



SPECIAL PROGRAMS FOR INVESTING DEATH GRATUITY AND SGLI BENEFITS



In 2008, Congress passed the Heroes Earnings Assistance and Relief Tax Act (HEART Act) to provide surviving family members of fallen Soldiers special opportunities for investing their death gratuity and SGLI benefits. The HEART Act allows surviving family members to make a onetime contribution of up to \$500,000 to their Roth IRA account or to their Coverdell Education Account.

The HEART Act Roth IRA contribution benefit presents a significant investment opportunity for two reasons. First, it lifts the yearly cap on Roth IRA contributions from \$5,500 to \$500,000 during the year in which the death gratuity and SGLI benefits are dispersed. Second, the HEART Act Roth IRA contribution leverages tax savings to provide young surviving spouses the opportunity to fully fund their retirement account at a young age without any additional yearly contributions. Through the HEART Act, death gratuity and SGLI benefits are neither taxed during the initial payout nor upon the realization of capital gains. This means that interest can accumulate on money that would have otherwise been given to the government. To get an understanding of the financial advantage the HEART Act Roth IRA contribution creates, consider the following example: if a 25 year old surviving spouse contributes the maximum amount to her Roth IRA under the HEART act, her investment will outgrow a similar contribution to a taxable savings account by \$2 million dollars before she reaches the age of 60.

The HEART Act Coverdell Education Account contribution benefit is identical to the Roth IRA contribution benefit except that the funds can be used to pay qualifying educational expenses instead of funding retirement. Like the Roth IRA contribution benefit, the Coverdell Education Account contribution benefit is tax free on both the initial payout and realization of future gains. If a surviving spouse were to make the maximum contribution under this benefit, she could easily fund several children's educations.

If you have any questions regarding the HEART Act benefits, please call the Fort Benning Legal Assistance Office at 706-545-3281 to schedule an appointment with one of our legal assistance attorneys. You may also seek the advice of a financial planner or advisor through Army Community Service.



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