ING Time Savers

Understanding Required Minimum Distributions with Annuities

What is a Required Minimum Distribution (RMD)?

As the name implies, an RMD is the required minimum distribution amount that owners of qualified investments must begin taking the year after attaining age 70½, or in some cases, retirement. Qualified investments include qualified plans, IRAs, section 403(b) contracts and any other plans subject to RMD rules under IRC section 401(a)(9).

How are RMDs Calculated?

Prior to 2006, the entire interest in a qualified deferred annuity was generally defined as the previous year-end balance divided by an age-related factor to determine the RMD amount. Effective January 1, 2006, the definition of "entire interest" was revised to include the contract value and an actuarial present value calculation of all additional benefits under the contract. The present value of additional benefits is an assessed value of all living and death benefits under the contract as of December 31 of the previous year. The present value of additional benefits is calculated by the annuity provider. The guarantees associated with additional benefits may create a value greater than the contract value and this may result in higher RMDs compared to qualified deferred annuities without additional benefits.

What are Additional Benefits?

For an additional cost, additional benefits (living and death benefits) may be available within an annuity. The benefits are designed to assist the owner with income and legacy goals. Some examples of these benefits are:

- Guaranteed Minimum Accumulation Benefits
- Guaranteed Minimum Income Benefits
- Guaranteed Minimum Withdrawal Benefits
- Ratchet Death Benefits
- Rollup Death Benefits

All guarantees are based on the financial strength and claims paying ability of the issuing insurance company, who is solely responsible for all obligations under its policies.

The Calculation

RMD Formula	2006 & After
$\dfrac{\textbf{Entire Interest}}{\textbf{IRS Factor}}$	$\dfrac{\textbf{Contract Value + Actuarial Present Value of All Additional Benefits (Prior Year's 12/31 Values)}}{\textbf{IRS Factor}}$

Are There Exceptions?

Yes. The present value of any additional benefits can be disregarded if:

1. Your only additional benefit is a return of premium death benefit that reduces dollar for dollar as a result of withdrawal,
2. All of your additional benefits reduce pro-rata as a result of withdrawals, and the present value is not more than 20% of your contract value.

Keep in mind the RMD may be increased when an additional benefit is selected because the benefit is working as designed.

How to Explain RMD Changes to Clients:

Annuity contracts also have a market value. The enhancements, or additional benefits, are the optional living and death benefits. The additional benefits may, under certain circumstances, become part of the assessed value solely for purposes of calculating the RMD.

Are your clients concerned about protecting their retirement savings?

Ask them:

1. How much risk are you willing to accept with your retirement savings?
2. How would your lifestyle change if your investments fall short of your expectations?

Best Practices

Annuities are designed to provide guarantees to secure your client's income and legacy goals. When you recommend an annuity consider these best practices:

- Inform your client that IRAs and other qualified plans already provide tax deferral like that provided by the annuity. However, for an additional cost, the annuity provides additional features and benefits, including death benefits and the ability to receive a lifetime income. If other options are available, you should not recommend a qualified annuity to your client unless they want these additional features and benefits, taking into account their cost.
- Always consider the client's risk tolerance of using additional benefits when determining their investment needs.
- If an additional RMD is due, you can work with your client to create a strategy that allows them to maximize their additional benefits by taking the higher RMD from non-annuity qualified investments if the aggregation rules are available.
- Work with your client's tax advisor to ensure IRA/qualified plan distribution strategies meet RMD requirements.

For additional information, contact ING Advanced Annuity Sales at

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 variable annuity investment options carefully before investing. The prospectuses for the variable annuity and underlying variable annuity 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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Variable annuities are long-term insurance contracts designed for investing for retirement. They offer the opportunity to allocate premiums among fixed and variable investment options that have the potential to grow income tax-deferred, until an income stream begins. Annuity income is defined as a series of periodic payments, a part of which may be return of your premium or principal, which is guaranteed by the issuing insurance company for a specified period of time or for the life of the annuitant. Optional benefits and riders are available for an additional cost. Variable insurance products are subject to investment risk, are not guaranteed and will fluctuate in value. In addition, there is no guarantee that any variable investment option will meet its stated objective.

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