



The HEART or Heroes Act

On May 20, 2008, Congress passed H.R. 6081, the Heroes Earnings Assistance and Relief Tax Act (the HEART or Heroes Act). The Act was signed into law by President Bush on June 17, 2008. One of the major provisions is the ability to rollover SGLI (Serviceman's Group Life Insurance) payments to a Roth IRA or a Coverdell ESA.

Contributions of military death gratuities to Roth IRAs and Coverdell ESAs

This Act permits an individual who receives a military death gratuity or Servicemembers' Group Life Insurance ("SGLI") proceeds to contribute the funds to a Roth IRA, or to one or more Coverdell education savings accounts.

Such contributions will be:

- treated as rollover contributions to the Roth IRA or Coverdell ESA accounts,
- not subject to normal income or contribution limits.

The maximum amount that can be contributed to one or more of these accounts is limited to the sum of the gratuity and SGLI payments that the individual receives.

This provision is generally effective with respect to payments made on account of deaths from injuries occurring on or after June 17, 2008. You have one year from the date of receiving the SGLI or death gratuity payments to elect this rollover.

This could make a profound difference in the growth of those monies with the reduction or elimination of income taxes into the future, as far as three generations.

Roth IRAs:

Tax Free growth of earnings.
Earnings penalty-free at age 59 1/2.
Rollover amount always penalty-free.
No minimum distributions required.
5 Year seasoning rule applies

Coverdell Education Savings Accounts:

Tax Free growth on earnings.
Must be used or rolled over by age 30.
Tax + 10% penalty on earnings if not used.

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