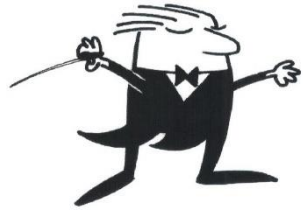# Stretch IRA – Alive and Well!

Annuity Case Example

Savings/Investment IRA

- **12/31 $ Balance** Divided by Uniform **Lifetime Table (ULT)**

- **Age on 12/31** in Withdrawal Year = Table Years

- Example Age 80 = $100,000 /20.2 years = **$4,950** (initially - can go up or down))

- Assuming there is even an account balance from which to withdraw.

- **Assuming Beneficiary** (non-exempt) even elects to withdraw any remaining account balance over the allotted 10 years (**maximum**). But will probably request a lump sum payment.

- **Exempt Beneficiary** – has to qualify under "special" restrictive rules to obtain longer withdrawal periods exceeding 10 years.

Annuity IRA Info

- **Periodic Payment**– SPIA/DIA/Defined Benefit Pension Plan (**Not**; VA, FIA, MYGA, RILA, etc. or any "deferred" annuity- all savings investment contract and they follow rules for them)

- **IRS Rule 1.401(9)(a)-6** Periodic Payment Annuity Contracts and Defined Benefit Pension Plans (Not 401(k)(s) or Savings IRAs). **Federal Register 02.24.2022 "Required minimum distributions for defined benefit plans and annuity contracts." Page 36**.

- **Father Does not rely on the IRA or it's income** because he has substantial other assets; Mutual Funds, Stocks/Bonds/ RE, Collectibles, etc. eventually going to his family. Also happens to like the idea of a **"structured payment (lifetime- COLA adjusted)"** for some portion of his inheritable wealth.

- **Structured payment (future income)** can never become **"marital property"** (no "transmutation") of the Grandson, etc. Once again special treatment for society advancement reasons.

- Payment guarantee via a **"non-lapsable"** contract **"safety". (See Video #1)**

- **Lots of reasons to like** besides the simple wealth transfer

Annuity IRA Case

- **Three People, not two**. The contract: **Father age 80 IRA Owner**, purchases a periodic payment annuity, <u>20 years period certain</u> with his **Grandson Survivor**, age 18. Upon the Father's death **AND** following the 20 year period certain period with a 2.00% compounded cost of living adjustment (post 2006 RMD rule for this couple) receives 52% (post 2006 Maximum Non-spouse) of the Father's annual income. **Beneficiary Great Grandson**.

- $100,000 premium (cost NOT investment)

- **Survivor** - Grandson Age 18 (But could be anyone: Adult Child, Sibling, Ex-Spouse, Even a Souse) 52% Survivor.

- **Beneficiary** - Grandson's Son (Great Grandson) Age 2

- **RMD = $ 3,210.00/year** (Initial **Annualized Rate** Can only go up annually, guaranteed by the contract)

$4,950 vs $3,210 ?

- **Both amounts are IRS RMD acceptable** by the IRS but, why does this 35% difference **($ 1,740**) exist?

- **Annuity Stretch IRA, Three Parties** (not just two vs others); Owner, Owner's Survivor, Beneficiary (of Both).

- Annuity **Features (Limited by 2006 Regulations):** <u>Survivor</u>, <u>Period Certain</u>, <u>Cost of Survival adjustment aka cost of living adjustment (COLAs)</u>. (creates INTERNAL DEFERAL to the Benefit of family member(s) on the contract)

- **Survivor (can be anyone**, in this example a Grandson) (Survivorship table – post 2006)

- **Period Certain can NOT exceed the uniform lifetime table** on Father (ULT – post 2006)

- **COLA (only available to annuity contracts**, within limitations – post 2006)

- **Beneficiary can be anyone** other than the Survivor.

- **(Note: Even larger internal deferrals are still available (post 2006) for much older males with much younger Female spouses an IRS exception)**

IRA Annuity Reality

- Illustration is for the **Maximum deferral benefit** for this case.

- Will **all the insurance companies** issue the Maximum deferral benefit? – **NO!**

- Insurance companies **will only issue features and <u>pricing</u> to a degree they are comfortable** based on their own risk assessments <u>**relative to themselves**</u>.

- Many **insurance companies have not sought STATE APPROVALS** for all these features. Carriers need State APPROVAL for every State they wish to offer features. **SOV filing**

- **The Bad News**: Agents/consumers are not able to reach out to carriers to calculate the Maximum deferrals. **Upon request**, the carrier may not even be able to calculate the maximum deferral they will even issue.

- **Bad News Continued**: Carriers, without knowing their own <u>new issue limitations </u>will need to run multiple iterations of the case <u>to determine what combination of features they will offer </u>that will create the maximum deferral <u>they will be willing to issue </u>but not necessarily what the IRS maximums will permit.

- **No, toggle switch on SPIA illustration software**.