Retirement Planning

Retirement Distribution Planning Strategies

When you retire, do you know how and when you'll receive payouts from your retirement plans? To assure that you don't run out of money in retirement and that your heirs receive the assets you want them to when you die, you need a distribution plan.

Distribution planning can dramatically increase the benefits you receive from an IRA or company retirement plan. A solid plan allows you to take full advantage of tax saving opportunities while keeping the flexibility to take payouts whenever you need to. Good planning can also lower income and estate taxes.

Note: If you don't plan properly, you may be forced to take taxable distributions before you actually need them. You could lose valuable tax benefits if that happens.

A good distribution plan covers several issues that arise when an owner takes distributions from an IRA or qualified retirement plan. Some of the key issues include:

- **Choosing the right beneficiary.** The owner's choice of a beneficiary can dramatically affect how and when dollars must be taken out and taxed after the owner's death.
- **Voluntary lifetime distributions.** How and when, if ever, should an owner consider taking elective withdrawals from the IRA?
- **Required minimum distributions** (**RMD**). This planning becomes critical as you approach age 70½. You can be hit with a large penalty from the IRS if you don't satisfy RMD rules and that may affect how your retirement savings must be withdrawn, both during your lifetime and after you die.
- **The pros and cons of converting to a Roth IRA** or keeping your Traditional IRA in place.

It's recommended that you begin the distribution planning process when an IRA is set up. The plan should begin with the selection of a beneficiary for the IRA. Remember, you can change your beneficiary at any time.

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Elements to consider when distribution planning.

1. **Retirement Income.**
   - How much money will you need in retirement?
   - What is the best way to withdraw the assets from a plan?
   - Will you need your money to support yourself and your spouse over your lifetime?
   - Or, do you want to pass some or all of your assets to your children or grandchildren?

2. **Taxation.** How assets are withdrawn will accelerate or decelerate the taxes paid on them.

3. **Estate Planning.** Accumulations in retirement plans are considered part of your estate and could be taxed when you die, which may impact the amount of assets that are passed to your heirs. Also, your heirs are required to pay income taxes when they receive distributions, which could mean they're paying taxes twice on the same dollars (depending on the size of your estate).

Avoid the tax problem by planning today.

- The "multi-generation" or "stretch out" IRA strategy. As the name implies, this strategy can result in stretching tax-deferred growth and payouts over more than one generation of beneficiaries, children, or grandchildren.

- The "wealth preservation" strategy. This strategy helps minimize the potential double tax burden of both estate taxes and income taxes on IRA funds.

- Retirement income strategy. This strategy helps to maximize your retirement income and make certain that funds are available throughout your lifetime and that of your spouse.

- Charitable giving. When you don't need the assets in your IRA for living expenses, contributing a charitable gift to a non-profit organization could eliminate the double taxation of your IRA assets.

To start a distribution plan, call your Mutual of Omaha agent today.

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