Early Distribution Options

FOR YOUR

Qualified Plan

For Mike and Sally Primm

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Important Notes

These pages depict certain wealth preservation strategies concerning possible methods for taking distributions from your qualified retirement plan. For purposes of this analysis, several of your qualified retirement plans may be aggregated and shown as one single plan. This report provides only broad, general guidelines, which may be helpful in shaping your thinking about and discussing your wealth preservation needs with your professional advisors.

Each scenario shown illustrates your current situation or an alternative scenario and its possible effects on the financial situation you provided. Inclusion of one or more of these scenarios does not constitute a recommendation of that scenario over any other scenario.

Calculations contained in this analysis are estimates only based on the information you provided, such as the value of your assets today, and the rate at which the assets appreciate. Rates of return will vary over time, particularly for long-term investments. The actual values, rates of growth, and tax rates may be significantly different from those illustrated. These assumptions are only a "best guess." It is unlikely that any one rate of return will be sustainable over a long period of time.

The American Taxpayer Relief Act of 2012 was signed into law on January 2, 2013 as P.L. 112-240, also known as Tax Act of 2012 in this presentation.

Strategies may be proposed to support the purchase of various products such as insurance and other financial products. When this occurs, additional information about the specific product (including a prospectus, if required, or an insurer provided policy illustration) will be provided for your review.

IMPORTANT: The projections or other information contained in this report, and generated by this analysis tool (Qualified Plan Concepts) regarding the likelihood of various outcomes are hypothetical in nature, do not reflect actual results and are not guarantees of future results.

This tool and support materials are designed to provide general information on the subjects covered. It is not intended to provide specific legal or tax advice. You should discuss all strategies with your legal, tax, and financial advisors.

Broker-Dealer disclosure go here!

Avoiding Penalties on Early Distributions

Early distributions are withdrawals from a qualified plan before age 59½.

How Distributions are Taxed

Retirement plan distributions are taxed as income. Distributions before age 59½ incur an additional 10% penalty unless you qualify for an exception.

Common exceptions to the 10% penalty include:

- Death or total disability of owner
- Medical expenses[1] above 10% of adjusted gross income
- Higher education expenses (for IRAs only)
- Separation from service to employer during or after age 55 (not for IRAs)
- First-time home buyers up to $10,000 (for IRAs only)
- Certain in-plan rollovers
- Distributions of substantially equal periodic payments

Substantially Equal Periodic Payments

Choice of three calculation (Safe-Harbor) methods:

1 Annuity Method

- Constant annual payment over expected lifetime
- Usually the highest annual payment and fastest spend-down of account
- Least flexible calculation

2 Amortization Method

- Constant annual payment over expected lifetime
- Usually a lower annual payment and slower spend-down of account
- More choices for life expectancy calculation

3 Life Expectancy Method

- Variable annual payment that fluctuate with account balance each year
- Usually the smallest initial annual payment
- Annual payment increase if account earns more interest than assumed in calculations

All three methods must continue until the later of age 59 ½ or five years

[1] IRC Sec. 72(t)(2)(B) If either spouse was born prior to January 2, 1949 medical expenses need only be 70½% above adjusted gross income.

Substantially Equal Periodic Payments

Three Methods to Avoid 10% Penalty

$ Beginning Account Balance January 1, 2015: **$200,000**

		LIFE EXPECTANCY METHOD[1]		AMORTIZATION METHOD[2]		ANNUITY METHOD[3]	
Year	**Part. Age**	**Annual Distribution**	**Account Balance[4]**	**Annual Distribution**	**Account Balance[4]**	**Annual Distribution**	**Account Balance[4]**
2017	46	6,148	245,398	9,586	241,894	9,542	241,938
2018	47	6,632	258,269	9,586	251,474	9,542	251,566
2019	48	7,174	271,617	9,586	261,820	9,542	261,963
2020	49	7,738	285,457	9,586	272,994	9,542	273,192
2021	50	8,347	299,785	9,586	285,062	9,542	285,320
2022	51	9,003	314,591	9,586	298,095	9,542	298,418
2023	52	9,740	329,829	9,586	312,171	9,542	312,563
2024	53	10,504	345,507	9,586	327,373	9,542	327,841
2025	54	11,328	361,600	9,586	343,791	9,542	344,340
2026	55	12,216	378,074	9,586	361,522	9,542	362,160
2027	56	13,173	394,891	9,586	380,672	9,542	381,405
2028	57	14,154	412,053	9,586	401,354	9,542	402,189
2029	58	15,261	429,460	9,586	423,691	9,542	424,636
2030	59	16,454	447,042	9,586	447,814	9,542	448,880
2031	60	17,740	464,721	9,586	473,867	9,542	475,062
2032	61	19,046	482,483	9,586	502,005	9,542	503,339
2033	62	20,531	500,152	9,586	532,394	9,542	533,879
2034	63	22,033	517,703	9,586	565,213	9,542	566,861
2035	64	23,748	534,910	9,586	600,659	9,542	602,482
2036	65	25,472	551,736	9,586	638,940	9,542	640,953

[1] Life expectancy is based on the Single Life Expectancy Table. See the Assumptions page for additional information.
[2] Amortize the plan over the owner's life expectancy using the Single Life Expectancy Table and assuming an interest rate of 2.500%.
[3] Annuitize over lifetime based on lifetime income and assumed 2.500% interest. Use of Annuity Method requires a reasonable interest rate (see Assumptions pages).
[4] Account Balance assumes that undistributed funds grow at 8.000% annually.

		LIFE EXPECTANCY METHOD[1]		AMORTIZATION METHOD[2]		ANNUITY METHOD[3]	
Year	Part. Age	Annual Distribution	Account Balance[4]	Annual Distribution	Account Balance[4]	Annual Distribution	Account Balance[4]
2037	66	27,314	568,031	9,586	680,283	9,542	682,502
2038	67	29,280	583,624	9,586	724,934	9,542	727,374
2039	68	31,378	598,327	9,586	773,157	9,542	775,836
2040	69	33,614	611,926	9,586	825,238	9,542	828,175
2041	70	35,996	624,185	9,586	881,485	9,542	884,702
2042	71	38,294	635,083	9,586	942,232	9,542	945,750
2043	72	40,973	644,120	9,586	1,007,839	9,542	1,011,682
2044	73	43,522	651,283	9,586	1,078,694	9,542	1,082,889
2045	74	46,190	656,298	9,586	1,155,218	9,542	1,159,793
2046	75	48,977	658,873	9,586	1,237,863	9,542	1,242,848
2047	76	51,880	658,695	9,586	1,327,121	9,542	1,332,548
2048	77	54,438	655,895	9,586	1,423,519	9,542	1,429,424
2049	78	57,535	649,715	9,586	1,527,628	9,542	1,534,050
2050	79	60,159	640,364	9,586	1,640,067	9,542	1,647,047
2051	80	62,781	627,593	9,586	1,761,500	9,542	1,769,083
2052	81	64,700	611,843	9,586	1,892,649	9,542	1,900,882
2053	82	67,236	592,249	9,586	2,034,289	9,542	2,043,224
2054	83	68,866	569,425	9,586	2,187,260	9,542	2,196,955
2055	84	70,299	543,314	9,586	2,352,469	9,542	2,362,983
2056	85	71,489	513,902	9,586	2,530,895	9,542	2,542,294

[1] Life expectancy is based on the Single Life Expectancy Table. See the Assumptions page for additional information.
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[3] Annuitize over lifetime based on lifetime income and assumed 2.500% interest. Use of Annuity Method requires a reasonable interest rate (see Assumptions pages).
[4] Account Balance assumes that undistributed funds grow at 8.000% annually.

Assumptions

General Assumptions

Mike's DOB: January 2, 1971

Sally's DOB: January 3, 1973

Contact Information:
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Charlotte, North Carolina 28262
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The Account Balance is grown pro-rata based on the date entered.

Traditional IRA/Qualified Plan Assumptions

Current Traditional IRA/Qualified Plan amount is $200,000, which includes the employee cost basis amount of $0, and assumes a growth rate of 8.000%. Calculations assume all non-deductible and after-tax contributions (also known as basis, investment in the contract, and non-taxable portion) are included in the original after-tax amount of $0. Hypothetical rates of return illustrated are not associated with any particular investment product.

A portion of the distributions from the Traditional IRA/Qualified Plan that includes any after-tax amount may not be taxable. These illustrations assume there are no other Traditional IRA/Qualified Plan account balances for calculations that include any after-tax amount.

Elections: Required Minimum Distributions based on the Single Life Expectancy Table.

Distribution Assumptions

Early retirement distributions are exempt from the IRC Section 72(t) penalty.

Distributions from the Traditional IRA/Qualified Plan that does not include any after-tax amount are taxable. A portion of the distributions from the Traditional IRA/Qualified Plan that includes any after tax amount is not taxable. The non-taxable portion is the amount of the distribution that bears the same ratio to the total amount of the distribution received as the total remaining after-tax amount bears to the Traditional IRA/Qualified Plan account balance at the end of the year.

Distribution methods illustrated use a 'reasonable rate of interest' of 2.500%. Distributions are based on the Single Life Expectancy Table.

Final Regulations

Required Minimum Distributions are calculated based on the Single Life Expectancy Table. If your beneficiary is your spouse (who is more than 10 years younger than you) distributions during your life may be calculated using the Joint and Last Survivor Table.

Compliance with Revenue Ruling 2002-62

Section 72(t) distributions are in compliance with the calculation methods stated in Revenue Ruling 2002-62. The following calculation methods may be illustrated under this ruling: 1) Extension of the existing Uniform Lifetime Table for use with the Life Expectancy Method. 2) Addition of annuity factor table for use with the Annuity Method. 3) Addition of interest rate (not more than 120% of the federal mid-term rate) for use with the Amortization and Annuity Methods.

Tax Act of 2012

The American Taxpayer Relief Act of 2012 was signed into law on January 2, 2013 as P.L. 112-240, also known as Tax Act of 2012 in this presentation. Tax Act of 2012 applies to deaths and gifts made in 2013 and later. Tax Act of 2012 provides for 'portability' of a deceased spouse's unused Applicable Exclusion Amount. Unused exclusion amounts may be passed to the surviving spouse (election must be made on timely filed estate tax return.)