

Unlock the Power of a Stretch IRA

A Stretch IRA can be a great way to extend the tax-deferral benefits of an IRA.

Educate Your Heirs

It's critical to educate your heirs about what you want your legacy to accomplish. Most beneficiaries of an Inherited IRA are unaware they have the option to stretch it to the next generation. However, they must start taking their required distributions in a timely manner once they inherit their portion of an IRA. That's why it's imperative to make sure your heirs are aware of your intentions and understand the potential impact on their future wealth. Your hard-earned IRA savings could be a lifeline for your children and grandchildren, allowing them to retire comfortably someday.

What Is a Stretch IRA?

The Stretch IRA can be a powerful way to transfer your wealth to your heirs by means of an Inherited IRA, thus offering an opportunity to continue tax-deferred growth of your assets over several generations.

This provides a significant planning opportunity that allows the assets in the original IRA account to continue growing for the eventual benefit of grandchildren or beyond.

How Does a Stretch IRA Work?

Assuming you are an IRA owner who has named your spouse as your primary beneficiary, any remaining IRA assets at the time of your death would flow into your spouse's IRA tax-free. If your surviving spouse then names one or more of your children as beneficiaries, any remaining assets at the time of your surviving spouse's death would then flow tax-free into an Inherited IRA for those beneficiaries.

Although the IRS does require your heirs to pay taxes on minimum withdrawals from the Inherited IRA annually based on their life expectancy, any remaining assets in the Inherited IRA continue to grow tax-deferred. Assuming your heirs only withdraw the minimum required and do not remove any additional money from the Inherited IRA, your IRA legacy could potentially result in family wealth for generations.

Avoid Simple Mistakes That Can Ruin the Stretch Option

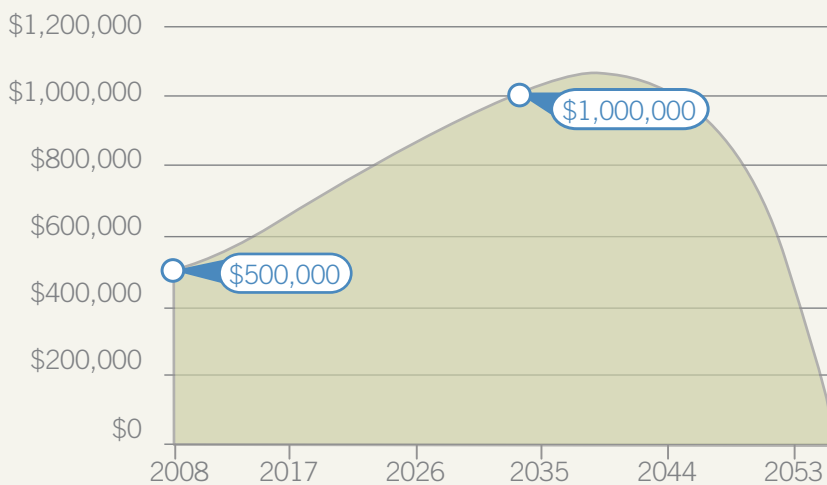
Stretch IRAs are complicated investment tools, and the stakes are high because simple mistakes can irreversibly eliminate an Inherited IRA's stretch option. Assets must be transferred directly from custodian to custodian to a properly registered Inherited IRA to become a Stretch IRA. If your heir takes possession of the assets in any way or if the transfer is otherwise mishandled, there could be serious consequences, i.e., a significant tax bill and missed future tax-free growth.

Our firm has the knowledge and experience to ensure the proper implementation of a Stretch IRA.

The Power of Compounding

Let's look at this hypothetical example: with an IRA balance of \$500,000 at the owner's death at age 80, a 37 year old IRA beneficiary could grow the original balance to more than \$1,000,000 (not adjusted for inflation) if they stretch the IRA for 25 years. Assuming that the IRA grows at constant 6% annual growth rate and that no additional distributions are taken over and above the minimum required by the IRS.

Stretch IRA Example: \$500,000



This example does not incorporate inflation, which could erode the purchasing power of your investment. This example assumes a constant annual rate of return of 6%.

Is a Stretch IRA Right for You?

An Inherited “Stretch” IRA can be a great way to extend the tax-deferral benefits of an IRA, but it is important to consider the following factors before you decide to use it as a primary source of transferring your wealth.

- Will you have sufficient wealth so that your IRA assets will not be required to settle your estate?
- Will your IRA beneficiaries be in a position to take only the minimum required distributions from the Inherited IRA?

ACTION STEPS

Our firm has the knowledge and experience to ensure the proper implementation of a Stretch IRA. We can help you educate your heirs and when it comes time for assets to be transferred, we can direct your assets into the correctly registered Inherited IRA accounts, which will allow them to be stretched.

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