Stretch IRA Strategies

can enable Individual Retirement Account (IRA) assets to continue to grow tax deferred—for generations.

Key Benefits

Pursuing a stretch IRA strategy can:

- Leave a lasting legacy for future generations
- Extend the life of IRA assets
- Be used with both Traditional and Roth IRAs

Potential Candidates for a Stretch IRA Strategy

The strategy may be right for individuals who:

- Desire to leave a legacy for their heirs
- Have significant IRA or former employer plan assets
- Want estate planning strategies

Did you know that you can extend the life of your IRA—benefiting future generations—by making wise beneficiary choices? If you do not need all the assets in your IRA to pay for expenses in retirement, you may want to consider a stretch IRA strategy.

How Stretch IRA strategies work

When you open a Traditional IRA, you can name one or more beneficiaries.

Spouse beneficiary

> Your spouse would treat the IRA as his or her own and roll it over to a new or existing IRA

> Once the assets are rolled over, your spouse will name one or more beneficiaries

Non-spouse beneficiary

> Beneficiary may choose to transfer to transfer the assets to an inherited IRA

> Typically must take Required Minimum Distributions (RMDs) each year from both Traditional and Roth IRAs—beginning the calendar year after the account holder's death

Note that for account owners who die prior to age 79½, non-spouse beneficiaries may opt to take payments over five years. Different rules apply for non-individual beneficiaries.

RMDs are still required

> The RMDs are based on the life expectancy of the beneficiary—young beneficiaries have a longer payout period, resulting in lower payment amounts

> Distributions from Traditional IRAs are taxed as ordinary income at the beneficiary's federal income tax rate

> Distributions from Roth IRAs are generally not taxed

Note that if you name multiple beneficiaries, your account must be split into a separate inherited account for each beneficiary by December 31 in order for the beneficiary to leverage his or her own life expectancy.

Please keep in mind that tax laws are subject to change and that inflation may impact the value of your retirement investments over time.

Beneficiary benefits

When your beneficiary inherits a Traditional IRA, he or she has choices to make based on their needs.

Beneficiary Choices	Potential Benefits
Take the entire amount or spread payments over five years	Accelerated payment but potentially higher taxes
Take only required minimum distributions (RMDs) and name beneficiaries	Spread payments (and any potential federal income taxes) over the beneficiary's lifetime

While the successor beneficiary is required to take withdrawals based on the remaining life expectancy of the original beneficiary, he or she is not required to withdraw any additional amounts unless he or she chooses to. Please keep in mind that stretch distribution options are only available for persons, not entities, named as beneficiaries.

How Your Advisor Can Help

Choose an IRA

Your advisor can help you choose an IRA that is right for you. If you already have an IRA, your advisor can conduct a beneficiary review and help you change beneficiaries if necessary.

Determine an asset allocation

Your advisor can help you plan an asset allocation strategy based on the investment horizon of your IRA assets.

Choose investment options

IRAs offer a wide variety of investment options, including mutual funds, managed accounts and individual stocks and bonds that can align with your goals and tolerance for risk. Your advisor can help you choose appropriate selections.

Review and track performance

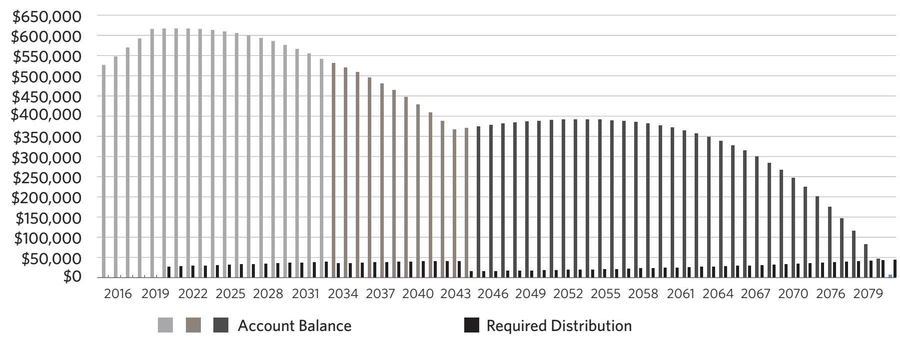
Your advisor can evaluate your asset allocation and investments on a regular basis. You will also receive a consolidated account statement to make it easier to track your performance.

Please note that the stretch IRA strategy is designed for account holders who will not need the assets in their IRA for their own retirement needs. You should consult with your advisor, and obtain tax and legal advice, before adopting such a strategy. Significant conditions, restrictions, and limitations apply to both the original IRA owner and the beneficiary including, but not necessarily limited to, eligibility requirements, timing factors and distribution requirements. The beneficiary's distribution period is potentially very lengthy, and this strategy is based upon current tax law, which could change during the distribution period and may significantly impact its outcome, including a beneficiary's ability to maintain estimated distributions. A lengthy distribution period also exposes investors to significant market and inflation risk as well as ongoing fees, costs and charges that may be applicable during the distribution period.

Naming a younger beneficiary can help extend the "stretch"

In the example below, John, age 65, the original owner of a $500,000 Traditional IRA, names his 61-year-old wife Lisa as beneficiary. When John dies at age 83, Lisa rolls over the assets to her own Traditional IRA.

Rather than leave the Traditional IRA to her 41-year-old son, Lisa names her 17-year-old granddaughter, Sarah, as beneficiary. Based on her granddaughter's longer life expectancy, Sarah's distributions could stretch for 36 years (versus 17 for her father)—with potential earnings of $415,937 and total distributions of $775,897.



Total distributions across all generations

Beginning balance: $500,000
Total distributions: ($1,531,121)

IRA Owner		Primary Beneficiary		Final Beneficiary	
John		Lisa		Sarah	
Year one account value	$500,000	Inherited account value	$534,532	Inherited account value	$359,960
Earnings	$424,241	Earnings	$190,944	Earnings	$415,937
Years of distribution	14	Years of distribution	11	Years of distribution	36
Total distributions	($359,709)	Total distributions	($365,515)	Total distributions	($775,897)
Ending value	$534,532	Ending value	$359,960	Ending value	$0

Note: This example is for illustrative purposes only and is not meant to represent any specific investment. The example assumes a 4% annual rate of return and does not take into account state or federal taxes and assumes RMDs are taken annually. This example does not address the impact of a stretch IRA strategy on a Roth IRA or qualified employer-sponsored retirement plan. Investors should consider the risks and benefits of a stretch IRA strategy in light of their individual financial circumstances.

Talk to your advisor and tax professional

The beneficiary distribution rules may vary based on the types of plans you own. Depending on your goals, it may also be beneficial to consolidate retirement assets. Contact your advisor and tax professional for a beneficiary review of your retirement accounts to help determine if a stretch IRA strategy is right for you.

Pershing LLC does not provide tax or legal advice. Individuals should seek professional advice before taking any distributions from a retirement plan.

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