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Reduce Your Retirement Distribution with QLAC

Starting at age 70½, owners of pre-tax accounts must take required minimum distributions (RMDs), which are taxed as ordinary income, from their retirement accounts. However, some investors may not want to take RMDs on their entire pre-tax account balance at age 70½, as it would provide them with more income than they need.

What is a Qualified Longevity Annuity Contract? (QLAC)



A QLAC is a deferred income annuity that allows income to begin beyond age 70½ without conflicting with RMD rules. QLACs provide you with flexibility to defer the income start date until age 85 and can only be funded with assets from a Traditional IRA, or with assets from an eligible employer-sponsored qualified plan—

401(k), 403(b), and governmental 457(b).

Benefits of a QLAC

1. Helps customize your RMD plan. You can reduce your RMD and potentially reduce your current taxes. Since the amount you invest in a QLAC is excluded from future RMD calculations, you won't pay taxes on those amounts until you start to receive income
2. Provides guaranteed lifetime income later in life. You decide when you want your income to begin, up until age 85.
3. Complements Social Security. Like Social Security, your QLAC will provide consistent, guaranteed income you can count on, beginning on a date in the future that you choose.

QLAC Premium Limit Increased in 2018

The IRS recently announced the 2018 cost of living

adjustment (COLA) increases the contribution limits for IRAs and qualified plans. The premium limit for qualified longevity annuity contracts (QLACs) also increased from \$125,000 to \$130,000. IRA owners who already own a IRA QLAC may be interested in making an additional purchase.



The 2018 maximum IRA QLAC premium is the lesser of:

- The dollar limit: \$130,000
- The percent limit: 25% of the retirement account balances



But, when planning multiple QLAC purchases, IRA owners need to know more. Specifically, they need to know:

The dollar limit applies per QLAC owner. In other words, total QLAC premiums should not exceed \$130,000.

The percent limit (25%) is determined separately for IRAs and tax-qualified plans of a single employer (i.e., 401(k)s, 403(b)s, and governmental 457(b)s).

As a part of a comprehensive retirement plan, we can help you understand the potential benefits of a QLAC and whether it may be appropriate for your situation.

Please call or email Griffing & Company, P.C. with your questions or concerns.



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