous jet noise, launching noise, jet fuel fumes, planes hitting their “afterburners” like rockets and just the monotonous continuous noise of a ship at sea. When people mention a “city that never sleeps” they might as well be describing a ship at sea, especially a U.S. aircraft carrier which is home to 5,000 men.

Tim has many memories of that first cruise, but one that sticks out was a refueling at sea from a British ship off the coast of South Africa. Seeing British sailors in shorts and talking about their “rum rations” (unheard of in the U.S. Navy). The British ship flying the “Esso Flag” just for fun (an old flag symbolizing putting a “tiger in your tank”) again, unheard of in the U.S. Navy — fun at sea that is. After a good portion of the around the world cruise on the America, the crew was rewarded with a few days liberty (time off) in Sydney, Australia, then to

Wellington, New Zealand, and from there to sailing below South America, then to Rio de Janeiro, and finally they arrived back at their home port — Norfolk, Virginia, in December, and Tim and a shipmate were able to make it home to Klamath Falls for Christmas. A very good first cruise.

After a short stay in Oceania, Virginia, Tim's squadron was transferred to another Carrier Air Group and soon deployed on another cruise, this time on the USS Independence (CV-62), getting underway first to the North Atlantic (six weeks) with a stop in England, and then the remainder of the deployment cruising the Mediterranean Sea for six to eight months. Tim recalls having liberty in the following countries: Malta; Athens, Greece; Naples and Taranto Italy; Cannes, France; and Barcelona and Valencia, Spain.

Tim comments, “We had more time in port than we had money!” Tim also remembers having a Sunday “lay person's church service” in the forecabin (fo'c'sle) of the ship (where the anchor and anchor chains are let out and hauled in and stored, in the bow or front end of the ship). A time for the sailors to minister to each other and share the good news of Christianity in their lives, hopes and dreams. Tim came away from that cruise with a new perspective for his life and a mission to become a bonafide pastor himself.

Tim was honorably discharged from the Navy and set off to attend San Jose Bible College in Northern California, using his rightly earned “GI Bill” to pay for the schooling. After four years of school and a few steps and turns, Tim became a “pastor in training” in Oregon. First in ministry with the Church in the Forest on Bly Mountain near Bonanza, and later at Mountain View Christian Church in Joseph and finally merging with Enterprise Christian Church, where he has gone into semi-retirement. Another end to another very good cruise.

*Jack James is a 35-year veteran of the U.S. Navy and serves as a veterans service officer with the Disabled American Veterans organization.*

## Government and charity can be slippery slope



### ON LIBERTY

Devin Patton

**O**ne of the reasons the U.S. Constitution was “ordain(ed) and establish(ed)” was for the purpose of promoting the general welfare of the citizens. We've certainly grown accustomed to the idea that the government should seek to help those among us who are in need, but was that something originally intended as a role for the government?

Surprisingly, the Constitution makes no mention of the government's ability to give charitably. It's interesting to observe that nowadays the idea that the government should authorize charitable giving from the treasury is taken for granted, but this should come as no surprise — since our nation's early years, elected officials have faced with the temptation to use money from the treasury for charitable giving. This temptation arises from the cultural pressure rooted in the Christian values that were vital to the formation of our nation: Who would be so selfish as to deny the basic principle that it is “more blessed to give than to receive?”

The temptation to give from the treasury also stems from the innate desire for power and popularity, and our politicians recognize the opportunity to garner support from their constituents by leveraging the ability to vote for such charitable giving. When the government functions as a charitable organization, it not only robs the rest of us of the responsibility and meaning found in caring personally for our fellow citizens, it opens the door wide for government corruption and cronyism.

My favorite story of Davy Crockett excellently illustrates why the government

should not use money from the treasury for charity. “A Sockdologer: What Davy Crockett learned from Horatio Bunce” is a story set during the time when Col. Crockett served as a U.S. congressman, representing a district in Tennessee during the late 1820s and early 1830s.

As Crockett was traveling the countryside campaigning for his next election, he had a chance encounter with Horatio Bunce, an apparently well-informed and respected farmer in his district. The previous winter, Crockett had voted to appropriate \$20,000 for the relief of the victims of a large fire in Georgetown, near the Capitol. Mr. Bunce had read of the vote in the newspaper, and during a roadside meeting proceeded to explain to Crockett why his vote in favor of the appropriation was unacceptable from a constitutional standpoint.

Crockett attempted to justify his vote by explaining its merits: it was generous, and the full treasury could afford such a relatively small sum for the benefit of women and children. Bunce responded: “It is not the amount, colonel, that I complain of; it is the principle. ... The power of collecting and disbursing money at pleasure is the most dangerous power that can be entrusted to man. ... If you had the right to give anything, the amount was simply a matter of discretion with you, and you had as much right to give \$20,000,000 as \$20,000. If you have the right to give to one, you have the right to give to all; and, as the Constitution neither defines charity nor stipulates the amount, you are at liberty to give to any and everything which you may believe, or profess to believe, is a charity, and to any amount you may think proper. You will very easily perceive what a wide door this would open for fraud and corruption and favoritism, on the one hand, and for robbing the people on the other.

“No, colonel, Congress has no right to give charity. Individual members may give as much of their own money as they please, but they have no right to touch a dollar of the public money for that purpose. If twice

as many houses had been burned in this county as in Georgetown, neither you nor any other member of Congress would have thought of appropriating a dollar for our relief.

“There are about 240 members of Congress. If they had shown their sympathy for the sufferers by contributing each one week's pay, it would have made over \$13,000. There are plenty of wealthy men in and around Washington who could have given \$20,000 without depriving themselves of even a luxury of life. The congressmen chose to keep their own money, which, if reports be true, some of them spend not very creditably; and the people about Washington, no doubt, applauded you for relieving them from the necessity of giving by giving what was not yours to give.

“The people have delegated to Congress, by the Constitution, the power to do certain things. To do these, it is authorized to collect and pay moneys, and for nothing else. Everything beyond this is usurpation, and a violation of the Constitution.”

This abbreviated version of the story of Bunce illustrates three important lessons: First, the responsibility to take care of the needs of others should fall to those of us who are capable, even though it is easy to shirk our responsibility and let other institutions (such as the federal and state government) serve that role.

Second, elected officials who don't respect the limitations placed upon them by the Constitution will always be tempted to spend money that's not theirs in order to gain political support, and even those who give from the treasury under the guise of “charity” may have ulterior motives.

Finally, we should all aspire to be as well-informed and honorable as the humble farmer, Horatio Bunce.

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