

IRA Stretch Planning

Problem:

You have clients that have more than sufficient assets to meet their post retirement income needs. Your clients are expressing an interest in maximizing the amount they can pass on to their heirs.

Prospects:

- Individuals who have assets in IRAs.
- Individuals interested in legacy planning for younger generations.
- Individuals may be single, married, or widowed.
- High net worth individuals with discretionary income.
- Individuals who don't envision needing income from IRA, either now or in the future, to pay living expense.

Solution:

A Stretch IRA lengthens the period of tax deferred earning of assets within an IRA beyond the lifetime of the owner of the IRA, possibly over several generations. The "stretch" is not a plan - it is a strategy of just taking Minimum Required Distributions (MRD), allowing for the deferral of tax on the assets accumulated in the IRA account. To further compound growth, naming a younger beneficiary, and/or contingent beneficiary on the account will spread the payout over the beneficiary's longer life expectancy, allowing additional accumulation and deferral. However, for this strategy to work there must be funds to provide estate tax liquidity without withdrawing from the IRA at the IRA owner's death. Of course, this is where life insurance plays a role in the arrangement.

Additional Advantages Of The Stretch Strategy

- **Estate Planning.** By using the after tax distributions MRD to pay premiums, the strategy may be combined with purchase of life insurance to cover potential estate taxes, further maximizing the amounts passed to the heirs.
- **Tax-Efficient.** Stretch IRA distributions to beneficiaries are paid out as death distributions and are not subject to the 10% tax, even for a beneficiary under age 59 ½.
- **Flexibility.** If financial circumstances change, the IRA owner can receive more than the MRD from the IRA account.

Call our Advanced Marketing team to find out how your clients can benefit by implementing the IRA Stretch.

This training material has been prepared to assist our licensed financial professionals. It is designed to provide general information in regard to the subject matter covered. It should be used with the understanding that Prudential is not rendering legal, accounting or tax advice. Such services should be provided by the client's own advisors.

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