



# 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 Setting Every Community Up for Retirement Enhancement (SECURE) Act became Public Law No. 116-94 on December 20, 2019.

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 72 or retirement and IRA distributions by age 72. 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. <sup>1</sup>	Plan Earnings <sup>2</sup>	Employer Contributions	Salary Reductions	Required Minimum Distributions <sup>3</sup>	QLAC Income	Total Distributions	Account Balance <sup>4</sup>
2020	70		0	0	0	0	0	0	875,000
2021	71		0	0	0	0	0	0	875,000
2022	72	25.6	0	0	0	34,180	0	34,180	840,820
2023	73	24.7	0	0	0	34,041	0	34,041	806,779
2024	74	23.8	0	0	0	33,898	0	33,898	772,881
2025	75	22.9	0	0	0	33,750	0	33,750	739,130
2026	76	22.0	0	0	0	33,597	0	33,597	705,534
2027	77	21.2	0	0	0	33,280	0	33,280	672,254
2028	78	20.3	0	0	0	33,116	0	33,116	639,138
2029	79	19.5	0	0	0	32,776	0	32,776	606,362
2030	80	18.7	0	0	0	32,426	0	32,426	573,936
2031	81	17.9	0	0	0	32,063	0	32,063	541,872
2032	82	17.1	0	0	0	31,688	0	31,688	510,184
2033	83	16.3	0	0	0	31,300	0	31,300	478,884
2034	84	15.5	0	0	0	30,896	0	30,896	447,988
2035	85	14.8	0	0	0	30,269	63,132	93,401	417,719
2036	86	14.1	0	0	0	29,625	63,132	92,757	388,094
2037	87	13.4	0	0	0	28,962	63,132	92,094	359,131
2038	88	12.7	0	0	0	28,278	63,132	91,410	330,853
2039	89	12.0	0	0	0	27,571	63,132	90,703	303,282
2040	90	11.4	0	0	0	26,604	63,132	89,736	276,678
2041	91	10.8	0	0	0	25,618	63,132	88,750	251,060
2042	92	10.2	0	0	0	24,614	63,132	87,746	226,446
2043	93	9.6	0	0	0	23,588	63,132	86,720	202,858
2044	94	9.1	0	0	0	22,292	63,132	85,424	180,566

<sup>1</sup> Life expectancy is calculated using the Uniform Lifetime Table.

<sup>2</sup> Assumes qualified plan earns 0.000% interest.

<sup>3</sup> Required Minimum Distributions based on the Uniform Lifetime Table.

<sup>4</sup> Account Balance = prior year's Account Balance + Plan Earnings + Employer Contributions + Salary Reductions - Required Minimum Distributions.

Year	Part. Age	Life Exp. <sup>1</sup>	Plan Earnings <sup>2</sup>	Employer Contributions	Salary Reductions	Required Minimum Distributions <sup>3</sup>	QLAC Income	Total Distributions	Account Balance <sup>4</sup>
2045	95	8.6	0	0	0	20,996	63,132	84,128	159,570
2046	96	8.1	0	0	0	19,700	63,132	82,832	139,870
2047	97	7.6	0	0	0	18,404	63,132	81,536	121,466
2048	98	7.1	0	0	0	17,108	63,132	80,240	104,358
2049	99	6.7	0	0	0	15,576	63,132	78,708	88,782
2050	100	6.3	0	0	0	14,092	63,132	77,224	74,690
2051	101	5.9	0	0	0	12,659	63,132	75,791	62,031
2052	102	5.5	0	0	0	11,278	63,132	74,410	50,752
2053	103	5.2	0	0	0	9,760	63,132	72,892	40,992
2054	104	4.9	0	0	0	8,366	63,132	71,498	32,626
2055	105	4.5	0	0	0	7,250	63,132	70,382	25,376
2056	106	4.2	0	0	0	6,042	63,132	69,174	19,334
2057	107	3.9	0	0	0	4,957	63,132	68,089	14,377
2058	108	3.7	0	0	0	3,886	63,132	67,018	10,491
2059	109	3.4	0	0	0	3,086	63,132	66,218	7,405

<sup>1</sup> Life expectancy is calculated using the Uniform Lifetime Table.

<sup>2</sup> Assumes qualified plan earns 0.000% interest.

<sup>3</sup> Required Minimum Distributions based on the Uniform Lifetime Table.

<sup>4</sup> 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.

## Distribution Assumptions (Continued)

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 Cuts and Jobs Act of 2017

The Tax Cuts and Jobs Act of 2017 was signed into law on December 22, 2017 as P.L. 115-97, also known as TCJA 2017 in this presentation. TCJA applies to deaths and gifts made in 2018 and later. After December 31, 2025, the estate and gift tax rates and exclusions will revert to the amounts provided in the American Taxpayer Relief Act of 2012.

## Setting Every Community Up for Retirement Enhancement (SECURE)

The Setting Every Community Up for Retirement Enhancement (SECURE) Act became Public Law No. 116-94 on December 20, 2019. Provisions of the Act apply to retirement plans in 2020 and later.