



# INHERITED/STRETCH IRA

EquiTrust can assist with your important decisions





## Inheriting assets from a loved one can be trying, as it involves important decisions during a time of grief. In the case of an Inherited or Stretch IRA, the decisions involve your ability to continue tax-deferred growth while avoiding the immediate impact of income taxes.

EquiTrust can assist with products that suit your financial and legacy objectives, the necessary documents to accommodate the ownership transfer, and guidance with distribution obligations.

Ask your Agent for a copy of Inherited/Stretch IRA Rules (form ET-INHRSTRCHRULES) for more detailed information on your Inherited IRA options.

Your agent can also provide a customized illustration with specific product and payout assumptions.

If you are the beneficiary of an IRA, you may have a variety of options depending on your relationship to the original owner, which likely falls into one of three categories:

- Eligible
- Ineligible
- Entity, estate or trust (EquiTrust is unable to assist in these scenarios)

### **Eligible Beneficiary Options (Stretch)**

If you receive an IRA directly from your deceased spouse or otherwise qualify as an eligible beneficiary, EquiTrust offers several options, including:

- Roll over the assets into your (new or existing) Traditional IRA and treat them as if they are your own. The timing of required minimum distributions (RMDs) is based on your own age.
- Transfer the assets to a Spousal or Stretch IRA. The amount of your RMDs will be based on your age, but timing of initial distribution may be based on your spouse's age at the time of death.

### **Ineligible Beneficiary Options (Inherited)**

When you inherit an IRA directly from someone other than a spouse, EquiTrust can help you roll over the inherited assets to an Inherited IRA. You control how the assets are directed and to whom they pass upon your death. Distributions from the Inherited IRA account must be taken within 10 years of the original owner's death. If the deceased IRA owner was of RMD age at the time of death, RMDs will be required during the 10-year period.

## Hypothetical Example #1

### Stretch IRA Advantages

#### Phyllis, 50 — Eligible Beneficiary

As a sibling of the deceased that is within 10 years of his age, Phyllis has two options in assuming ownership of an IRA account owned by her deceased brother, Richard, who died at age 55.

#### Scenario A

Phyllis can pay the income taxes in the tax year of Richard's death and invest proceeds at a 1.25%\* taxable rate.

Richard's IRA Value at Death	\$100,000
24%* Income Taxes Applied	\$24,000
After-Tax Proceeds	\$76,000
Account Value after 1.25%* Growth for 10 Yrs	\$83,537



#### Scenario B

Phyllis can Stretch the IRA and take RMDs based on her starting age of 50, while earning 1.25%\* on the account value.

Richard's IRA Value at Death	\$100,000
Taxes paid on Account Value end of Year	\$20,246
After-Tax Ending Value	\$64,113
Total After-Tax* RMDs Taken Over 10 Yrs	\$20,629
Ending Value Plus Total RMDs	\$84,742

## Hypothetical Example #2

### Inherited IRA Advantages

#### Damon, 40 — Ineligible Beneficiary

As son of his deceased mother, Damon has two options in assuming ownership of an IRA account owned by his mother, Joan.

#### Scenario A

Damon can pay the income taxes in the tax year of Joan's death and invest proceeds at a 1.25%\* taxable rate.

Joan's IRA Value at Death	\$100,000
24%* Income Taxes Applied	\$24,000
After-Tax Proceeds	\$76,000
Account Value after 1.25%* Growth for 10 Yrs	\$83,537



#### Scenario B

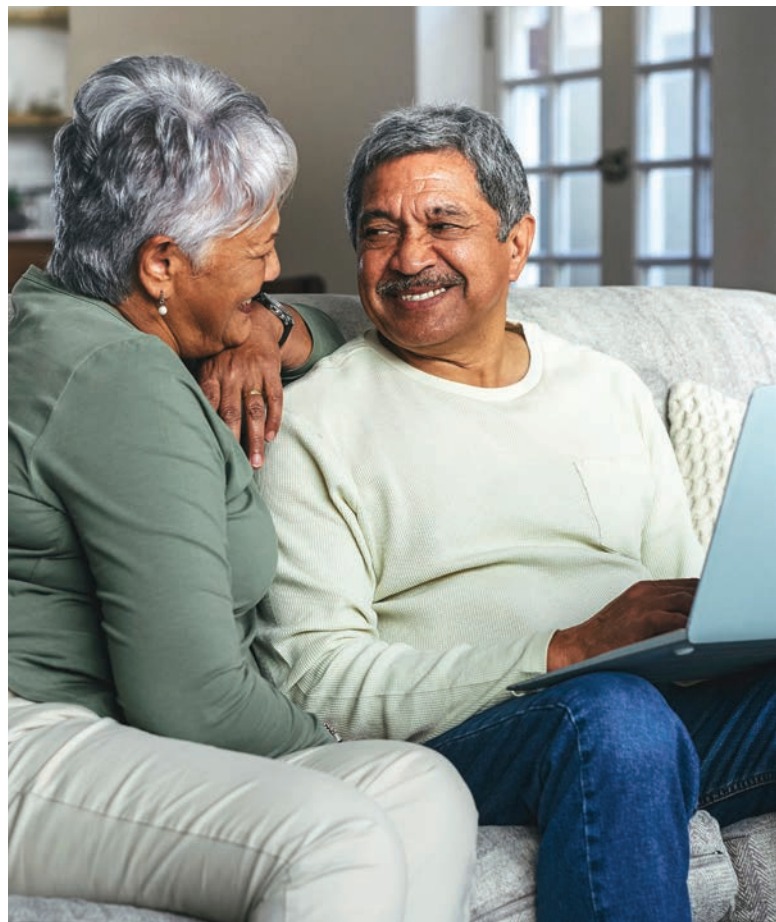
Damon can place the account value in an Inherited IRA, and pay taxes on the account value at the end of 10 years.

Joan's IRA Value at Death	\$100,000
1.25%* Growth for 10 Years	\$113,227
24%* Income Taxes Applied	\$27,174
After Tax Ending Value	\$86,053

## Important Dates

- **December 31 of the Year of the Original Owner's Death** — Any RMDs not taken by the original owner must be paid to the beneficiary and reported under the beneficiary's Social Security number.
- **September 30 of Year Following the Original Owner's Death** — The date beneficiaries must be identified to determine their distribution and RMD calculation options. Consult legal or tax advisor for more information.
- **December 31 of the Year Following the Original Owner's Death** — Generally, the date by which Stretch IRA owners and Inherited IRA owners whose deceased IRA owner's Required Beginning Date for RMDs occurred prior to death must take their first required distribution.
- **December 31 of the 10th year Following the Original Owner's Death** — The date by which Inherited IRA owners must distribute the entire proceeds of their IRA or paid taxes on all of the IRA proceeds and converted to Non-Qualified.

**Note:** With EquiTrust's Partial Tax Conversion program, you can spread the taxation over the 10 years on a customizable schedule that meets your needs.



## Seek Professional Guidance

IRA owners and beneficiaries should speak to a tax or estate planning professional before making important retirement-plan decisions. Talk to your EquiTrust agent/producer for complete product details before purchasing.



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\*The 1.25% annualized growth rate and 24% tax bracket are for illustrative purposes, are applied consistently for the example periods, and should not be considered representations of current, future or guaranteed growth rates or tax rates.

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