STRETCH IRA

EquiTrust Life Insurance Company®

Beneficiaries can stretch receipt of IRA assets over their life expectancies for ongoing tax advantages.

The Individual Retirement Account (IRA) is an effective means to accumulate retirement assets on a tax-deferred basis. It is also a way to leave a legacy for loved ones. However, when beneficiaries inherit an IRA, they may face a significant tax burden. Fortunately, the law provides IRA beneficiaries some flexibility that can ease this tax burden.

The EquiTrust Life Stretch IRA allows beneficiaries to:

- Extend the benefits of several IRA types: Traditional, Roth, SEP or SIMPLE IRA.
- Take distributions over life expectancy rather than as a lump sum or over a shorter period of time.
- Continue tax-deferred accumulation.

Example A: Spouse is the Beneficiary

- Jack retires at age 65. He contributes to his company 401(k) for 20 years, and accumulates $100,000 in assets. He moves the money to an IRA rollover and names his wife, Diane, age 58 as the beneficiary. Jack passes away at age 68.
- Diane elects spousal continuation and accepts the IRA into her name and makes her daughter Anne, age 31, her beneficiary. Diane starts taking the required minimum distributions when she reaches age 70½. Diane passes away at age 80 after taking $76,830 in distributions.
- Anne, now age 50, elects to stretch the IRA and names her son Sean, age 30, as her beneficiary, while continuing to receive distribution payments. Anne passes away at age 77. Throughout the 27 years, she received $311,816 before taxes.
- Sean receives Anne's remaining distributions – a total of $179,373 before taxes.

Jack's $100,000 in accumulated assets provided more than $568,019 as a legacy for his family.

Initial IRA amount	$100,000
Total distribution	$568,019
Total years in distribution	44

Hypothetical results are for illustrative purposes only and are not intended to represent future performance. Account values may fluctuate based on the features of the contract. This illustration is based on a 5% rate of return, a 57 year time frame, and current tax laws. There is no assurance that the hypothetical rate of return or current tax laws will remain in effect for the entire period.

Example B: Child is the Original Beneficiary

- Jane is 55 and owns an IRA. At Jane's death, her 25 year-old son, Jim, is unable to continue the account into his name – an option available only to spousal beneficiaries. Jim must keep the IRA in Jane's name and remain listed as the beneficiary. He must either withdraw the assets over five years, or receive payments based on his life expectancy. Jim takes minimum payments based on his life expectancy, and names his spouse, Susan, the beneficiary.
- After 5 years of receiving payments, Jim dies at age 30. Susan may stretch the IRA, and continue receiving payments based on Jim's life expectancy.
- If Susan dies before the assets are depleted, any remaining payments will go to her beneficiary(ies), should they choose to stretch the account, based on the same payment schedule of Jim's life expectancy.

Tips to Make Your IRA Last Longer

- Consider naming both primary and contingent beneficiaries. If no beneficiary exists at the time of your death, IRA assets will generally go to your estate.
- Communicate your intentions; if beneficiaries miss the opportunity to stretch an IRA, their planning options may be more limited and may result in a greater tax burden.

Keep a Long-Term Perspective

The final decision on whether an IRA will be stretched is left to the beneficiaries named on the IRA. If your goal is to give your children and grandchildren as much planning flexibility as possible, the stretch IRA may be a useful planning tool to consider.

EquiTrust® Life Insurance Company

EquiTrust Life Insurance Company
7100 Westown Pkwy, Suite 200
West Des Moines, IA 50266-2521
877-249-3694