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# Extended IRA and nonqualified annuity stretch strategies

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# Agenda

- What, Why, Who and How
- Define the Terms
- Death Distributions Options
  - Spousal Beneficiary
  - Non-spousal Beneficiary
  - Trust as Beneficiary
- Important Additional Information
- Case Study

# What is the Extended Strategy?

- It is a concept not a product
- Extend payments over the life expectancies of IRA and nonqualified annuity beneficiaries using IRS proscribed life expectancy tables
- This strategy does not guarantee returns or insulate the beneficiary from loss, including loss of principal and be aware that inflation erodes purchasing power

# Why Consider the Extended Strategies?

- Can provide for extension of tax deferral
- Allows for more tax-efficient transfer of assets
- Opportunity to better manage distributions
- Part of an estate plan
- Encourages long-term planning
- Provides legacy to heirs

# Who Should Consider the Extended Strategies?

- Age 50 and older
- Accumulated excess retirement assets
- Desires to provide for beneficiaries
- Concerned about tax ramifications
- Wants to maximize tax deferral

# How is an Extended Strategy Put in Place

1. Beneficiary Designation Planning by Owners
2. Beneficiary Decision Making Upon Death of Owner

# Define The Terms

- Primary Beneficiary
- Contingent Beneficiary
- Successor Beneficiary
- Beneficiary Restriction



# Death Distribution Options – Spouse as Beneficiary

- IRA
  - Rollover the IRA assets into surviving spouses name
  - Leave in the name of the deceased spouse for benefit of (FBO) the surviving spouse – a.k.a. Spousal Inherited IRA
- Nonqualified Deferred Annuity
  - Continue the contract in the surviving spouse's name

# Death Distribution Options – Non-spouse as Beneficiary

- **IRA – Death of Owner before required beginning date\* (RBD)**
  - Distribute over the life expectancy of the designated beneficiary; or,
  - Five-year rule
- **IRA – Death of owner on or after RBD - Longer of either:**
  - Beneficiary's life expectancy; or,
  - Owner's remaining life expectancy
- **Nonqualified Deferred Annuity**
  - Five-year rule; or,
  - Distribute over the life expectancy of the designated beneficiary

\*RBD is April 1 of the year following the year the owner turns age 70 ½

# Death Distribution Options – Trust as Beneficiary

- IRA
  - The extended concept can be used by an IRA with a trust named as beneficiary
  - The trust must meet certain requirements
  - Age of oldest beneficiary of the trust is used as the measuring life expectancy
- Nonqualified Annuity
  - Only five-year rule is available
  - Extended concept is not available when a trust is the beneficiary of a nonqualified deferred annuity

# Important Additional Information

- IRA
  - September 30
  - October 31
  - December 31
  - RMD must be taken by owner or beneficiary in year of death, if owner is past RBD

**This case study is hypothetical and is not meant to portray a particular client or client situation. All references to rates of return are provided in order to demonstrate mathematical concepts and are not a projection or prediction of future returns, nor do they represent the returns of any specific investment.**

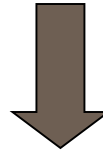
- This extended IRA examples assumes that tax laws and IRS rules will remain constant for the life of the IRA and nonqualified annuity.
- These extended concepts examples do not incorporate inflation which will erode the purchasing power of your investment.
- Market rates can vary. If rates are lower than represented here, the value of the total gross distribution will be less.

# Extended IRA Case Study – Spousal Rollover then to Kids

- John and Linda
- John age 68 and Linda age 67
- John has a \$200,000 IRA
- They have two children Jason (41) and Susan (37)
- They have saved and invested well and now have excess assets they don't intend to use for retirement

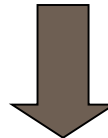
# Extended IRA Case Study – Spousal Rollover then to Kids

**John's IRA**  
IRA Value in 2015 - **\$200,000**  
IRA Value at John's Death (77) - **\$251,863\***



Linda rolls over John's IRA into her name - **\$251,863**  
IRA Value at Linda's Death (86) - **\$248,850\***

*Linda takes \$208,199 in Required Minimum Distributions during her lifetime*



Jason (62) and Susan (58) split the IRA into separate shares upon Linda's death and start taking distributions\* based on their own life expectancies.

Distributions over Jason's Life Expectancy (23.5 Years) - **\$289,965\*\***  
Distribution over Susan's Life Expectancy (27 Years) - **\$330,055\*\***

\*Assumes a 6% net rate of return

\*\*Distributions are subject to income tax, only gross distributions are shown



# Extended Nonqualified Annuity Case Study – Spousal Rollover then to Kids

- John and Linda
- John age 68 and Linda age 67
- John has a \$200,000 nonqualified annuity
- They have two children Jason (41) and Susan (37)
- They have saved and invested well and now have excess assets they don't intend to use for retirement

# Extended Nonqualified Annuity Case Study – Spousal transfer then to Kids

**John's Nonqualified Annuity**  
Annuity Value in 2015 - **\$200,000**  
Annuity Value at John's Death (77) - **\$352,990\***



Linda transfers John's Annuity into her name - **\$352,990**  
Annuity Value at Linda's Death (86) - **\$632,151\***



Jason (62) and Susan (58) split the Annuity into separate shares upon Linda's death and start taking distributions\* based on their own life expectancies.

Distributions over Jason's Life Expectancy (23.5 Years) - **\$736,596\*\***  
Distribution over Susan's Life Expectancy (27 years) - **\$838,436\*\***

\*Assumes a 6% net rate of return

\*\*Distributions of gain are subject to income tax, only gross distributions are shown here

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