

WEALTH TRANSFER PLANNING

Client Guide



Stretch IRA



What Is a Stretch IRA?

Most people today have an Individual Retirement Account, commonly called an IRA. There are traditional IRAs, which are funded on a pre-tax basis and taxed when distributions are made, and ROTH IRAs, which are funded on an after-tax basis and are not taxed when distributions are made.

Both can be used to create a Stretch IRA for one or more of your designated beneficiaries.¹ The “stretch” in the IRA anticipates that when you pass away, your beneficiaries will take distributions from their Inherited IRA over their individual life expectancies, s-t-r-e-t-c-h-i-n-g out the value of the distributions to your heirs.

Is a Stretch IRA Right for You?

If you own a large IRA and do not need the funds for retirement, want to reduce taxes, and increase wealth to your heirs, you may want to consider establishing a Stretch IRA to benefit your children, and leave a legacy for successive generations.

There are primarily two Stretch IRA designs. One is a Simple Stretch IRA. The other is a Generational Stretch IRA. Both designs are subject to estate tax when you pass away, but the full value of either IRA can be protected with life insurance, providing long-term benefits for your family. This “Protected Stretch” is discussed in more detail under Leveraging the Stretch IRA on page 5.

The Simple Stretch IRA can be established by making one or more beneficiary designations on your IRA. Your children would typically be primary beneficiaries; grandchildren or others would be contingent beneficiaries. When you pass away, your primary beneficiary(ies) will inherit your IRA.

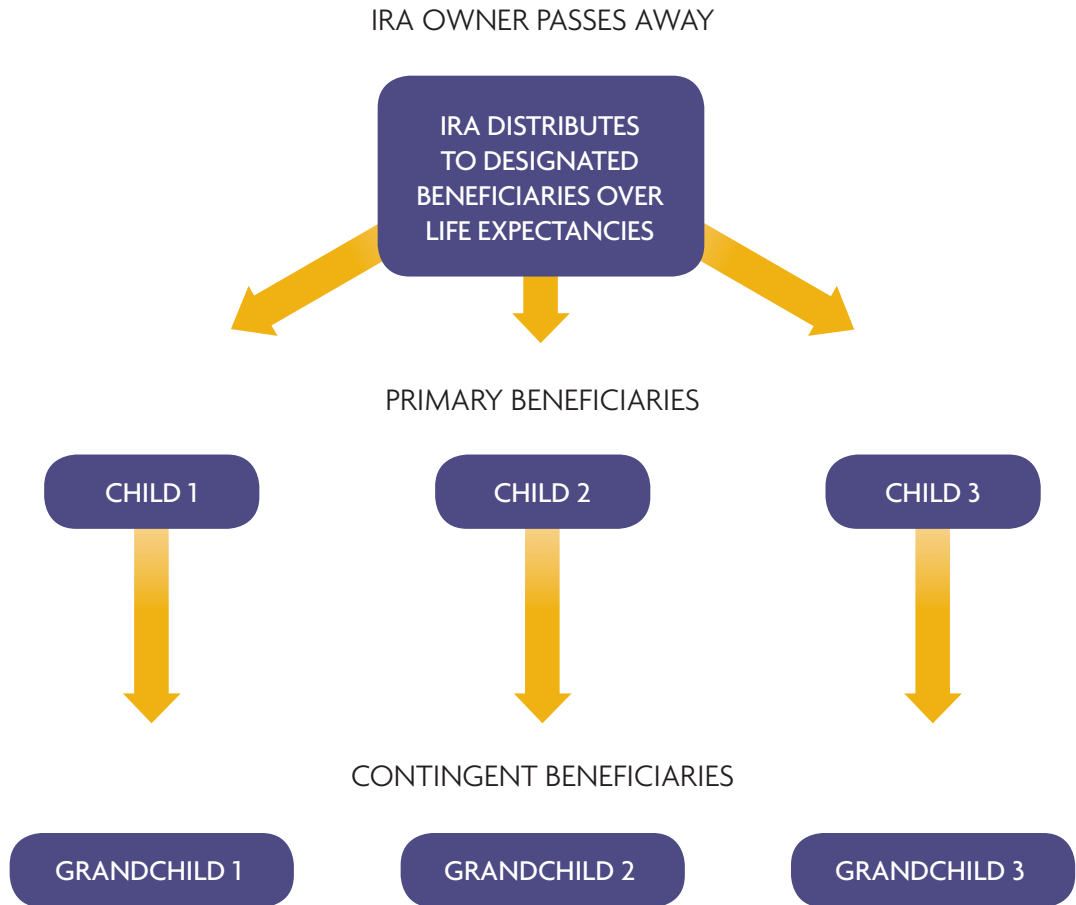
What You Should Know About a Simple Stretch IRA

Although you anticipate that your designated beneficiaries understand that stretching an Inherited IRA over their individual life expectancies creates significant wealth for them, there are no restrictions on distributions from a Simple Stretch IRA. If your designated beneficiary(ies) prefer not to spread distributions over their life expectancies, they can liquidate the Inherited IRA once they receive it. They will pay income tax on the individual distributions or the liquidation of a traditional IRA. Distributions from a Roth IRA will be tax free when properly structured.

1. To ensure that the beneficiary designations are properly recorded, request an IRA Beneficiary Designation Form from your IRA custodian. The form should be filed in a secure location, with a copy given to your financial and legal advisors.

How It Works

THE SIMPLE STRETCH IRA



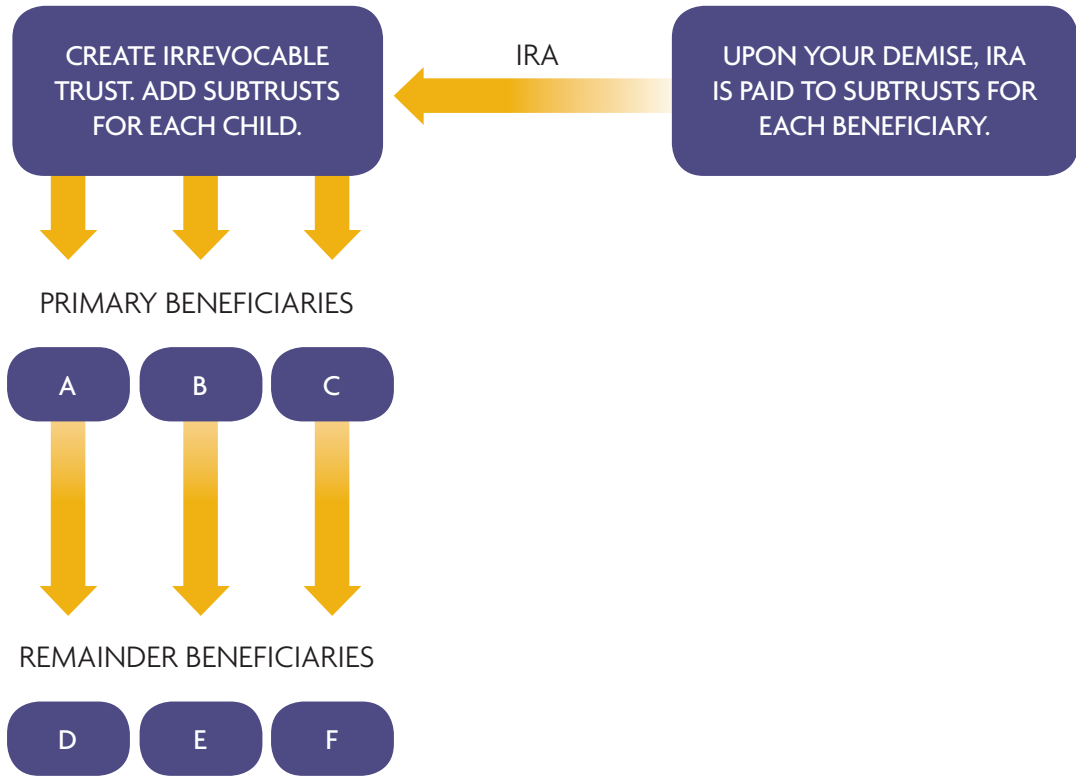
The **Generational Stretch IRA** is established by naming an irrevocable trust as the beneficiary of the IRA for the benefit of your primary and contingent designated beneficiaries. By naming an irrevocable trust, the Generational Stretch IRA cannot be liquidated. Distributions will be made to the designated beneficiaries over their individual life expectancies.

What You Should Know About a Generational Stretch IRA

Establish a trust during your lifetime, naming it as the beneficiary of your IRA on a Beneficiary Designation Form. You can change the trust terms during your lifetime. The trust becomes irrevocable and cannot be changed after you pass away. Under the terms of the trust, a subtrust is established for each child (or other recipients). Distributions from the trust will be made to each separate subtrust in accordance with the terms of the trust. An IRA Beneficiary Designation Form should be completed and filed with the pertinent information on each child's subtrust. Copies should be given to your financial and legal advisors.

How It Works

THE GENERATIONAL STRETCH IRA



Beneficiaries receive distributions from their subtrusts on an annual or more frequent basis. At the deaths of the primary beneficiaries, remaining assets in the trust distribute to subtrusts for the next generation.

Advantages of a Generational Stretch IRA

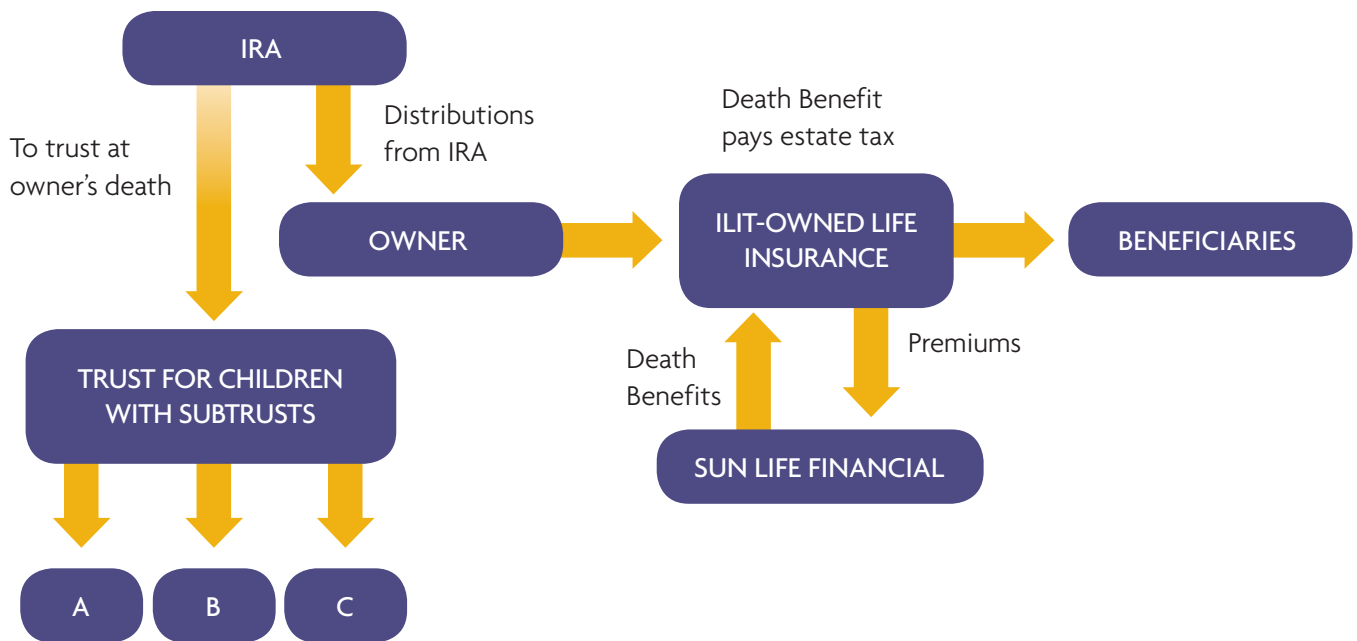
Establishing a Stretch IRA for your children and grandchildren anticipates that when you pass away, you want your heirs to receive IRA distributions over their individual lifetimes, rather than having your heirs liquidate your IRA immediately. Your wishes may be written in an Irrevocable Trust document. By establishing an irrevocable trust, you can specify that the Generational Stretch IRA cannot be liquidated by your beneficiaries and that distributions will be made to your beneficiaries over their individual life expectancies. If there is more than one beneficiary under the trust, a separate sub-trust will be established for each beneficiary. Depending on the terms of the trust document, your trustee can use discretion regarding distributions of the funds to the subtrusts, providing your trustee with greater flexibility to execute your wishes over the lifetimes of your beneficiaries.

Leveraging the Stretch IRA

The benefits associated with either Stretch IRA are maximized when estate taxes are paid from a source other than the IRA. If your estate has sufficient resources outside the IRA, those assets can be used to pay estate tax and income tax on the IRA, where applicable. The disadvantage in this approach is that the same assets that pay the estate tax on the IRA have also been subject to estate tax. The Protected Stretch funded with life insurance is a cost-effective way to reduce the estate and preserve the full value of the IRA, increasing wealth to the heirs.

How It Works

THE PROTECTED GENERATIONAL STRETCH



Summary

A Stretch IRA is a great tool for increasing wealth for your beneficiaries over several generations, particularly when coupled with an Irrevocable Life Insurance Trust. Creating subtrusts for your children and grandchildren under the primary trust provides for more orderly distributions of the IRA assets. Greater leverage is provided when the trustee purchases life insurance to “protect the stretch.” The death benefit is free of income tax and estate tax, which provides a more efficient and cost effective way to pay the estate tax on your IRA.

For more information, please talk to your Sun Life Financial Representative today.

About Sun Life Financial

Sun Life Financial is a leading international financial services organization providing a diverse range of wealth accumulation and protection products and services to individuals and corporate customers. Chartered in 1865, Sun Life Financial and its partners today have operations in key markets worldwide. Sun Life Financial, Inc. trades on the New York (NYSE), Toronto (TSX), and Philippine (PSE) stock exchanges under ticker symbol SLF.



INSURANCE MARKETPLACE
STANDARDS ASSOCIATION

Sun Life Assurance Company of Canada, Sun Life Assurance Company of Canada (U.S.) and Sun Life Insurance and Annuity Company of New York are members of the Insurance Marketplace Standards Association (IMSA).

This brochure contains references to concepts that have significant legal, accounting, and tax implications. It is not intended as legal, accounting, or tax advice. The material in this document was written to support the promotion and marketing of insurance products. Clients should consult with their own attorney and/or tax advisor regarding the application of these concepts to any particular situation.

All guarantees are based on the claims-paying ability of the issuing company, either Sun Life Assurance Company of Canada (Wellesley Hills, MA), Sun Life Assurance Company of Canada (U.S.) (Wellesley Hills, MA) or, in New York, Sun Life Insurance and Annuity Company of New York (New York, NY). All are members of the Sun Life Financial group of companies.