



ING Time Savers

72(t/q): Money When Your Client Needs It.

What are 72(t/q) payments?

There are many situations where an individual may need to take income from their qualified retirement accounts prior to reaching age 59½, but that doesn't necessarily mean your clients will be penalized with a 10% premature distribution tax. The Internal Revenue Code (IRC) provides exceptions to the 10% penalty on premature distributions under code section 72 for IRA's, qualified plans and non-qualified deferred annuity contracts.

Note: Exceptions to the 10% penalty on premature distributions for IRA's and qualified plans can be found in IRC Section 72(t)(2)(A)(iv). Exceptions to the 10% penalty on premature distributions for non-qualified annuities can be found in IRC Section 72(q)(2)(D).

For clients in need of income now.

If any of your clients have experienced the following situations they may need income now:

- Recent lay off
- Sudden reduction in income
- Contemplation of early retirement
- Unforeseen financial emergency

If so, they may need to access their retirement accounts and they will look to you to show them how to do it in the most efficient way.

Your clients may access their investments without being penalized.

If your clients qualify for one or more of the exceptions listed above, which are noted within IRC section 72(t/q), they may access their money without being penalized.

Your clients can choose to receive substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the contract owner or the joint life expectancy of the contract owner and his/her designated beneficiary. Payments can come in the form of an annuity income stream or as withdrawals from a deferred annuity. These payments can be based on a number of acceptable calculation methods, and can give your client income for the rest of his or her life, or as short as five years. Once the calculated distributions begin, they must continue for at least five years and the owner's attainment of age 59½.

Although annuitization may be the right choice in some situations, most of your clients will want to keep the tax-deferred earning power of their annuity, while still receiving the pre-59½ income they need. However, that income must be structured according to IRS guidelines.

Substantially Equal Periodic Payments – Non-Annuitization

The owner can choose to take income and avoid the 10% IRS penalty if they receive substantially equal periodic payments, pursuant to IRS guidelines. These withdrawals can be calculated by using one of the following three methods:

1. Required Minimum Distribution Method
2. Fixed Amortization Method
3. Fixed Annuitization Method

The Details on Non-Annuitization Distribution Methods

The calculated distribution amount will vary depending on the method your client chooses.

Required Minimum Distribution Method (Life Expectancy Method) - the annual payment is determined by dividing the accumulation value and actuarial present value of any additional benefits (determined as of 12/31 of the preceding calendar year) by the number from the single or joint life expectancy table for the current year. As a result, annual payments fluctuate each year.

Fixed Amortization Method - the annual payment is determined by amortizing the accumulation value (determined at the time payments begin) using the chosen life expectancy table and the chosen interest rate. The annual payments are the same in succeeding years.

Fixed Annuitization Method - the annual payment is determined by dividing the accumulation value (determined at the time payments begin) by an annuity factor taken from a mortality table published in IRS Revenue Ruling 2002-62, and using the chosen interest rate. The annual payments are the same for each succeeding year.

The interest rate chosen in connection with the Fixed Amortization and Fixed Annuitization Methods may be any interest rate that does not exceed 120% of the federal mid-term rate.

Regardless of which method the client chooses, payments must continue for the later of five years or until your client reaches age 59½. The client cannot add to or take additional withdrawals from the account(s) used to calculate the original payments. Any deviation from the calculated distribution can result in a 10% penalty being applied retroactively to all previous payments and terminates the original calculation.

Put the Income Solution to Work

Create solutions to meet your client's needs.

You can provide your clients with additional income while minimizing the effects to their overall retirement and legacy planning with the use of:

- Living and death benefits that may help preserve your client's goals.
- A combination of immediate and deferred annuities.
- Annuities for an income now, income later strategy.

Call ING Advanced Annuity Sales for more information: 1-800-325-3557, option 2

Your clients should consider the investment objectives, risks and charges, and expenses of the variable annuity and its underlying investment options carefully before investing. The prospectuses for the variable annuity and underlying investment options contain this and other information. Your clients may obtain free prospectuses by calling you or 800-366-0066. Your clients should read the prospectuses carefully before investing.

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