



Leaving a Legacy:
Stretching your IRA or non-qualified annuity

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A simple way to make your money mean more to future generations

You've worked hard to build your retirement savings, and as a result, may have additional assets you want to leave for your loved ones. Taking only the Required Minimum Distribution (RMD) from your IRA, or owning a non-qualified annuity contract, could help protect you from a sizeable tax liability and leave funds for your beneficiaries. However, receiving an inheritance in a lump sum can cause significant tax burdens for your loved ones.

Your beneficiary can choose to stretch out payments and reduce the tax burden. A stretch strategy generally allows beneficiaries to receive distributions over the course of their lifetime (even if you have previously started taking distributions from your IRA based on your own life expectancy). This can provide both you and your heirs with significant benefits.

Stretching your IRA or non-qualified annuity is revocable, which means you can change beneficiaries at any time prior to death and beneficiaries can still opt to take a lump sum.

Tax control of annuity distribution

With lump sum payouts, much of the distribution may be taken by taxes. Stretching out payments across beneficiaries' lifetimes allows the money to grow tax deferred, spreads the tax liability across many years and may avoid higher tax brackets.

Income flexibility

Unless a contract is annuitized, beneficiaries can choose to increase payout amounts or cash out at any time.

Transfer of wealth to multiple generations

With a stretch IRA or non-qualified annuity, beneficiaries may have the opportunity to take only an amount equal to the RMD. If a beneficiary dies before the end of his/her life expectancy, any remaining balance can be passed on to future generations.

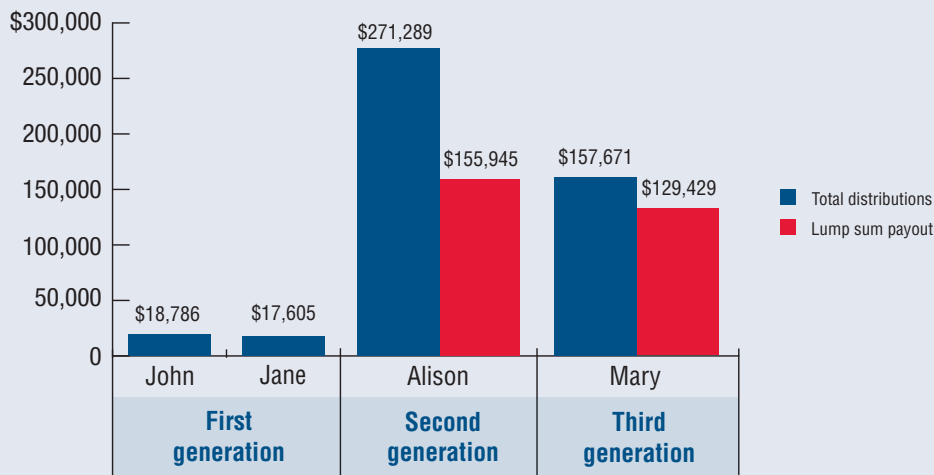


Hypothetical example

Consider the following example to see how a stretch strategy provides significant benefits across three generations.

First generation			Second generation			Third generation		
Distribution years		Total distributions (pretax)	Distribution years		Total distributions (pretax)	Distribution years		Total distributions (pretax)
John	4	\$18,786	Alison	35	\$271,289	Mary	9	\$157,671
Jane	3	\$17,605						
<p>John purchases an IRA at age 65 with a \$100,000 purchase payment. No withdrawals are taken until contract year six when he reaches age 70 ½ and must begin taking his RMD.</p> <p>After receiving \$18,786 in distributions, John passes away at age 73. His wife Jane, who is 63 years old, inherits the entire account value of \$122,423. She takes no withdrawals until contract year 16 when she reaches age 70 ½ and must begin taking her RMD.</p> <p>After receiving \$17,605 in distributions, Jane passes away at age 72. Their 39-year-old daughter Alison inherits the remaining account value of \$155,945.</p>			<p>Alison could take a lump sum payout but chooses to stretch the IRA payments and begins receiving distributions based on her RMD life expectancy. After receiving \$271,289 in distributions, Alison passes away at age 74.</p>			<p>As the sole beneficiary, Alison's daughter Mary chooses to continue receiving her mother's RMDs. In addition to easing her tax liability, over the next 9 years, Mary receives \$157,671 in distributions, compared to the lump sum payout of \$129,429.</p>		

Total distributions by generation



The three generations receive a combined total of **\$465,351 in distributions!**

Inherited non-qualified contracts

The same scenario applies to an inherited non-qualified annuity contract, except that John and Jane would not be required to take RMD payments.

This example does not describe a specific annuity product and interest rates are not guaranteed. Assumes a 4% interest rate. A lower interest rate would reduce the effects of deferring withdrawals, and a higher interest rate would increase them. Amounts shown are prior to the deduction of applicable taxes.



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