

Family Wealth Transfer–Stretch IRA Strategy

Stretch IRA

A Stretch IRA can be established by making one or more beneficiary designations on an Individual Retirement Account (IRA) Beneficiary Designation Form. When the owner of the IRA passes away, the primary beneficiary(ies) will inherit the IRA. The value of the IRA can be protected from taxes at the owner’s death if the taxes are paid with life insurance death benefits to “protect the stretch.”

The Situation

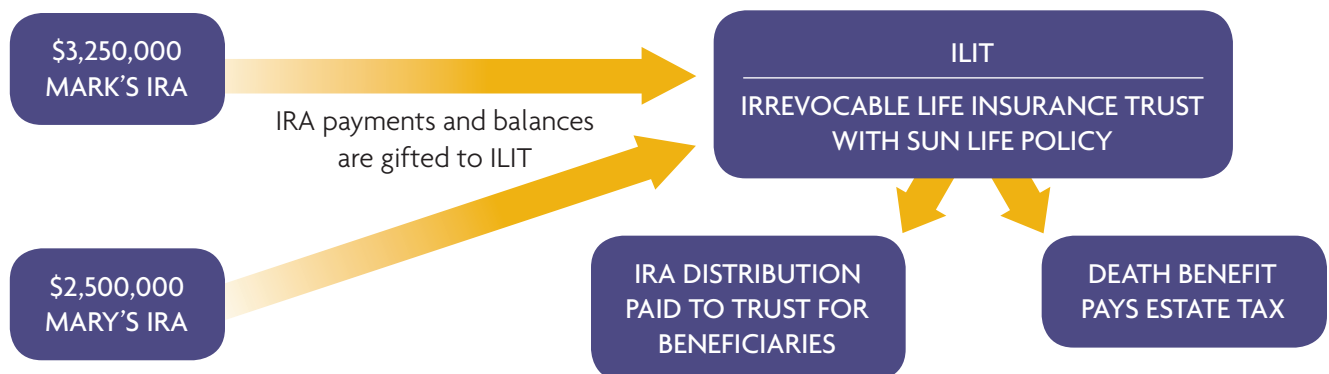
Mary and Mark Mikowski are a high-net-worth couple in their late 70s, with a healthy retirement income portfolio. Knowing they have sufficient income to fund their remaining retirement years, they are now comfortable with adding an Irrevocable Life Insurance Trust (ILIT) to their estate plan. Mary and Mark are exploring funding options with their financial advisor.

The Solution

They plan to initially fund their irrevocable trust with a portion of their IRA distributions now and leave the balance of their IRAs at their deaths to subtrusts under the ILIT for their primary beneficiaries.

How It Works

The Mikowskis’ lawyer drafts the Irrevocable Life Insurance Trust (ILIT). The trustee purchases a life insurance policy on Mark’s life. When Mark passes away, a portion of the death benefit will be used to pay the estate tax on his IRA, and when Mary passes away, the remaining death benefit will be available to pay estate tax on her IRA. The death benefit, which is estate tax free and income tax free, enables the IRA to remain intact for the beneficiaries to receive distributions over their individual lifetimes.



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For more information on these strategies and how they can work for you,
please talk to your Sun Life Financial Representative.

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Under current law, the estate tax is repealed in 2010; thereafter, the applicable exclusion is \$1,000,000 per person, subject to change.

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