

# QLAC

What Every Baby Boomer with IRA or 401(k) Retirement Savings Should Consider



**CBS NEWS**

**“This Annuity  
has You  
Covered if You  
Live Long”**

3 Short Steps to  
*Decide, Design & Find*  
Your Best QLAC  
Election.

QLAC Lets You **CONTROL** and **INCREASE**  
the Income from Your Retirement Savings.



# What Every Baby Boomer Should Know About **QLACs**

In July 2014, the U.S. Department of the Treasury and the IRS released a ruling defining a type of longevity income annuity called a QLAC designed specifically for traditional and Rollover IRAs, and qualified plan savings. The goal of this brochure is to educate Baby Boomers with retirement savings about why a QLAC should be considered as an important part of their retirement income planning. For analytical tools go to the **QLAC Shortcut**. ➤



## Why was the Rule permitting QLACs adopted?

Here's what the Treasury and IRS press release said about the rationale for QLACs: "All Americans deserve security in their later years and need effective tools to make the most of their hard-earned savings. As Boomers approach retirement and life expectancies increase, longevity income annuities can be an important option to help Americans plan for retirement and ensure they have a regular stream of income for as long as they live."

# What is a **QLAC**?

The July 2014 ruling defines a QLAC as a “Qualifying Longevity Annuity Contract” that can be purchased with funds from an IRA or a 401(k) and other qualified retirement plans. A QLAC is afforded special tax treatment not available to other annuities or investments.

Think of a QLAC as a “deferred pension” purchased with a portion of your retirement savings that provides guaranteed lifetime income starting at an age you choose (but not later than age 85). Before this deferred pension begins making regular monthly income payments to you, there are no required minimum distributions (RMDs) and thus no current taxes to pay.

Because of the long-term and critically important nature of the contract, a QLAC should be purchased from one of the highly rated insurance companies offering QLAC. As such, it should be considered a conservative part of your retirement investment portfolio, like a highly rated bond or fixed income mutual fund portfolio.

## How much can you contribute? When does a QLAC make sense?

Typically, a QLAC makes sense if you are in good health, are currently between ages 55 and 75, and have a retirement account balance in an IRA and/or a 401(k) or other qualified retirement plan of \$100,000 or more. Also, you should be able to support current and projected retirement expenses without needing the RMDs otherwise generated from the amount used to purchase QLAC.

The maximum contribution is 25% of your eligible total retirement account balance(s) or \$125,000, whichever is less. The chart below shows the maximum amount an investor could invest in a QLAC.

Retirement Account Balance	Maximum Available QLAC Premium	Retirement Account Balance %
<b>\$100,000</b>	<b>\$25,000</b>	<b>25%</b>
<b>\$500,000</b>	<b>\$125,000</b>	<b>25%</b>
<b>\$1,000,000</b>	<b>\$125,000</b>	<b>12.5%</b>

Note: In addition, the IRS ruling allows for additional contributions to a QLAC as your account balances grow, and/or the \$125,000 limit is increased because of inflation.

# How much guaranteed lifetime income can you get by owning a QLAC?

The answer depends on your age and gender (and whether the income is paid over one or two lifetimes), the age income will start, and whether you elect to protect your beneficiary with a "Return of Premium" in case of death before the income start age. Importantly, the income you purchase depends on pricing as of the date of purchase and the company issuing the QLAC you select.

The table below illustrates the guaranteed lifetime income (paid annually – monthly payments are also available) that a QLAC will provide, using our market-based pricing as of a recent period. (See note below the chart.)

For example, a female age 65 using \$100,000 to purchase a QLAC with an Income Start Age (ISA) of 85 would receive over \$27,000 a year for life if the Return of Premium option is elected, and over \$36,000 a year for life if the Return of Premium option is not elected.

QLAC – Illustration of Annual Income (for \$100,000 of QLAC Premium)

		Female		Male		Joint	
		Return of Premium Before ISA		Return of Premium Before ISA		Return of Premium Before ISA	
Current Age	Income Start Age (ISA)	Yes	No	Yes	No	Yes	No
65	75	\$11,997	\$12,585	\$12,692	\$13,650	\$10,607	\$10,706
	85	\$26,104	\$33,394	\$27,294	\$37,511	\$20,835	\$24,447
70	75	\$9,331	\$8,802	\$9,034	\$9,433	\$7,510	\$7,658
	85	\$21,681	\$25,515	\$29,173	\$28,168	\$16,748	\$19,643

Note: All income amounts are based on patent-pending Go2Income market based pricing methodology and do not reflect any particular insurer's pricing. The form of annuity is life only with no refund.

All rates were based on market conditions earlier this year.  
For a current quote go to the QLAC Shortcut.

1-877-263-5576 | Get the retirement you want...by Securing the Income You Need

## Single Female Age 62 Wants Security



### Situation:

Denise, age 62, accumulated nearly \$300,000 in 401(k) savings over her working career. Denise has no pension and has a small amount in personal savings for emergencies. Her parents are both alive, and in their early 90s. Denise decides to invest in a QLAC. Without any beneficiaries to depend on her, and to maximize her future income, Denise chooses not to elect the Return of Premium protection.

### Solution:

Denise rolls over \$225,000 of her \$300,000 401(k) balance into a self-directed Rollover IRA account, and the remaining 25% (\$75,000) to a QLAC, electing to defer income from the QLAC until age 80. Starting at age 80, Denise can expect \$16,800 a year in guaranteed income from the QLAC.



# How can a **QLAC** be turned into an Income Plan?

While QLAC provides longevity protection, it doesn't necessarily have to be used to purchase all the income at a single specified deferred date. In fact, there are numerous ways a QLAC could be structured:

**Married Couple 70:67**  
**Wants Predictability**



## Situation:

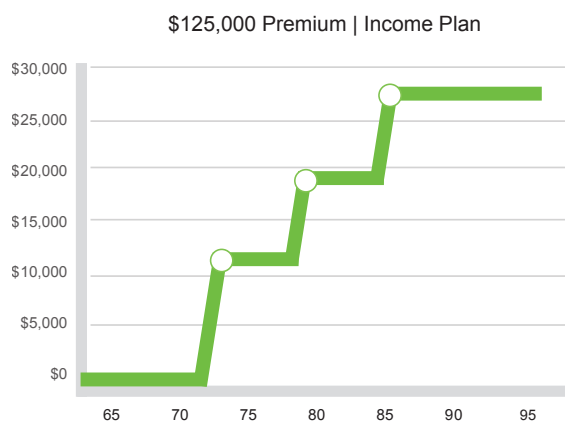
Ron, age 70, and Karen, age 67, want predictability of income that lasts as long as both or either are still living. Ron has \$600,000 in Rollover IRA savings, and Karen has \$100,000 in a Tax Sheltered Annuity. They want to avoid the fluctuations in each year's Required Minimum Distributions.

## Solution:

Ron allocated \$125,000, the maximum currently allowable, into a QLAC which will guarantee \$6,700 starting at age 75, increasing to \$11,300 at age 80, and then to \$15,400 at age 85. This yearly income will be paid as long as either Ron or Karen is alive. Karen also allocates \$25,000 (the 25% maximum allowable) into a QLAC with a deferred income payout starting at \$5,800 at age 85.

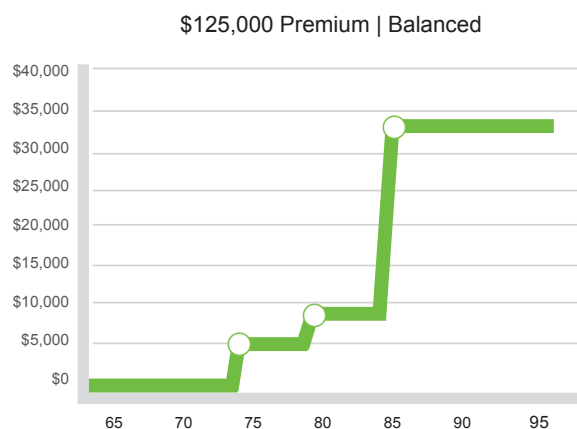
- 1 As a base **Income Plan** – By ladder purchases among different Income Start Ages, the investor has increasing income he/she can count on.

Here's illustrative graph of income from an Income Plan.



- 2 As a **Balanced Plan** – By electing a different ladder allocation, an investor can have the benefits of both – predictable income as well as longevity insurance.

Here's illustrative graph of income from a Balanced Plan.



To view any of these plans, go to the **QLAC Shortcut**. ➤

# About the Go2Income Annuity Shopping Service

## Annuity Shopping Service

There is a competitive market with over 200 life insurance companies offering annuities to the public. Since the difference in rates among companies can be significant, it makes sense to have a full selection of annuity carriers. Also, how these companies rank in terms of rates can change quite rapidly, so the ongoing analysis that we provide can be indispensable.

The selection process for inclusion in the Annuity Shopping Service is quite straightforward:

- Is the insurance company rated A or better by Standard & Poor's (S&P) or Moody's?
- Has the company been in the Income Annuity business for more than ten years?
- Does the company have over \$1 billion of annuities in force?
- Does the company provide industry standard liquidity features in its annuity contracts?
- Have the company's annuity rates been consistently competitive?

**For information on an annuity  
quote, call toll-free at  
1-888-364-1944**

## Offering a Wide Choice of Annuity Carriers

Annuity business is placed an arrangement we have with the Financial Independence Group which is the third largest Insurance Marketing Organization. Here are some of the companies available in the Annuity Shopping Service. Here are some of the companies available in the Annuity Shopping Service

**American General**  
Life Companies



It's not only about the difference in rates among companies that makes sense for us to do the shopping for you. Each life insurance company has its own practices and design features, and we will make a best effort to match Your Annuity request with the annuity contract offered by the recommended company.

# About Us

**What We Bring:** Golden Retirement, LLC ("GR") is the developer of the Savings2Income planning method for retirement income. Using the methodology underlying Savings2Income, GR built out its QLAC Toolkit to enable investors to better understand QLACs and to help them decide whether these financial products should be part of an investor's Rollover IRA or 401(k) portfolio. GR has developed analytical tools so that you can do your own analysis even before selecting an insurance company, agent, or broker. GR also has a Go2Specialist team (see sidebar) that can answer more advanced questions and help you understand the tools and any reports we provide.

**Tax Analysis:** Understanding the tax benefits is an area where a Go2Specialist can help. Allocating a portion of your IRA and 401(k) savings to a QLAC will, of course, save you taxes because of the reduction in required minimum distributions (RMDs). Of course, that's only a benefit if you don't need the income from the RMD. In order to value the QLAC tax benefits you need to compare two very different patterns of payments, which you can do by scheduling an appointment with a Go2Specialist.

## Decide, Design and Find

GR wants to help you Decide whether QLAC is right for you, Design the QLAC Plan that fits your personal circumstances, and Find the annuity company with the best rates for your QLAC Plan.



## How a Go2Specialist can help

You can Request an Appointment with a Go2Specialist who can help you with your Annuity Quote Request.

A Go2Specialist is also available to discuss Income Annuity options in addition to QLAC. Here are some of the specific ways you can be helped:

- 1 **Customizing your own Income Plan**
- 2 **Integrating QLAC into a broader retirement income plan**
- 3 **Diversifying QLAC purchases among insurance carriers**
- 4 **Helping with strategies for both spouses**
- 5 **Discussing the tax advantages of QLAC**

This assistance is provided with no obligation on your part.

**Go  Income** | Get the retirement you want...*by Securing the Income You Need*