

# It Can Pay to Delay

## Grow Protected Lifetime Income While You Defer RMDs

Is your mindset turning toward how to help safeguard your retirement standard of living for many years ahead? **A deferred income annuity (DIA)** provides protected lifetime income in the future. While the income stream can be started as soon as 13 months after purchase, it also can be delayed for a long time (40 years in some cases). **Bottom line: The longer the deferral period, the larger the income payout amount.**



### QLACs Bring Added Advantages

A **qualified longevity annuity contract (QLAC)** is a special type of DIA. It allows traditional IRA owners and defined contribution plan participants to ignore the QLAC funds in those accounts when calculating their RMDs. **As long as the QLAC distributions are delayed, the associated Required Minimum Distributions (RMDs) and taxes are too.**

Reasons why a QLAC stands out for modern retirements include:

- 1.** No other qualified retirement product allows you to defer the start of your guaranteed income payments to as late as age 85
- 2.** It's the only way to defer RMDs past your RMD age

	RMD Age
Born in 1950	Remains at 72
Born 1951-1959*	73
Born 1960 & later*	75

*Help prepare for a long and comfortable retirement with the tax efficiency and longevity protection advantages of a QLAC*



\*Technical correction needed to reflect Congressional intent.

# Later is Greater

## Consider the Deferral Difference

Below are hypothetical examples of monthly payment amounts and annual payout rates by deferral period. Payments are guaranteed by the annuity issuer and backed by its claims-paying ability. (Note that the amounts and rates shown are as of a specified date and for illustration only. Actual experience will differ.)

### \$100,000 Premium for Single Life with Cash Refund (Issue age 62)

	Deferral Period	Monthly Payout Amount		Annual Payout Rate <sup>1</sup>	
		Male	Female	Male	Female
SPIA <sup>2</sup>	1 Month	\$513.00	\$496.84	6.16%	5.96%
<b>IncomeSource<sup>®</sup> Select DIA<sup>3</sup></b>					
Non-QLAC	5 Years	\$699.14	\$673.49	8.39%	8.08%
Non-QLAC	10 Years	\$1,013.95	\$965.37	12.17%	11.58%
QLAC	15 Years	\$1,550.70	\$1,448.24	18.61%	17.38%

For example only. Subject to change. Illustrated as of 1/25/2023.

*As a cost-effective source of longevity protection, a QLAC puts a portion of your money to work today toward your tomorrow*



<sup>1</sup> Calculated by multiplying the monthly payout amount by 12 and dividing by \$100,000 (the assumed premium).  
<sup>2</sup> IncomeSource, a single premium income annuity, contract series ICC16 ENT-01 1701 and ENT-01 1701 NY.  
<sup>3</sup> Assumes no optional Return of Premium Death Benefit.

# Longer is Stronger

## Defer RMDs and Defer Taxes

Consider an example. Sam, 65, is unhappy with the prospect of having to begin taking RMDs from his traditional IRA when he turns 73. He doesn't expect to need the income. He's happy to discover he can delay taking a portion of his RMDs if he purchases an IncomeSource Select QLAC with funds from his IRA. So Sam uses \$200,000 (the maximum amount allowable for him) of his \$600,000 IRA.

**The Deferral Difference:** By purchasing a QLAC for \$200,000 at 65 and deferring income to 85 (the oldest age possible), Sam delays RMDs of \$188,602 and saves \$60,353 in taxes over 20 years. At that point, his income and RMDs will most likely increase as QLAC payments begin.



Age	No QLAC			With \$200,000 QLAC				
	IRA	RMD	Taxes	IRA	RMD	Taxes	RMDs Deferred	Tax Savings
65	\$600,000			\$400,000				
66	\$636,000			\$424,000				
67	\$674,160			\$449,440				
68	\$714,610			\$476,406				
69	\$757,486			\$504,991				
70	\$802,935			\$535,290				
71	\$851,111			\$567,408				
72	\$902,178			\$601,452				
73	\$922,297	\$34,012	\$10,884	\$614,864	\$22,675	\$7,256	\$11,337	\$3,628
74	\$941,481	\$36,154	\$11,569	\$627,654	\$24,103	\$7,713	\$12,051	\$3,856
75	\$959,651	\$38,318	\$12,262	\$639,767	\$25,546	\$8,175	\$12,773	\$4,087
76	\$976,733	\$40,497	\$12,959	\$651,155	\$26,998	\$8,639	\$13,499	\$4,320
77	\$992,654	\$42,683	\$13,659	\$661,769	\$28,455	\$9,106	\$14,228	\$4,553
78	\$1,007,047	\$45,166	\$14,453	\$671,365	\$30,110	\$9,635	\$15,055	\$4,818
79	\$1,019,736	\$47,734	\$15,275	\$679,824	\$31,823	\$10,183	\$15,911	\$5,092
80	\$1,030,443	\$50,477	\$16,153	\$686,962	\$33,651	\$10,768	\$16,826	\$5,384
81	\$1,039,202	\$53,068	\$16,982	\$692,801	\$35,379	\$11,321	\$17,689	\$5,661
82	\$1,045,333	\$56,221	\$17,991	\$696,889	\$37,481	\$11,994	\$18,740	\$5,997
83	\$1,048,992	\$59,061	\$18,900	\$699,328	\$39,374	\$12,600	\$19,687	\$6,300
84	\$1,049,516	\$62,415	\$19,973	\$699,678	\$41,610	\$13,315	\$20,805	\$6,658
85		\$565,807	\$181,058		\$377,204	\$120,705	<b>\$188,602</b>	<b>\$60,353</b>

Assumes 6% rate of return and 32% federal tax rate.

## Requirements and Limitations<sup>1</sup>

- DIA must indicate on application at purchase that it is to be a QLAC.
- Payments must begin by the annuitant's 85th birthday.
- Available payout options (individual and joint) include:
  - Life Only<sup>2</sup>
  - Life with Cash Refund
  - Joint Life Only
  - Joint Life with Cash Refund
- Limited to qualified funds
  - 401(a), 401(k), 403(b) and governmental 457(b) plans
  - Traditional IRAs, SEP-IRAs and SIMPLE IRAs
  - Excludes Roth IRAs and Inherited IRAs
- Premium limits
  - For NEW contracts (those purchased or exchanged after 12/29/2022):
    - Premium limited to \$200,000<sup>3</sup>
  - For older contracts:
    - Premium limited to the lesser of:<sup>4</sup>
      - \$155,000 (as indexed for 2023)
      - 25% of qualified account values

*The advantages of a QLAC may benefit you. Consider your specific situation and needs as you plan and prepare for your retirement well-being. Discuss potential next steps with your financial professional.*

## Key Considerations

- Buying a QLAC is a long-term commitment. The purchase decision is irrevocable. The contract cannot have any cash surrender value or commutation benefit.
- QLAC guidelines may have implications for Social Security and Medicare planning for individuals approaching or in retirement.
- A QLAC may not be suitable for individuals who, among other things, are in below-average health, need the entire RMD to fund short-term expenses, already have a large guaranteed pension or desire market exposure for all of their retirement funds.

<sup>1</sup> Consult with your own independent legal and tax advisors before establishing a QLAC. The annuity provides no additional tax deferral if purchased as a retirement plan.

<sup>2</sup> If a Life Only income option is selected and no annuitant survives to the income start date, no income or refund or premium will be paid.

<sup>3</sup> Contributions are limited to \$200,000 (subject to annual cost-of-living adjustments), less premiums for other QLACs. Adhering to the purchase limit is your responsibility.

<sup>4</sup> Contributions are limited to the lesser of \$155,000 (subject to annual cost-of-living adjustment) or 25% of the owner's qualified account balances, less premiums for other QLACs. The \$155,000 limit applies across all qualified funds. The 25% limit applies to each qualified plan separately based on its valuation date and to IRAs on an aggregate basis as of the prior December 31. Restrictions govern how assets from qualified plans can be used to purchase a QLAC. Adhering to the purchase limit is your responsibility.

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A deferred income annuity is permanent. Owner has no access to premium, which converts to an income payout stream if at least one annuitant is alive on the Income Date. There is no cash value and the annuity can't be surrendered. Contract terms, such as payment amount and frequency, cannot be changed, except under limited circumstances as described in the contract. A deferred income annuity should not be purchased if access may be needed to any of the premium for living expenses or other purposes. If a payout for life or two lives is selected, whether the payout received will be greater or less than the premium paid will depend on how long the annuitant(s) lives.

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Product and feature availability, as well as benefit provisions, vary by state. See your financial professional for product details and limitations. Flexible Premium Deferred Paid-Up Annuity Contract Series ICC17 ENT-04 1708 and ENT-04 1708 NY.

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