ING Time Savers

Stretch: Income Planning for the Next Generation

What is "stretch"?

Stretch is an industry term used to describe a death benefit payout option outlined in Internal Revenue Code 72(s) which allows a beneficiary to "stretch" the death benefit over a period of time based on his/her life expectancy or a period not extending beyond the beneficiary's life expectancy.

How does "Stretch" work?

Upon death of the owner, the beneficiary may elect this option voluntarily (or involuntarily, if available) and required distributions must begin within one year of the owner's death. The beneficiary will be required to take a minimum distribution amount based on his/her life expectancy each year until they reach the end of their life expectancy. This amount will be calculated by dividing the prior year's December 31 value by the life expectancy obtained from IRS Tables and is based on the beneficiary's end of year age.

Important Note: Even though "stretch" payments are similar in structure to Required Minimum Distributions at age 70½ (RMDs), they are not the same. Unlike an RMD, the divisor used to determine the amount of the "stretch" distributions will decrease by one each year until the account balance reaches 0 and the beneficiary reaches their life expectancy as calculated in the year of the original owner's death.

What are the Benefits of "Stretch"?

Your client has worked hard to save money throughout their lifetime and wants to ensure that those assets have the potential to last through another generation.

"Stretch" can benefit your client's beneficiaries by:

- Structuring a lifetime income stream for the beneficiaries
- Allowing the beneficiaries to "stretch" the tax liability over their life expectancy
- Extending the tax-deferred earning power of assets in the IRA or non-qualified annuity

"Stretch" can benefit you by?

- Allowing you to assists your client's in developing an income stream for their heirs
- Creating opportunities for you to develop relationship with your client's beneficiaries
- Providing a future income stream for you as a result of potential commission trails

What happens if my beneficiary dies before they reach their Life Expectancy?

If a beneficiary dies before all payments are received, payments will continue to the named beneficiary on the account for the remainder of the original beneficiary's life expectancy. The life expectancy will not be recalculated in this case.

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Your Client Can Control How the Assets are Distributed

A stretch strategy can be voluntary or involuntary:

Voluntary – Allows the beneficiary to elect to "stretch" the death benefit payout upon death of the owner.

Involuntary – If available, allows the owner of the contract to predetermine that the beneficiary must "stretch" the contract upon their death. This is commonly known as a Restricted Beneficiary Designation.

A Restricted Beneficiary Designation allows your client to direct the frequency and duration of all or a portion of the annuity's distributions (within IRS guidelines) so they can:

- Potentially remove the risk that the beneficiaries will spend their inheritance too quickly
- Provide additional funds that may be used for a child or grandchild's education
- Give the beneficiary a steady stream of income.

Although the IRS permits the ability to stretch a contract and restrict the payout option, it's important to note that financial institutions are not required to offer this option.

For more information or to request a "stretch" illustration, please contact your Regional Vice President or Advanced Annuity Sales at 1-800-325-3557, opt. 2

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137828 01/04/2008