# Qualified Plan

## DISTRIBUTIONS

For Andre Anderson


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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!

# Qualified Plan Taxation

**Potential Taxes for Retirement Plans**

## Take Distributions Too Soon (Before Age 59½)

- Ordinary Income Taxes
- 10% Early Distribution Penalty for Pre 59½ distributions, unless an exception applies

## Required Minimum Distributions

You must begin taking qualified plan distributions by the later of age 70½, or retirement and IRA distributions by age 70½. Severe penalties—50% excise tax on the required distribution not taken—if you don't!

## Estate Taxes

What's left of the unused balance in your retirement plan is included in your estate and if your estate is sufficiently large, may be subject to estate taxes.

## One Last Income Tax

Any amount in excess of your basis left in your retirement account at death is considered "income in respect of a decedent" and is taxable when received by your heirs as ordinary income. This is not a penalty tax—it simply replaces the ordinary income taxes the account owner would have paid upon distribution of the account balance.

## The Quandary

Taxed when you take it. Penalty if you take it too soon. Penalty if you don't take enough or don't take it soon enough. Potential estate taxes on what's left. Income tax when your heirs get it.

**Only proper analysis of your situation can help you determine what to do.**

# Qualified Plan Distributions

**Year-by-Year Values with QLAC**

$ Beginning Account Balance July 6, 2016: **$1,000,000.** Qualified Longevity Annuity Contract: **$125,000**

| Year | Part. Age | Life Exp.[1] | Plan Earnings[2] | Employer Contributions | Salary Reductions | Required Minimum Distributions[3] | QLAC Income | Total Distributions | Account Balance[4] |
|---|---|---|---|---|---|---|---|---|---|
| 2017 | 67 | | 0 | 0 | 0 | 0 | 0 | 0 | 875,000 |
| 2018 | 68 | | 0 | 0 | 0 | 0 | 0 | 0 | 875,000 |
| 2019 | 69 | | 0 | 0 | 0 | 0 | 0 | 0 | 875,000 |
| 2020 | 70 | 27.4 | 0 | 0 | 0 | 31,934 | 0 | 31,934 | 843,066 |
| 2021 | 71 | 26.5 | 0 | 0 | 0 | 31,814 | 0 | 31,814 | 811,252 |
| 2022 | 72 | 25.6 | 0 | 0 | 0 | 31,690 | 0 | 31,690 | 779,562 |
| 2023 | 73 | 24.7 | 0 | 0 | 0 | 31,561 | 0 | 31,561 | 748,001 |
| 2024 | 74 | 23.8 | 0 | 0 | 0 | 31,429 | 0 | 31,429 | 716,573 |
| 2025 | 75 | 22.9 | 0 | 0 | 0 | 31,291 | 0 | 31,291 | 685,281 |
| 2026 | 76 | 22.0 | 0 | 0 | 0 | 31,149 | 0 | 31,149 | 654,132 |
| 2027 | 77 | 21.2 | 0 | 0 | 0 | 30,855 | 0 | 30,855 | 623,277 |
| 2028 | 78 | 20.3 | 0 | 0 | 0 | 30,703 | 0 | 30,703 | 592,573 |
| 2029 | 79 | 19.5 | 0 | 0 | 0 | 30,388 | 0 | 30,388 | 562,185 |
| 2030 | 80 | 18.7 | 0 | 0 | 0 | 30,063 | 0 | 30,063 | 532,122 |
| 2031 | 81 | 17.9 | 0 | 0 | 0 | 29,727 | 0 | 29,727 | 502,394 |
| 2032 | 82 | 17.1 | 0 | 0 | 0 | 29,380 | 0 | 29,380 | 473,014 |
| 2033 | 83 | 16.3 | 0 | 0 | 0 | 29,019 | 0 | 29,019 | 443,995 |
| 2034 | 84 | 15.5 | 0 | 0 | 0 | 28,645 | 0 | 28,645 | 415,350 |
| 2035 | 85 | 14.8 | 0 | 0 | 0 | 28,064 | 63,132 | 91,196 | 387,286 |
| 2036 | 86 | 14.1 | 0 | 0 | 0 | 27,467 | 63,132 | 90,599 | 359,819 |
| 2037 | 87 | 13.4 | 0 | 0 | 0 | 26,852 | 63,132 | 89,984 | 332,967 |
| 2038 | 88 | 12.7 | 0 | 0 | 0 | 26,218 | 63,132 | 89,350 | 306,749 |
| 2039 | 89 | 12.0 | 0 | 0 | 0 | 25,562 | 63,132 | 88,694 | 281,187 |
| 2040 | 90 | 11.4 | 0 | 0 | 0 | 24,665 | 63,132 | 87,797 | 256,521 |
| 2041 | 91 | 10.8 | 0 | 0 | 0 | 23,752 | 63,132 | 86,884 | 232,769 |

[1] Life expectancy is calculated using the Uniform Lifetime Table.
[2] Assumes qualified plan earns 0.000% interest.
[3] Required Minimum Distributions based on the Uniform Lifetime Table.
[4] Account Balance = prior year's Account Balance + Plan Earnings + Employer Contributions + Salary Reductions - Required Minimum Distributions.

| Year | Part. Age | Life Exp.[1] | Plan Earnings[2] | Employer Contributions | Salary Reductions | Required Minimum Distributions[3] | QLAC Income | Total Distributions | Account Balance[4] |
|---|---|---|---|---|---|---|---|---|---|
| 2042 | 92 | 10.2 | 0 | 0 | 0 | 22,821 | 63,132 | 85,953 | 209,949 |
| 2043 | 93 | 9.6 | 0 | 0 | 0 | 21,870 | 63,132 | 85,002 | 188,079 |
| 2044 | 94 | 9.1 | 0 | 0 | 0 | 20,668 | 63,132 | 83,800 | 167,411 |
| 2045 | 95 | 8.6 | 0 | 0 | 0 | 19,466 | 63,132 | 82,598 | 147,945 |
| 2046 | 96 | 8.1 | 0 | 0 | 0 | 18,265 | 63,132 | 81,397 | 129,680 |
| 2047 | 97 | 7.6 | 0 | 0 | 0 | 17,063 | 63,132 | 80,195 | 112,617 |
| 2048 | 98 | 7.1 | 0 | 0 | 0 | 15,862 | 63,132 | 78,994 | 96,755 |
| 2049 | 99 | 6.7 | 0 | 0 | 0 | 14,441 | 63,132 | 77,573 | 82,314 |
| 2050 | 100 | 6.3 | 0 | 0 | 0 | 13,066 | 63,132 | 76,198 | 69,248 |
| 2051 | 101 | 5.9 | 0 | 0 | 0 | 11,737 | 63,132 | 74,869 | 57,511 |
| 2052 | 102 | 5.5 | 0 | 0 | 0 | 10,457 | 63,132 | 73,589 | 47,055 |
| 2053 | 103 | 5.2 | 0 | 0 | 0 | 9,049 | 63,132 | 72,181 | 38,006 |
| 2054 | 104 | 4.9 | 0 | 0 | 0 | 7,756 | 63,132 | 70,888 | 30,249 |
| 2055 | 105 | 4.5 | 0 | 0 | 0 | 6,722 | 63,132 | 69,854 | 23,527 |
| 2056 | 106 | 4.2 | 0 | 0 | 0 | 5,602 | 63,132 | 68,734 | 17,926 |

[1] Life expectancy is calculated using the Uniform Lifetime Table.
[2] Assumes qualified plan earns 0.000% interest.
[3] Required Minimum Distributions based on the Uniform Lifetime Table.
[4] Account Balance = prior year's Account Balance + Plan Earnings + Employer Contributions + Salary Reductions - Required Minimum Distributions.

# Assumptions

## General Assumptions

Andre's DOB: May 5, 1950

## Traditional IRA/Qualified Plan Assumptions

Current Traditional IRA/Qualified Plan amount is $1,000,000, which includes the employee cost basis amount of $0, and assumes a growth rate of 0.000%. 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 Qualified Longevity Annuity Contract (QLAC) is assumed to be purchased with $125,000 of the Plan Balance. The QLAC provides monthly income of $5,261 for life starting when Andre is age 85. The QLAC purchase is limited to the lesser of 25% of the Plan Balance or $125,000.

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: Distributions are at least the Required Minimum Distribution using the Uniform Lifetime Table.

## Distribution Assumptions

Early retirement distributions are not 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 method illustrated is equal to required minimum distribution. Distribution calculations do not use a joint beneficiary. Required Minimum Distributions are based on the Uniform Lifetime Table.

## Final Regulations

Required Minimum Distributions are calculated based on the Uniform Lifetime 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.)