

CREATING GENERATIONAL WEALTH



PLANNING OPTIONS FOR IRA OWNERS

There are many choices available to you for your IRA. Which choices you make may depend on many things, including your net worth, lifestyle, sources of income and your overall estate plan. In conjunction with your professional advisors, you should explore which options best meet your particular needs.

Those below offer a variety of choices for varying needs and lifestyles.

KEEP THE STATUS QUO

Whether you are currently receiving the Required Minimum Distributions (RMDs) that are mandatory after you reach age 70½, or are still a decade away from these requirements, keeping the status quo may be a positive choice, especially when your investments are doing well and your IRA balance is growing. Depending upon the size of your IRA relative to your lifestyle, you may want to begin considering ways to help maximize the benefits of your IRA for future generations.

GENERATIONAL IRA

By making beneficiary designations on your IRA, naming your children, grandchildren or others, you can increase the tax-deferred power of the IRA. When an individual is named, he or she can stretch distributions from an inherited IRA over his or her life expectancy. When several individuals are named, the distributions to all beneficiaries are based on the person with the shortest life expectancy. The Generational IRA can also benefit multiple individuals using their own life expectancies if an irrevocable trust is used as a conduit between the IRA and the individuals.

SECURING YOUR LIFESTYLE

Although distributions from an IRA are not required until age 70½, you can take withdrawals from your IRA at younger ages. Prior to age 59½, the IRS allows you to take penalty-free withdrawals if they meet the requirement of “substantially equal periodic payments” that will last at least 5 years or past age 59½, whichever is longer. If the withdrawals begin after age 59½, they are penalty-free without the previous requirements.

WEALTH SECURITY IRA

If you want to take income from your IRA to supplement your lifestyle and still be able to leave a legacy for your heirs, a Wealth Security IRA can transfer significant wealth to your heirs while simultaneously guaranteeing you a lifetime stream of income. By purchasing a Single Premium Immediate Annuity (SPIA) in your IRA, you can make gifts with part of your guaranteed SPIA payments to an Irrevocable Life Insurance Trust (ILIT) for your heirs. The trustee will buy life insurance on your life (assuming you are insurable) and, if properly structured, the death benefits are receivable by your heirs free of income tax and estate tax.

DESCENDENT WEALTH IRA

Distributions from a traditional (pre-tax) IRA are subject to income tax. Distributions from a Roth IRA are tax free. A traditional IRA can be converted to a Roth IRA, subject to income restrictions (income must be no more than \$100,000 adjusted gross income, or AGI). If you meet the income requirement, you can convert your traditional (pre-tax) IRA to a Roth IRA. Upon conversion, income tax will be due on the traditional IRA. However, going forward, all distributions from the Roth IRA will be income tax free. If your income exceeds the limitation for conversion, a newly passed law makes you eligible to convert to a Roth IRA after 2009 without any income limitation. A Roth IRA can provide a substantial benefit to future generations because there is no requirement to take distributions, and any distributions that are taken are income tax free.

THE FAMILY WEALTH IRA

If neither you nor your spouse need the income from your IRA, it may be advantageous to you and your family to liquidate the IRA, pay the income tax, and gift the net amount to an Irrevocable Life Insurance Trust. The trustee can then use the money to purchase life insurance on you and/or your spouse for the benefit of your heirs. Depending on your ages and health, the investment in life insurance may provide a greater inheritance for your heirs than the IRA would because, unlike the IRA, the life insurance proceeds are not subject to income or estate tax at the death of the insured(s).

CHARITABLE IRA

If neither you nor your spouse will need the income from your IRA, and you have a favorite charity or two, consider using your IRA to benefit the charity as well as your other heirs. You can use some or all of your distributions from your IRA to make gifts to an Irrevocable Life Insurance Trust for the benefit of your heirs. The trustee can purchase a life insurance policy on your life and/or the life of your spouse, to be paid to your heirs at the death of the insured(s). The balance of your IRA is paid to the charity(ies) of your choice. A win-win for everyone.

*Take the next step
and talk with your
professional advisors.*

This material contains references to concepts that have significant legal, accounting and tax implications. It is not intended as legal, accounting, investment or tax advice. You should consult your own attorney and/or qualified tax advisor regarding application of these concepts to your particular situation or circumstances.

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