Uncomplicate Retirement®

Leaving A Legacy

Stretching Your IRA Or Non-qualified Annuity

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

You've worked hard to build your retirement savings and may have additional assets you want to leave for your loved ones. Taking only the Required Minimum Distribution (RMD) from your IRA, or allowing your nonqualified annuity to continue to grow tax-deferred, could help minimize your own taxes and leave funds for your beneficiaries. However, when these assets pass to your beneficiaries, taking a distribution as a lump sum can cause significant tax burdens for your loved ones.

Your beneficiary can reduce this tax burden by choosing to stretch out payments over the beneficiary's lifetime rather than taking a lump sum. Stretching out payments across the beneficiary's lifetime allows the money to grow tax deferred, spreads the tax liability across many years and may avoid higher tax brackets.

Taking advantage of compound growth and tax deferral

By stretching out payments, the IRA or non-qualified annuity can grow and compound on a tax-deferred basis. The accumulated earnings are not taxed until the beneficiary receives them. This deferral allows your beneficiary to maximize growth and minimize the tax burden.

Income flexibility

Unless your benefits are paid under a restriction you have imposed or a contract is annuitized, a beneficiary can choose to increase payout amounts or cash out at any time. This means that your beneficiary can access additional amounts should a special need arise.

Transfer of wealth to multiple generations

If your beneficiary stretches out payments from your IRA or non-qualified annuity, but dies before all benefits are paid, any remaining balance can be passed on to future generations.

Payments can continue to be stretched out over the original stretch period. Consider the following example to see how a stretch strategy provides significant benefits across three generations.

Stretch IRA Hypothetical Example

Generation 1: John and Jane

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 70½ and must begin taking RMD.

John passes away at age 73.

John's total distributions: $18,786 over 4 years

John's surviving spouse, Jane, inherits the entire account value of $122,423.

Jane elects to treat the IRA as her own and no RMDs are required until she reaches age 70½.

Jane takes no withdrawals until contract year 16 when she reaches age 70½ and must begin taking her RMD.

Jane passes away at age 72.

Jane's total distributions: $17,605 over 3 years.

John and Jane's total distributions over 7 years: $36,391

Remaining account value: $155,945

Generation 2: Alison

John and Jane's 39-year-old daughter, Alison inherits the remaining account value of **$155,945.**

Alison could take a lump sum payout of **$155,945** but chooses to stretch the IRA payments and begins receiving payments based on her life expectancy.

Alison passes away at age 74.

Alison's total distributions over 34 years: $271,289

Remaining account value: $129,429

Generation 3: Mary

As the sole beneficiary, Alison's daughter Mary could take a lump sum payout of **$129,429,** but chooses to stretch the payments and continues receiving her mother's RMDs, easing her tax liability.

Mary's total distributions over 9 years: $157,671

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 John and Jane would not be required to take RMD payments.

The amounts shown are prior to the deduction of applicable taxes.

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.

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