

# Tim Vendt

## Financial Security

*“Securing Your Future”*

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This Concept is known as a “Multi-Generational Distribution” or “Stretch IRA”. It can be used with any type of qualified funds, as long as they can be switched to an IRA.

\*Some recent significant changes in the tax code make it possible for beneficiary(s) of an IRA to receive the proceeds of the IRA over the course of their lifetime, instead of through a limited or lump sum distribution. By spreading the distribution and tax liability out over a beneficiary(s) lifetime it allows the IRA to continue to grow tax deferred. The end result is considerably more money for the beneficiary(s).

*Let’s look at a hypothetical example. For our example we will assume the following: A \$200,000 IRA is owned by a 65-year old man. His wife is 56, and their daughter is 22. The husband will live to age 73 and the wife until age 72. Also the entire period the IRA is paying out, it will be earning a 6% interest rate.*

### Husband

Yr	Age	Interest	Required Minimum Distributions	Year End Value
1	65	\$12,000	\$0	\$212,000
2	66	\$12,720	\$0	\$224,720
3	67	\$13,483	\$0	\$238,203
4	68	\$14,292	\$0	\$252,495
5	69	\$15,150	\$0	\$267,645
6	70	\$16,059	\$9,768	\$273,936
7	71	\$16,436	\$10,337	\$280,035
8	72	\$16,802	\$10,939	\$285,898
9	73	\$17,154	\$11,575	\$291,477

*At the death of the husband \$291,477 is left in the IRA and passes to the wife.*

### Wife

Yr	Age	Interest	Required Minimum Distributions	Year End Value
10	64	\$17,489	\$0	\$308,966
11	65	\$18,538	\$0	\$327,504
12	66	\$19,650	\$0	\$347,154
13	67	\$20,829	\$0	\$367,983
14	68	\$22,079	\$0	\$390,062
15	69	\$23,404	\$0	\$413,466
16	70	\$24,808	\$15,090	\$423,184
17	71	\$25,391	\$15,969	\$432,605
18	72	\$25,956	\$16,899	\$441,663

*At the death of the wife \$441,663 is left in the IRA and is passed to the daughter.*

**THIS IS WHEN THE IRA PASSES TO THE NEXT GENERATION!**

**Daughter**

Yr	Age	Interest	Required Minimum Distributions	Year End Value
19	40	\$26,500	\$10,130	\$458,033
20	41	\$27,482	\$10,752	\$474,763
21	42	\$28,486	\$11,413	\$491,836
30	51	\$38,245	\$19,553	\$656,111
40	61	\$48,494	\$35,763	\$820,970
50	71	\$50,094	\$66,262	\$818,737
60	81	\$20,418	\$130,886	\$229,836
61	82	\$13,790	\$143,648	\$99,979
62	83	\$5,999	\$105,977	-----

The husband's initial \$200,000 premium totaled payouts of **\$2,267,458** "STRETCHED" over multiple generations. If the daughter had taken a lump sum settlement at the wife's death the result would have been a payout of \$532,240 (Accumulation value at the wife's death plus previous Required Minimum Distributions).

The daughter could also decide to disclaim the IRA rather than inheriting. Then it would pass to the next in line. In this case that's the grandson. Check out these numbers:

**Grandson**

Yr	Age	Interest	Required Minimum Distributions	Year End Value
19	20	\$26,500	\$7,011	\$461,152
20	21	\$27,669	\$7,438	\$481,384
30	31	\$41,978	\$13,455	\$728,164
40	41	\$61,466	\$24,391	\$1,061,506
50	51	\$85,185	\$44,367	\$1,460,576
60	61	\$107,170	\$81,190	\$1,812,152
70	71	\$108,453	\$150,628	\$1,765,366
80	81	\$36,259	\$302,160	\$338,419
81	82	\$20,305	\$358,724	-----

The grandfather's initial \$200,000 premium totaled payouts of **\$5,100,160** "STRETCHED" over multiple generations. If the grandson had taken a lump sum settlement at the grandmother's death the result would have been a payout of \$532,240 (Accumulation value at the wife's death plus previous Required Minimum Distributions)

Something else you should consider is the impact of converting the IRA to a Roth IRA. By converting to a Roth IRA you could create a tax-free income stream for yourself and your heirs. The downside is you have to pay the taxes as you convert.

*Please note: The results shown here are based on a hypothetical example. Most likely your results would be either more or less favorable. Also understand that everyone's tax situation is different. The information contained herein is based on Tim Vendt Financial Security's understanding of the current tax code. Tim Vendt Financial Security does not give tax advice and strongly encourages you to consult with your tax advisor about your individual situation.*

If you would like to see what a "Stretch IRA" could do for you and your heirs, and you live in Missouri or Arkansas, fill out the "I Want Information" form, call, or email me.