



Your Financial Legacy

*An Illustration to Help You
Preserve Your Wealth for Future Generations*

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Disclosure Page

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This financial analysis compares your investments and savings plan with your financial priorities and concerns. It provides only a broad, general and non-exhaustive guideline which may be helpful in shaping your financial thinking about investment objectives and risk management. Nothing contained herein should be considered as a recommendation of any specific option, unless otherwise stated. The report and graphs are dependent upon the quality and accuracy of data furnished to you. Any changes in, or inaccuracy of, the information you have provided to us may affect the information presented in this financial analysis.

Calculations illustrating income tax concepts and deductions are estimates only and should not be relied upon in filing income tax returns or in making tax-related decisions. Tax laws, including tax rates, are amended from time to time and such amendments may affect the options and information presented in this plan. Assumed asset growth rates and hypothetical investment returns are used at various places in this financial analysis. All assumed growth rates and investment returns are for illustration purposes only and are not intended to represent the actual future performance or growth of any specific investment or asset. All illustrations demonstrating investment growth assume a constant annual growth rate whereas actual rates may vary. All illustrations assume reinvestment of all earnings, but do not consider the effect of taxes or investment fees and expenses unless otherwise noted. Lengthy distribution periods expose an investor to significant market risk and continuing fees, charges, and expenses associated with those investments will be applicable during the stretch period. Past performance is not indicative of future results and nothing contained herein should be construed as a guarantee of a particular result. This material is for estimating purposes only and must be monitored periodically.

This financial analysis is intended to inform you of some of the available financial planning options as a precursor or adjunct to seeking legal and tax advice in implementing many of the options presented. Your attorney and accountant should be consulted regarding legal and tax implications of the options presented in this financial analysis.

More detailed information regarding any specific investment discussed in this financial analysis, including charges and expenses, is contained in the investment's prospectus. Please read the prospectus carefully before investing.

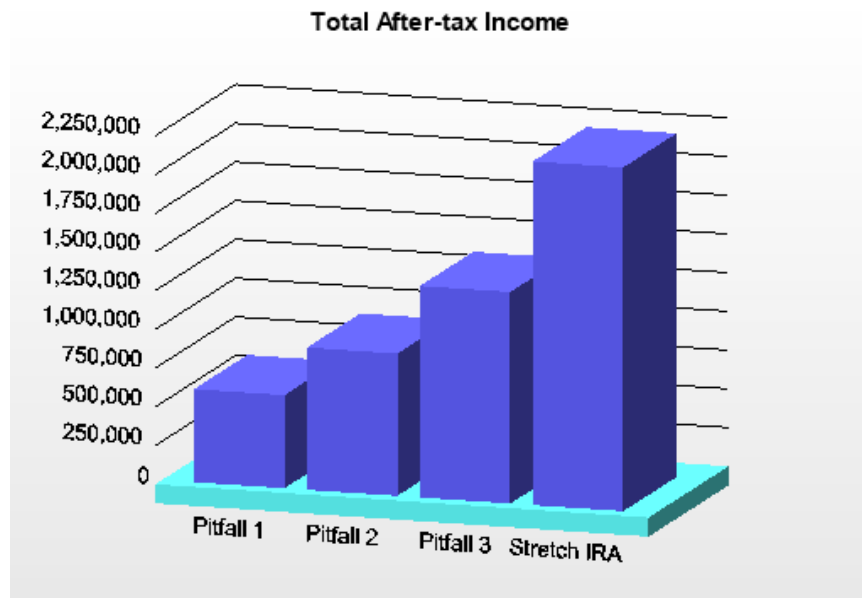
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Will You Leave Your Family a Legacy or a Tax Bill?

Your IRA's chief strength is the power of tax deferral. However, tax deferral can become a huge tax liability if your beneficiaries take a distribution after your death that causes the entire balance of your IRA to be taxed. Your beneficiaries may suffer adverse tax consequences if your IRA has an inflexible custodial agreement or if your beneficiaries do not follow the advice of an expert financial advisor who knows *exactly* what to do -- and what not to do -- with your IRA assets after you die. What follows illustrates a few examples of the many pitfalls into which your beneficiaries may fall without proper planning:

| | Pitfall 1 | Pitfall 2 | Pitfall 3 | Stretch |
|--|------------------|------------------|--------------------|--------------------|
| Total Distributions to Spouse | \$938,594 | \$486,318 | \$486,318 | \$486,318 |
| Total Distributions to Next Generation Beneficiaries | \$0 | \$768,020 | \$1,335,024 | \$2,472,712 |
| Total Federal Income Taxes Paid | \$338,055 | \$336,265 | \$456,272 | \$740,694 |
| Total After-tax Income | \$600,539 | \$918,073 | \$1,365,070 | \$2,218,336 |



Pitfall 1: Spouse takes lump sum distribution

Pitfall 2: Spouse takes RMD; Next generation beneficiaries take lump sum distribution

Pitfall 3: Spouse takes RMD; Next generation beneficiaries forced to take distributions based on the life expectancy of the oldest beneficiary

Benjamin Franklin's Financial Legacy



In 1790 Benjamin Franklin left \$4,000 jointly to the city of Philadelphia and the state of Pennsylvania. He left instructions that the money should be conservatively invested, but not withdrawn, until 200 years after his death.

In 1990 this fund had grown to \$1,500,000. The Pennsylvania State Legislature distributed the assets of the fund to several charitable foundations, including a scholarship fund for the students of Penn College. Because of his remarkable foresight and planning, Benjamin Franklin continues to benefit thousands of lives even though he has been dead for more than 200 years.

Franklin understood the interrelationship between time, money, and compound interest. His lump sum investment of a mere \$4,000 earned a modest 3.00% percent return, yet his money increased to \$1,500,000 -- 375 times the original value. Franklin knew that *time* would be the key element in maximizing the return on his investment, which is why he insisted that the money be allowed to accumulate for 200 years.

Purpose of this Illustration

The purpose of this illustration is to help you understand how to legally maximize the time your IRA assets remain invested. The longer your IRA remains intact the more income it may produce. This illustration demonstrates that it is hypothetically possible to "stretch" your IRA assets over 84 years and to produce income across several generations. This illustration assumes hypothetical fixed annual growth rates, which are not guaranteed, nor intended to represent the actual interest rate available on any specific investment or savings fund. It also does not take inflation into account, which, over time, will erode the purchasing power of the dollar amounts illustrated. Based on the assumptions in this report, it is possible for the \$1,000,000 assets in your IRA to generate approximately \$3,633,386 in future income to you and your beneficiaries. This "Stretch IRA" illustration is based in part on strict adherence to Required Minimum Distribution rules to pass on your IRA assets on to your beneficiaries. The maximum benefits of the "Stretch IRA" distribution strategy are best realized by those who do not need their IRA as the primary source of retirement income.

Important Considerations

Required Minimum Distributions

Beginning with age 70 1/2, you are required by law to withdraw a certain minimum amount from your IRA each year. This illustration assumes that you take at least the required minimum distribution at the end of each year. After your death your beneficiaries are also required to withdraw a minimum amount from their inherited IRA. This illustration assumes that your beneficiaries withdraw only the minimum amount each year.

Required Minimum Distribution regulations were proposed by the Treasury Department (IRS) in 1987 and in 2001. Final regulations on IRA distributions were issued on April 17, 2002 and are the basis of this illustration. Future beneficiaries may be subject to different types of taxation. Tax laws are complex, subject to change, and may apply differently to your particular circumstances. Neither ImagiSOFT, Inc. nor its agents or employees provide tax, legal, financial, or accounting advice. You should consult with your attorney or qualified tax advisor regarding these matters.

Survivor Income Options

Many retirement plan trustees or custodians limit the beneficiary's distribution period from one to five years. We *strongly* recommend that you read your plan document *carefully* to ensure that your beneficiaries will have the option to receive required minimum distributions over their lifetime, as demonstrated in this report. Your beneficiary's ability to receive income over their lifetime is essential to generate the most income from your retirement plan. Also, your heirs may face dramatic income tax consequences if they are forced to receive the proceeds of your retirement plan in a lump sum.

IRA Distribution Planning

The "Stretch IRA," concept is not a special or new type of IRA. Rather, the "Stretch IRA" is a bona fide strategy whereby an IRA owner may extend the period of distributions of tax-deferred earnings for several generations. Creating an IRA distribution plan is essential if your goal is to pass as much of your IRA assets on to your beneficiaries as possible in the most tax-efficient manner. To make your assets last as long as possible, the goal of your IRA distribution plan is to:

1. Provide your beneficiaries with an income stream over their life expectancies.
2. Help spread your beneficiaries' tax liability over their life expectancies.
3. Take advantage of your IRA's tax-deferred growth to increase the amount of money that may eventually pass to your beneficiaries.

Keep in mind, however, that the primary use of your IRA is to generate retirement income for yourself. Neither you or your beneficiaries are under any obligation to withdraw only the Required Minimum Distribution (explained below) each year. You may also change the beneficiaries to your IRA at any time. Those considering the "Stretch IRA" concept should understand that this strategy is for those who will not need the funds directed to the IRA, either presently or in retirement.

This illustration will provide you and your advisors information so that the IRA distribution plan you put in place will best meet your objectives. It starts with two important steps.

Step 1 Name Your IRA Beneficiary

By designating a beneficiary to your IRA, you control who inherits this important asset after your death. If you fail to name a beneficiary prior to your death, your IRA will generally pass to your estate and will be subject to applicable state probate laws, where the court will determine how your IRA assets will be divided.

Step 2 Withdraw Your Required Minimum Distribution (RMD) Each Year

Starting with the year you attain age 70-1/2, you are required to withdraw your RMD from your IRA by December 31st of each year. **Important: The RMD must be recalculated each year.** We recommend that you seek the help of a trained professional for the RMD calculation and that you evaluate your IRA distribution plan annually with your financial advisor.

How to Calculate Your RMD

Most IRA owners will use the calculation method based on The Uniform Lifetime Table. If your spouse who is more than 10 years younger than you is named as sole beneficiary for the entire year, you may use Joint Life Expectancy Table. Non-spouse beneficiaries who inherit an IRA must calculate the RMD based on the Single Life Expectancy Table. This illustration uses these formulas.

Steps Used to Calculate Your RMD

1. Determine your age at the end of the year.
2. If older than age 70 1/2, look up the life expectancy factor from the appropriate table.
3. Locate your IRA statement from the previous year then find the value on December 31st.
4. Divide the December 31st IRA balance by your life expectancy factor.

Hypothetical Example: RMD for 2016

| Age | Life Expectancy Factor | December 31, 2015 Balance | RMD Amount |
|-----|------------------------|---------------------------|------------------------------|
| 70 | 27.4 | \$100,000 | $\$100,000 / 27.4 = \$3,650$ |

DISCLOSURES PERTAINING TO THIS ILLUSTRATION

Assumed Growth Rate

The following illustration assumes several hypothetical fixed annual growth rates. The rates of return in this illustration were selected by your financial professional from a range of 0-10% based on his/her knowledge of your risk tolerance, investment strategy, and historical returns where you may be likely to invest your IRA. The rate is *not* a guarantee, nor is it intended to be indicative of any particular investment product or investment vehicle. If your IRA earns rates of return lower than the rates selected in this illustration, then your total distributions under the "stretch" method will be lower than what is illustrated. If your actual rates of return are higher, your total distributions should also be higher than the figures shown in the illustration. If your IRA earns a 0% rate of return, the owner, spouse, and beneficiaries will receive only the initial IRA value over this time period, less the income taxes due.

Time Duration

This "Stretch IRA" illustration spans 84 years with assets being distributed over several generations. Some of the assumptions in this illustration may change during this timeframe that may affect the total distributions received by you and your beneficiaries. For example, lower or higher rates of return than those illustrated, distributions higher than the RMD, tax law changes, and changing beneficiaries are events that may impact the assumptions of this illustration.

Distributions Higher Than The RMD

This illustration assumes that you, your spouse, and your beneficiaries will withdraw the Required Minimum Distribution each year. Although you are free to do so, withdrawing more than your RMD may dramatically impact future distributions to you and your beneficiaries.

Potential Tax Law Changes

This illustration is based on current tax laws, which are subject to change, possibly making the "Stretch IRA" distribution strategy obsolete in the future. Neither ImagiSOFT, Inc. nor its agents or employees provide tax, legal, financial, or accounting advice. You should consult with your attorney or qualified tax advisor regarding these matters.

Beneficiary Changes

The plan owner may add, delete, or change beneficiaries at any time. Changing beneficiaries will impact the assumptions and future distributions shown in this illustration.

Consider Inflation

This illustration does not take into account that inflation may erode the purchasing power of the future dollars shown.

Possible Estate Taxes

Traditional IRA assets are part of your estate when you die. Estates of decedents who die during 2015 have a basic exclusion amount of \$5,430,000. Under current law, this amount is adjusted each year for inflation. Federal or state estate taxes, if paid from the IRA assets, will dramatically reduce the illustrated income paid to future beneficiaries. Please consult with your qualified tax professional to determine whether you may have an estate tax liability which could be detrimental to your "Multi-Generation IRA" distribution plan.

IRA Assumptions for this Illustration

Current Value of IRA

\$1,000,000

Owner:

John F. Sample

Date of Birth: March 27, 1947
Age on December 31, 2016: 69
Assumed Age at Death: 84
Hypothetical Annual Rate of Return 4.00%

Primary Beneficiary:

Susan G. Sample (Spouse)

Date of Birth: May 1, 1952
Age on December 31, 2016: 64
Age at John's Death: 79
Assumed Age at Death: 88
Inherits this Percentage: 100%
Hypothetical Annual Rate of Return 4.00%

Next Generation Beneficiaries:

Robert Sample

Date of Birth: January 1, 1981
Age at Susan's Death: 59
Inherits this Percentage: 12.50%
Hypothetical Annual Rate of Return 4.00%

Marlene Sample

Date of Birth: January 1, 1984
Age at Susan's Death: 56
Inherits this Percentage: 12.50%
Hypothetical Annual Rate of Return 4.00%

Johnny Sample

Date of Birth: January 1, 2008
Age at Susan's Death: 32
Inherits this Percentage: 25%
Hypothetical Annual Rate of Return 4.00%

Bobbie Sample

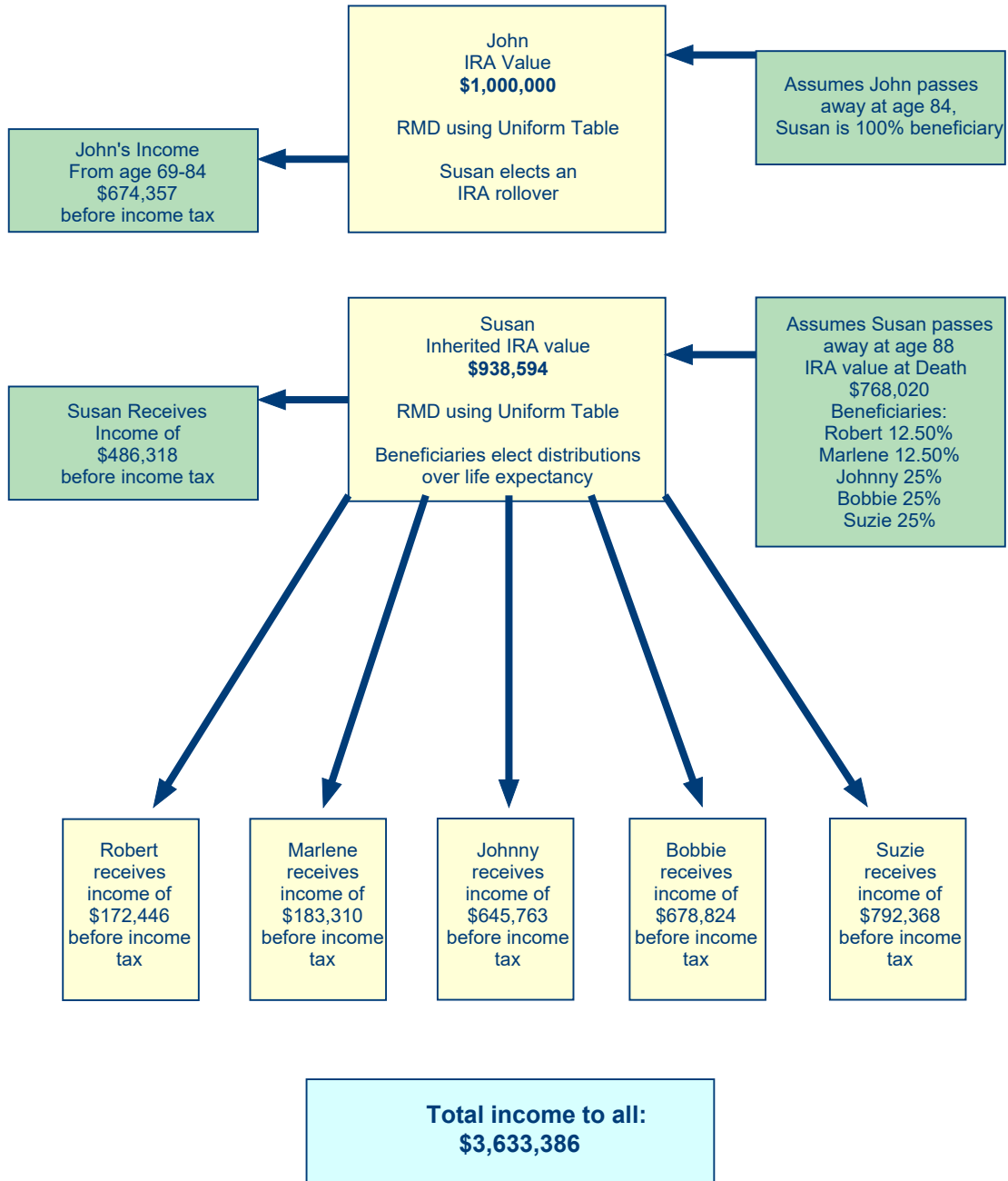
Date of Birth: January 1, 2010
Age at Susan's Death: 30
Inherits this Percentage: 25%
Hypothetical Annual Rate of Return 4.00%

Suzie Sample

Date of Birth: January 1, 2016
Age at Susan's Death: 24
Inherits this Percentage: 25%
Hypothetical Annual Rate of Return 4.00%

Rates of return are hypothetical. This example does not represent the performance of a specific investment product. Had the example used a 0% rate of return, the owner, spouse, and beneficiaries would have only received the initial IRA value over this time period, less income taxes due.

Stretch Concept Overview



Rates of return are hypothetical. This example does not represent the performance of a specific investment product. Had the example used a 0% rate of return, the owner, spouse, and beneficiaries would have only received the initial IRA value over this time period, less income taxes due.

John F. Sample

Beginning Account Balance December 31, 2015

\$1,000,000

| End of Year | Spouse Age | Life Age Expectancy | (1) Deposits | (2) Interest Earnings | (3) | | Account Balance |
|----------------|---------------|------------------------|-----------------|-----------------------------|--------------------------------------|-------------------------|--------------------|
| | | | | | Required Minimum Distributions | Elective Withdrawals | |
| 2016 | 69 | 64 | 0 | 40,000 | 0 | 0 | 1,040,000 |
| 2017 | 70 | 65 | 27.4 | 41,600 | 37,956 | 0 | 1,043,644 |
| 2018 | 71 | 66 | 26.5 | 41,746 | 39,383 | 0 | 1,046,007 |
| 2019 | 72 | 67 | 25.6 | 41,840 | 40,860 | 0 | 1,046,987 |
| 2020 | 73 | 68 | 24.7 | 41,880 | 42,388 | 0 | 1,046,479 |
| 2021 | 74 | 69 | 23.8 | 41,859 | 43,970 | 0 | 1,044,368 |
| 2022 | 75 | 70 | 22.9 | 41,775 | 45,606 | 0 | 1,040,537 |
| 2023 | 76 | 71 | 22.0 | 41,621 | 47,297 | 0 | 1,034,862 |
| 2024 | 77 | 72 | 21.2 | 41,394 | 48,814 | 0 | 1,027,442 |
| 2025 | 78 | 73 | 20.3 | 41,098 | 50,613 | 0 | 1,017,927 |
| 2026 | 79 | 74 | 19.5 | 40,717 | 52,201 | 0 | 1,006,442 |
| 2027 | 80 | 75 | 18.7 | 40,258 | 53,820 | 0 | 992,880 |
| 2028 | 81 | 76 | 17.9 | 39,715 | 55,468 | 0 | 977,127 |
| 2029 | 82 | 77 | 17.1 | 39,085 | 57,142 | 0 | 959,070 |
| 2030 | 83 | 78 | 16.3 | 38,363 | 58,839 | 0 | 938,594 |

At John's death Susan completes an IRA rollover. Total distributions during John's lifetime are \$674,357.

(1) Life expectancy is based on the Uniform Lifetime Table. Susan is named beneficiary.

(2) Reflects assumed hypothetical annual rate of return of 4.00%.

(3) Distributions are based on the prior year's December 31 value. The initial distribution in this example is using the value of \$1,000,000 as of December 31, 2015.

Susan G. Sample

Inherited Account Balance

\$938,594

| End of Year | Spouse Age | Life Age Expectancy | (1) Deposits | (2) Interest Earnings | (3) | | Account Balance |
|----------------|---------------|------------------------|-----------------|-----------------------------|--------------------------------------|-------------------------|--------------------|
| | | | | | Required Minimum Distributions | Elective Withdrawals | |
| 2031 | 79 | 19.5 | 0 | 37,544 | 48,133 | 0 | 928,005 |
| 2032 | 80 | 18.7 | 0 | 37,120 | 49,626 | 0 | 915,499 |
| 2033 | 81 | 17.9 | 0 | 36,620 | 51,145 | 0 | 900,974 |
| 2034 | 82 | 17.1 | 0 | 36,039 | 52,689 | 0 | 884,324 |
| 2035 | 83 | 16.3 | 0 | 35,373 | 54,253 | 0 | 865,444 |
| 2036 | 84 | 15.5 | 0 | 34,618 | 55,835 | 0 | 844,227 |
| 2037 | 85 | 14.8 | 0 | 33,769 | 57,042 | 0 | 820,954 |
| 2038 | 86 | 14.1 | 0 | 32,838 | 58,224 | 0 | 795,568 |
| 2039 | 87 | 13.4 | 0 | 31,823 | 59,371 | 0 | 768,020 |

Total distributions during Susan's lifetime are \$486,318. At Susan's death, the IRA is distributed to the named beneficiaries.

- (1) Calculated life expectancy based on the Uniform Lifetime Table.
- (2) Reflects assumed hypothetical annual rate of return of 4.00%.
- (3) Required Minimum Distributions are based on the prior year's December 31 value and the Uniform Lifetime Table.

Extending Your Legacy

You receive your Required Minimum Distributions on your IRA until the time of your death based on the Uniform Lifetime Table. At your death, Susan rolls over the remaining IRA balance and names new beneficiaries for her IRA. With Susan now the current IRA owner, Required Minimum Distributions are based on the Uniform Lifetime Table. At Susan's death, her beneficiaries receive their percentage of the IRA and must take Required Minimum Distributions based on the single life expectancy table.

If Susan's estate does not have enough liquidity outside the IRA to pay any applicable estate taxes, and is forced to liquidate some of the IRA assets for these expenses, distributions to the next generation beneficiaries could be greatly reduced.

Rates of return are hypothetical. This example does not represent the performance of a specific investment product. Had the example used a 0% rate of return, the owner, spouse, and beneficiaries would have only received the initial IRA value over this time period, less income taxes due.

Robert Sample

Inherited Account Balance \$96,003

| <u>End of</u> <u>Year</u> | <u>Age</u> | (1) <u>Life</u> <u>Exp.</u> | (2) <u>Annual</u> <u>Distributions</u> | (3) <u>Account</u> <u>Balance</u> | <u>End of</u> <u>Year</u> | <u>Age</u> | (1) <u>Life</u> <u>Exp.</u> | (2) <u>Annual</u> <u>Distributions</u> | (3) <u>Account</u> <u>Balance</u> |
|------------------------------|------------|-----------------------------------|--|---|------------------------------|------------|-----------------------------------|--|---|
| 2040 | 59 | 26.1 | 3,678 | 96,164 | 2054 | 73 | 12.1 | 6,566 | 76,062 |
| 2041 | 60 | 25.1 | 3,831 | 96,180 | 2055 | 74 | 11.1 | 6,852 | 72,253 |
| 2042 | 61 | 24.1 | 3,991 | 96,036 | 2056 | 75 | 10.1 | 7,154 | 67,989 |
| 2043 | 62 | 23.1 | 4,157 | 95,720 | 2057 | 76 | 9.1 | 7,471 | 63,237 |
| 2044 | 63 | 22.1 | 4,331 | 95,218 | 2058 | 77 | 8.1 | 7,807 | 57,960 |
| 2045 | 64 | 21.1 | 4,513 | 94,514 | 2059 | 78 | 7.1 | 8,163 | 52,115 |
| 2046 | 65 | 20.1 | 4,702 | 93,592 | 2060 | 79 | 6.1 | 8,543 | 45,656 |
| 2047 | 66 | 19.1 | 4,900 | 92,436 | 2061 | 80 | 5.1 | 8,952 | 38,530 |
| 2048 | 67 | 18.1 | 5,107 | 91,026 | 2062 | 81 | 4.1 | 9,398 | 30,674 |
| 2049 | 68 | 17.1 | 5,323 | 89,344 | 2063 | 82 | 3.1 | 9,895 | 22,006 |
| 2050 | 69 | 16.1 | 5,549 | 87,368 | 2064 | 83 | 2.1 | 10,479 | 12,407 |
| 2051 | 70 | 15.1 | 5,786 | 85,077 | 2065 | 84 | 1.1 | 11,279 | 1,624 |
| 2052 | 71 | 14.1 | 6,034 | 82,446 | 2066 | 85 | 0.1 | 1,689 | 0 |
| 2053 | 72 | 13.1 | 6,294 | 79,451 | | | | | |

Total distributions received during Robert's lifetime are \$172,446

- (1) Calculated on December 31st of the year following death and reduced by one each year thereafter.
- (2) Distributions subject to income tax.
- (3) Reflects assumed hypothetical annual rate of return of 4.00%.

Marlene Sample

Inherited Account Balance \$96,003

| <u>End of</u> <u>Year</u> | <u>Age</u> | (1) <u>Life</u> <u>Exp.</u> | (2) <u>Annual</u> <u>Distributions</u> | (3) <u>Account</u> <u>Balance</u> | <u>End of</u> <u>Year</u> | <u>Age</u> | (1) <u>Life</u> <u>Exp.</u> | (2) <u>Annual</u> <u>Distributions</u> | (3) <u>Account</u> <u>Balance</u> |
|------------------------------|------------|-----------------------------------|--|---|------------------------------|------------|-----------------------------------|--|---|
| 2040 | 56 | 28.7 | 3,345 | 96,498 | 2055 | 71 | 13.7 | 6,202 | 82,170 |
| 2041 | 57 | 27.7 | 3,484 | 96,874 | 2056 | 72 | 12.7 | 6,470 | 78,987 |
| 2042 | 58 | 26.7 | 3,628 | 97,121 | 2057 | 73 | 11.7 | 6,751 | 75,395 |
| 2043 | 59 | 25.7 | 3,779 | 97,226 | 2058 | 74 | 10.7 | 7,046 | 71,365 |
| 2044 | 60 | 24.7 | 3,936 | 97,179 | 2059 | 75 | 9.7 | 7,357 | 66,862 |
| 2045 | 61 | 23.7 | 4,100 | 96,966 | 2060 | 76 | 8.7 | 7,685 | 61,852 |
| 2046 | 62 | 22.7 | 4,272 | 96,573 | 2061 | 77 | 7.7 | 8,033 | 56,293 |
| 2047 | 63 | 21.7 | 4,450 | 95,985 | 2062 | 78 | 6.7 | 8,402 | 50,143 |
| 2048 | 64 | 20.7 | 4,637 | 95,188 | 2063 | 79 | 5.7 | 8,797 | 43,351 |
| 2049 | 65 | 19.7 | 4,832 | 94,164 | 2064 | 80 | 4.7 | 9,224 | 35,862 |
| 2050 | 66 | 18.7 | 5,035 | 92,895 | 2065 | 81 | 3.7 | 9,692 | 27,604 |
| 2051 | 67 | 17.7 | 5,248 | 91,362 | 2066 | 82 | 2.7 | 10,224 | 18,484 |
| 2052 | 68 | 16.7 | 5,471 | 89,546 | 2067 | 83 | 1.7 | 10,873 | 8,351 |
| 2053 | 69 | 15.7 | 5,704 | 87,424 | 2068 | 84 | 0.7 | 8,685 | 0 |
| 2054 | 70 | 14.7 | 5,947 | 84,974 | | | | | |

Total distributions received during Marlene's lifetime are \$183,310

- (1) Calculated on December 31st of the year following death and reduced by one each year thereafter.
- (2) Distributions subject to income tax.
- (3) Reflects assumed hypothetical annual rate of return of 4.00%.

Johnny Sample

Inherited Account Balance \$192,005

| <u>End of</u> <u>Year</u> | <u>Age</u> | (1) <u>Life</u> <u>Exp.</u> | (2) <u>Annual</u> <u>Distributions</u> | (3) <u>Account</u> <u>Balance</u> | <u>End of</u> <u>Year</u> | <u>Age</u> | (1) <u>Life</u> <u>Exp.</u> | (2) <u>Annual</u> <u>Distributions</u> | (3) <u>Account</u> <u>Balance</u> |
|------------------------------|------------|-----------------------------------|--|---|------------------------------|------------|-----------------------------------|--|---|
| 2040 | 32 | 51.4 | 3,736 | 195,950 | 2066 | 58 | 25.4 | 10,645 | 270,557 |
| 2041 | 33 | 50.4 | 3,888 | 199,900 | 2067 | 59 | 24.4 | 11,088 | 270,291 |
| 2042 | 34 | 49.4 | 4,047 | 203,849 | 2068 | 60 | 23.4 | 11,551 | 269,552 |
| 2043 | 35 | 48.4 | 4,212 | 207,791 | 2069 | 61 | 22.4 | 12,034 | 268,300 |
| 2044 | 36 | 47.4 | 4,384 | 211,719 | 2070 | 62 | 21.4 | 12,537 | 266,495 |
| 2045 | 37 | 46.4 | 4,563 | 215,625 | 2071 | 63 | 20.4 | 13,063 | 264,091 |
| 2046 | 38 | 45.4 | 4,749 | 219,501 | 2072 | 64 | 19.4 | 13,613 | 261,042 |
| 2047 | 39 | 44.4 | 4,944 | 223,337 | 2073 | 65 | 18.4 | 14,187 | 257,297 |
| 2048 | 40 | 43.4 | 5,146 | 227,125 | 2074 | 66 | 17.4 | 14,787 | 252,801 |
| 2049 | 41 | 42.4 | 5,357 | 230,853 | 2075 | 67 | 16.4 | 15,415 | 247,499 |
| 2050 | 42 | 41.4 | 5,576 | 234,511 | 2076 | 68 | 15.4 | 16,071 | 241,327 |
| 2051 | 43 | 40.4 | 5,805 | 238,086 | 2077 | 69 | 14.4 | 16,759 | 234,221 |
| 2052 | 44 | 39.4 | 6,043 | 241,567 | 2078 | 70 | 13.4 | 17,479 | 226,111 |
| 2053 | 45 | 38.4 | 6,291 | 244,939 | 2079 | 71 | 12.4 | 18,235 | 216,921 |
| 2054 | 46 | 37.4 | 6,549 | 248,187 | 2080 | 72 | 11.4 | 19,028 | 206,569 |
| 2055 | 47 | 36.4 | 6,818 | 251,297 | 2081 | 73 | 10.4 | 19,862 | 194,970 |
| 2056 | 48 | 35.4 | 7,099 | 254,250 | 2082 | 74 | 9.4 | 20,741 | 182,027 |
| 2057 | 49 | 34.4 | 7,391 | 257,029 | 2083 | 75 | 8.4 | 21,670 | 167,638 |
| 2058 | 50 | 33.4 | 7,695 | 259,614 | 2084 | 76 | 7.4 | 22,654 | 151,690 |
| 2059 | 51 | 32.4 | 8,013 | 261,986 | 2085 | 77 | 6.4 | 23,702 | 134,056 |
| 2060 | 52 | 31.4 | 8,344 | 264,122 | 2086 | 78 | 5.4 | 24,825 | 114,593 |
| 2061 | 53 | 30.4 | 8,688 | 265,999 | 2087 | 79 | 4.4 | 26,044 | 93,133 |
| 2062 | 54 | 29.4 | 9,048 | 267,591 | 2088 | 80 | 3.4 | 27,392 | 69,466 |
| 2063 | 55 | 28.4 | 9,422 | 268,872 | 2089 | 81 | 2.4 | 28,944 | 43,301 |
| 2064 | 56 | 27.4 | 9,813 | 269,815 | 2090 | 82 | 1.4 | 30,929 | 14,104 |
| 2065 | 57 | 26.4 | 10,220 | 270,387 | 2091 | 83 | 0.4 | 14,668 | 0 |

Total distributions received during Johnny's lifetime are \$645,763

- (1) Calculated on December 31st of the year following death and reduced by one each year thereafter.
- (2) Distributions subject to income tax.
- (3) Reflects assumed hypothetical annual rate of return of 4.00%.

Bobbie Sample

Inherited Account Balance \$192,005

| <u>End of</u> <u>Year</u> | <u>Age</u> | (1) <u>Life</u> <u>Exp.</u> | (2) <u>Annual</u> <u>Distributions</u> | (3) <u>Account</u> <u>Balance</u> | <u>End of</u> <u>Year</u> | <u>Age</u> | (1) <u>Life</u> <u>Exp.</u> | (2) <u>Annual</u> <u>Distributions</u> | (3) <u>Account</u> <u>Balance</u> |
|------------------------------|------------|-----------------------------------|--|---|------------------------------|------------|-----------------------------------|--|---|
| 2040 | 30 | 53.3 | 3,602 | 196,083 | 2067 | 57 | 26.3 | 10,677 | 281,355 |
| 2041 | 31 | 52.3 | 3,749 | 200,177 | 2068 | 58 | 25.3 | 11,121 | 281,488 |
| 2042 | 32 | 51.3 | 3,902 | 204,282 | 2069 | 59 | 24.3 | 11,584 | 281,164 |
| 2043 | 33 | 50.3 | 4,061 | 208,392 | 2070 | 60 | 23.3 | 12,067 | 280,343 |
| 2044 | 34 | 49.3 | 4,227 | 212,501 | 2071 | 61 | 22.3 | 12,571 | 278,985 |
| 2045 | 35 | 48.3 | 4,400 | 216,601 | 2072 | 62 | 21.3 | 13,098 | 277,047 |
| 2046 | 36 | 47.3 | 4,579 | 220,686 | 2073 | 63 | 20.3 | 13,648 | 274,481 |
| 2047 | 37 | 46.3 | 4,766 | 224,747 | 2074 | 64 | 19.3 | 14,222 | 271,239 |
| 2048 | 38 | 45.3 | 4,961 | 228,775 | 2075 | 65 | 18.3 | 14,822 | 267,266 |
| 2049 | 39 | 44.3 | 5,164 | 232,762 | 2076 | 66 | 17.3 | 15,449 | 262,508 |
| 2050 | 40 | 43.3 | 5,376 | 236,697 | 2077 | 67 | 16.3 | 16,105 | 256,904 |
| 2051 | 41 | 42.3 | 5,596 | 240,569 | 2078 | 68 | 15.3 | 16,791 | 250,389 |
| 2052 | 42 | 41.3 | 5,825 | 244,367 | 2079 | 69 | 14.3 | 17,510 | 242,894 |
| 2053 | 43 | 40.3 | 6,064 | 248,078 | 2080 | 70 | 13.3 | 18,263 | 234,348 |
| 2054 | 44 | 39.3 | 6,312 | 251,689 | 2081 | 71 | 12.3 | 19,053 | 224,669 |
| 2055 | 45 | 38.3 | 6,572 | 255,185 | 2082 | 72 | 11.3 | 19,882 | 213,773 |
| 2056 | 46 | 37.3 | 6,841 | 258,551 | 2083 | 73 | 10.3 | 20,755 | 201,570 |
| 2057 | 47 | 36.3 | 7,123 | 261,770 | 2084 | 74 | 9.3 | 21,674 | 187,958 |
| 2058 | 48 | 35.3 | 7,416 | 264,825 | 2085 | 75 | 8.3 | 22,646 | 172,831 |
| 2059 | 49 | 34.3 | 7,721 | 267,698 | 2086 | 76 | 7.3 | 23,675 | 156,069 |
| 2060 | 50 | 33.3 | 8,039 | 270,367 | 2087 | 77 | 6.3 | 24,773 | 137,539 |
| 2061 | 51 | 32.3 | 8,370 | 272,811 | 2088 | 78 | 5.3 | 25,951 | 117,090 |
| 2062 | 52 | 31.3 | 8,716 | 275,007 | 2089 | 79 | 4.3 | 27,230 | 94,543 |
| 2063 | 53 | 30.3 | 9,076 | 276,931 | 2090 | 80 | 3.3 | 28,649 | 69,675 |
| 2064 | 54 | 29.3 | 9,452 | 278,557 | 2091 | 81 | 2.3 | 30,294 | 42,169 |
| 2065 | 55 | 28.3 | 9,843 | 279,856 | 2092 | 82 | 1.3 | 32,437 | 11,418 |
| 2066 | 56 | 27.3 | 10,251 | 280,799 | 2093 | 83 | 0.3 | 11,875 | 0 |

Total distributions received during Bobbie's lifetime are \$678,824

- (1) Calculated on December 31st of the year following death and reduced by one each year thereafter.
- (2) Distributions subject to income tax.
- (3) Reflects assumed hypothetical annual rate of return of 4.00%.

Suzie Sample

Inherited Account Balance \$192,005

| <u>End of</u> <u>Year</u> | <u>Age</u> | <u>(1)</u> <u>Life</u> <u>Exp.</u> | <u>(2)</u> <u>Annual</u> <u>Distributions</u> | <u>(3)</u> <u>Account</u> <u>Balance</u> | <u>End of</u> <u>Year</u> | <u>Age</u> | <u>(1)</u> <u>Life</u> <u>Exp.</u> | <u>(2)</u> <u>Annual</u> <u>Distributions</u> | <u>(3)</u> <u>Account</u> <u>Balance</u> |
|------------------------------|------------|--|---|--|------------------------------|------------|--|---|--|
| 2040 | 24 | 59.1 | 3,249 | 196,436 | 2070 | 54 | 29.1 | 10,832 | 316,982 |
| 2041 | 25 | 58.1 | 3,381 | 200,913 | 2071 | 55 | 28.1 | 11,281 | 318,381 |
| 2042 | 26 | 57.1 | 3,519 | 205,431 | 2072 | 56 | 27.1 | 11,748 | 319,368 |
| 2043 | 27 | 56.1 | 3,662 | 209,986 | 2073 | 57 | 26.1 | 12,236 | 319,906 |
| 2044 | 28 | 55.1 | 3,811 | 214,575 | 2074 | 58 | 25.1 | 12,745 | 319,957 |
| 2045 | 29 | 54.1 | 3,966 | 219,191 | 2075 | 59 | 24.1 | 13,276 | 319,479 |
| 2046 | 30 | 53.1 | 4,128 | 223,831 | 2076 | 60 | 23.1 | 13,830 | 318,428 |
| 2047 | 31 | 52.1 | 4,296 | 228,488 | 2077 | 61 | 22.1 | 14,409 | 316,757 |
| 2048 | 32 | 51.1 | 4,471 | 233,156 | 2078 | 62 | 21.1 | 15,012 | 314,415 |
| 2049 | 33 | 50.1 | 4,654 | 237,829 | 2079 | 63 | 20.1 | 15,643 | 311,349 |
| 2050 | 34 | 49.1 | 4,844 | 242,498 | 2080 | 64 | 19.1 | 16,301 | 307,502 |
| 2051 | 35 | 48.1 | 5,042 | 247,156 | 2081 | 65 | 18.1 | 16,989 | 302,813 |
| 2052 | 36 | 47.1 | 5,247 | 251,795 | 2082 | 66 | 17.1 | 17,708 | 297,217 |
| 2053 | 37 | 46.1 | 5,462 | 256,405 | 2083 | 67 | 16.1 | 18,461 | 290,645 |
| 2054 | 38 | 45.1 | 5,685 | 260,976 | 2084 | 68 | 15.1 | 19,248 | 283,023 |
| 2055 | 39 | 44.1 | 5,918 | 265,497 | 2085 | 69 | 14.1 | 20,073 | 274,271 |
| 2056 | 40 | 43.1 | 6,160 | 269,957 | 2086 | 70 | 13.1 | 20,937 | 264,305 |
| 2057 | 41 | 42.1 | 6,412 | 274,343 | 2087 | 71 | 12.1 | 21,843 | 253,034 |
| 2058 | 42 | 41.1 | 6,675 | 278,642 | 2088 | 72 | 11.1 | 22,796 | 240,359 |
| 2059 | 43 | 40.1 | 6,949 | 282,839 | 2089 | 73 | 10.1 | 23,798 | 226,176 |
| 2060 | 44 | 39.1 | 7,234 | 286,919 | 2090 | 74 | 9.1 | 24,854 | 210,368 |
| 2061 | 45 | 38.1 | 7,531 | 290,865 | 2091 | 75 | 8.1 | 25,971 | 192,812 |
| 2062 | 46 | 37.1 | 7,840 | 294,659 | 2092 | 76 | 7.1 | 27,157 | 173,368 |
| 2063 | 47 | 36.1 | 8,162 | 298,283 | 2093 | 77 | 6.1 | 28,421 | 151,881 |
| 2064 | 48 | 35.1 | 8,498 | 301,717 | 2094 | 78 | 5.1 | 29,781 | 128,176 |
| 2065 | 49 | 34.1 | 8,848 | 304,937 | 2095 | 79 | 4.1 | 31,262 | 102,041 |
| 2066 | 50 | 33.1 | 9,213 | 307,922 | 2096 | 80 | 3.1 | 32,916 | 73,206 |
| 2067 | 51 | 32.1 | 9,593 | 310,646 | 2097 | 81 | 2.1 | 34,860 | 41,274 |
| 2068 | 52 | 31.1 | 9,989 | 313,084 | 2098 | 82 | 1.1 | 37,522 | 5,403 |
| 2069 | 53 | 30.1 | 10,401 | 315,206 | 2099 | 83 | 0.1 | 5,619 | 0 |

Total distributions received during Suzie's lifetime are \$792,368

- (1) Calculated on December 31st of the year following death and reduced by one each year thereafter.
- (2) Distributions subject to income tax.
- (3) Reflects assumed hypothetical annual rate of return of 4.00%.

Legacy or Tax Bill?

The following compares the after-tax effect if Robert takes the IRA inheritance in a lump sum or spreads the distributions over 27 years using the Stretch Strategy.

Robert Sample at Assumed Age 59

| | |
|---|--|
| Lump Sum Distribution \$96,003 | RMD \$96,003 |
| \$96,003 -\$25,349 (28.00% top \$70,653 tax bracket) | spreads income over 27 years Total after-tax distributions: \$129,334 Total taxes paid: * \$43,111 (27 years) (25.00% median tax bracket) |
| \$70,653 re-invested in a taxable investment at 3.00% after-tax annual rate of return ** | After-tax RMD distributions re-invested in a taxable investment at 3.00% after-tax annual rate of return ** |
| 27 years | 27 years |
| \$156,941 | \$183,273 |

Assumptions

Income tax calculations assume that Robert has a Taxable Income of \$50,000 each year and pays taxes based on 2016 income tax tables for a Single filer. Annual distributions are then added to the Gross Income and income taxes are recomputed. This method results in a reasonable approximation of the actual income tax effect of receiving distributions. Tax rates are subject to change and may differ from this analysis. State income taxes are not included in this example.

Rates of return are hypothetical. This example does not represent the performance of a specific investment product. Had the example used a 0% rate of return, the beneficiary would have only received the inherited value at death over this time period, less income taxes due.

* Under the RMD distribution method, your RMD should increase as your life expectancy decreases. As a result, your taxable income may also increase over time. "Total taxes paid" reflects the amounts you would pay each year under current federal income tax rates based on the above assumptions. The "median tax rate" is added to the chart to help you compare federal income taxation of this method with the lump sum distribution option. Actual tax rates will differ from this median.

** After-tax rates of return are calculated by reducing the interest earned at an assumed hypothetical 4.00% annual rate of return by the federal income taxes payable for that year. The after-tax interest rate shown is the rate in the median year of distributions under each distribution method.

Legacy or Tax Bill?

The following compares the after-tax effect if Marlene takes the IRA inheritance in a lump sum or spreads the distributions over 29 years using the Stretch Strategy.

Marlene Sample at Assumed Age 56

| | |
|---|--|
| Lump Sum Distribution \$96,003 | RMD \$96,003 |
| \$96,003 -\$25,349 (28.00% top \$70,653 tax bracket) | spreads income over 29 years Total after-tax distributions: \$137,483 Total taxes paid: * \$45,828 (29 years) (25.00% median tax bracket) |
| \$70,653 re-invested in a taxable investment at 3.00% after-tax annual rate of return ** | After-tax RMD distributions re-invested in a taxable investment at 3.00% after-tax annual rate of return ** |
| 29 years | 29 years |
| \$166,499 | \$197,053 |

Assumptions

Income tax calculations assume that Marlene has a Taxable Income of \$50,000 each year and pays taxes based on 2016 income tax tables for a Single filer. Annual distributions are then added to the Gross Income and income taxes are recomputed. This method results in a reasonable approximation of the actual income tax effect of receiving distributions. Tax rates are subject to change and may differ from this analysis. State income taxes are not included in this example.

Rates of return are hypothetical. This example does not represent the performance of a specific investment product. Had the example used a 0% rate of return, the beneficiary would have only received the inherited value at death over this time period, less income taxes due.

* Under the RMD distribution method, your RMD should increase as your life expectancy decreases. As a result, your taxable income may also increase over time. "Total taxes paid" reflects the amounts you would pay each year under current federal income tax rates based on the above assumptions. The "median tax rate" is added to the chart to help you compare federal income taxation of this method with the lump sum distribution option. Actual tax rates will differ from this median.

** After-tax rates of return are calculated by reducing the interest earned at an assumed hypothetical 4.00% annual rate of return by the federal income taxes payable for that year. The after-tax interest rate shown is the rate in the median year of distributions under each distribution method.

Legacy or Tax Bill?

The following compares the after-tax effect if Johnny takes the IRA inheritance in a lump sum or spreads the distributions over 52 years using the Stretch Strategy.

Johnny Sample at Assumed Age 32

| | |
|--|---|
| Lump Sum Distribution \$192,005 | RMD \$192,005 |
| \$192,005 -\$54,350 (33.00% top \$137,655 tax bracket) | spreads income over 52 years Total after-tax distributions: \$484,322 Total taxes paid: * \$161,441 (52 years) (25.00% median tax bracket) |
| \$137,655 re-invested in a taxable investment at 3.00% after-tax annual rate of return ** | After-tax RMD distributions re-invested in a taxable investment at 3.00% after-tax annual rate of return ** |
| 52 years | 52 years |
| \$640,217 | \$876,037 |

Assumptions

Income tax calculations assume that Johnny has a Taxable Income of \$50,000 each year and pays taxes based on 2016 income tax tables for a Single filer. Annual distributions are then added to the Gross Income and income taxes are recomputed. This method results in a reasonable approximation of the actual income tax effect of receiving distributions. Tax rates are subject to change and may differ from this analysis. State income taxes are not included in this example.

Rates of return are hypothetical. This example does not represent the performance of a specific investment product. Had the example used a 0% rate of return, the beneficiary would have only received the inherited value at death over this time period, less income taxes due.

* Under the RMD distribution method, your RMD should increase as your life expectancy decreases. As a result, your taxable income may also increase over time. "Total taxes paid" reflects the amounts you would pay each year under current federal income tax rates based on the above assumptions. The "median tax rate" is added to the chart to help you compare federal income taxation of this method with the lump sum distribution option. Actual tax rates will differ from this median.

** After-tax rates of return are calculated by reducing the interest earned at an assumed hypothetical 4.00% annual rate of return by the federal income taxes payable for that year. The after-tax interest rate shown is the rate in the median year of distributions under each distribution method.

Legacy or Tax Bill?

The following compares the after-tax effect if Bobbie takes the IRA inheritance in a lump sum or spreads the distributions over 54 years using the Stretch Strategy.

Bobbie Sample at Assumed Age 30

| | |
|--|---|
| Lump Sum Distribution \$192,005 | RMD \$192,005 |
| \$192,005 -\$54,350 (33.00% top \$137,655 tax bracket) | spreads income over 54 years Total after-tax distributions: \$509,118 Total taxes paid: * \$169,706 (54 years) (25.00% median tax bracket) |
| \$137,655 re-invested in a taxable investment at 3.00% after-tax annual rate of return ** | After-tax RMD distributions re-invested in a taxable investment at 3.00% after-tax annual rate of return ** |
| 54 years | 54 years |
| \$679,206 | \$938,854 |

Assumptions

Income tax calculations assume that Bobbie has a Taxable Income of \$50,000 each year and pays taxes based on 2016 income tax tables for a Single filer. Annual distributions are then added to the Gross Income and income taxes are recomputed. This method results in a reasonable approximation of the actual income tax effect of receiving distributions. Tax rates are subject to change and may differ from this analysis. State income taxes are not included in this example.

Rates of return are hypothetical. This example does not represent the performance of a specific investment product. Had the example used a 0% rate of return, the beneficiary would have only received the inherited value at death over this time period, less income taxes due.

* Under the RMD distribution method, your RMD should increase as your life expectancy decreases. As a result, your taxable income may also increase over time. "Total taxes paid" reflects the amounts you would pay each year under current federal income tax rates based on the above assumptions. The "median tax rate" is added to the chart to help you compare federal income taxation of this method with the lump sum distribution option. Actual tax rates will differ from this median.

** After-tax rates of return are calculated by reducing the interest earned at an assumed hypothetical 4.00% annual rate of return by the federal income taxes payable for that year. The after-tax interest rate shown is the rate in the median year of distributions under each distribution method.

Legacy or Tax Bill?

The following compares the after-tax effect if Suzie takes the IRA inheritance in a lump sum or spreads the distributions over 60 years using the Stretch Strategy.

Suzie Sample at Assumed Age 24

| | |
|--|---|
| Lump Sum Distribution \$192,005 | RMD \$192,005 |
| \$192,005 -\$54,350 (33.00% top \$137,655 tax bracket) | spreads income over 60 years Total after-tax distributions: \$594,276 Total taxes paid: * \$198,092 (60 years) (25.00% median tax bracket) |
| \$137,655 re-invested in a taxable investment at 3.00% after-tax annual rate of return ** | After-tax RMD distributions re-invested in a taxable investment at 3.00% after-tax annual rate of return ** |
| 60 years | 60 years |
| \$811,008 | \$1,156,455 |

Assumptions

Income tax calculations assume that Suzie has a Taxable Income of \$50,000 each year and pays taxes based on 2016 income tax tables for a Single filer. Annual distributions are then added to the Gross Income and income taxes are recomputed. This method results in a reasonable approximation of the actual income tax effect of receiving distributions. Tax rates are subject to change and may differ from this analysis. State income taxes are not included in this example.

Rates of return are hypothetical. This example does not represent the performance of a specific investment product. Had the example used a 0% rate of return, the beneficiary would have only received the inherited value at death over this time period, less income taxes due.

* Under the RMD distribution method, your RMD should increase as your life expectancy decreases. As a result, your taxable income may also increase over time. "Total taxes paid" reflects the amounts you would pay each year under current federal income tax rates based on the above assumptions. The "median tax rate" is added to the chart to help you compare federal income taxation of this method with the lump sum distribution option. Actual tax rates will differ from this median.

** After-tax rates of return are calculated by reducing the interest earned at an assumed hypothetical 4.00% annual rate of return by the federal income taxes payable for that year. The after-tax interest rate shown is the rate in the median year of distributions under each distribution method.