

Reduce Your Retirement Distributions with a QLAC

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Starting at age 70 ½, owners of pre-tax accounts must take their RMDs (Required Minimum Distribution), 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 70 ½, 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 70 ½ without conflicting with RMD rules. QLACs provides you with flexibility to defer the income start date until age 85 and can be funded with assets from a Traditional IRA, or assets from an eligible employer-sponsored qualified retirement plan, such as a 401K, 403B, or governmental 457B.

How does a QLAC Annuity Work?

With a QLAC, you shift the risk of outliving your income to the insurer, who promises to pay you a certain amount of income for the rest of your life.

Your QLAC needs to meet certain conditions to be exempt from RMDs (until age 85):

1. The maximum QLAC purchase payment limit is the lessor of:
 - a. \$125,000
 - OR
 - b. 25% of aggregated IRA account values (including QLAC purchases) as of the prior year
2. You can defer payouts up to age 85.

For Example:

Bill is approaching age 70 ½ and does not currently need his full RMD for income. By investing a portion of his Traditional IRA assets in a QLAC at age 70, he would not have RMD requirements on the assets invested in the QLAC, and he would receive guaranteed lifetime income starting at the date of his choosing. During the deferral period, Bill would rely on Social Security, RMDs from IRA accounts, withdrawals from investments, and other income, such as part time work or the sale of a business, to cover his living expenses.



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.](mailto:info@griffing.com) with your questions or concerns.

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