MassMutual Ascend
Life Insurance Company

Leaving a legacy

from MassMutual Ascend Life Insurance Company

Stretching your IRA or non-qualified annuity

Make your money mean more to future generations

You've worked hard to secure your financial future and may have additional assets you want to leave for your loved ones. Taking only the Required Minimum Distribution (RMD) from your IRA, or allowing your nonqualified annuity to continue to grow tax-deferred, could help minimize your own taxes and leave funds for your beneficiaries. However, when these assets pass to your beneficiaries, taking a distribution as a lump sum can cause significant tax burdens for your loved ones.

Your beneficiary can reduce this tax burden by choosing to stretch out payments rather than taking a lump sum. Stretching out payments allows the money to grow tax-deferred, spreads the tax liability across multiple years and may avoid higher tax brackets.

Taking advantage of compound growth and tax deferral

By stretching out payments, the IRA or non-qualified annuity can continue to grow and compound on a tax-deferred basis. The accumulated earnings are not taxed until the beneficiary receives them. This deferral allows your beneficiary to maximize growth and minimize the tax burden.

Income flexibility

Unless your benefits are paid under a restriction you have imposed or a contract is annuitized, a beneficiary can choose to increase payout amounts or cash out at any time. This means that your beneficiary can access additional amounts should a special need arise.

Transfer of wealth to multiple generations

If your beneficiary stretches out payments from your IRA or non-qualified annuity, but dies before all benefits are paid, any remaining balance can be passed on to future generations.

Payments can continue to be stretched out over the original stretch period. Consider the following example to see how a stretch strategy provides significant benefits across three generations.

Stretch IRA hypothetical example

Generation 1: John and Jane

John purchases an IRA at age 65 with a **$100,000** purchase payment.

No withdrawals are taken until contract year eight when he reaches age 73 and must begin taking RMD.

John passes away in contract year 11 at age 75.

John's total distributions: $16,123 over 3 years

John's surviving spouse, Jane, inherits the entire account value of $137,168.

Jane elects to treat the IRA as her own. Jane is five years younger than John, and no RMDs are required until she reaches age 73.

Jane takes no withdrawals until contract year 14 when she reaches age 73 and must begin taking her RMD.

Jane passes away in contract year 21 at age 80.

Jane's total distributions: $51,140 over 8 years

John and Jane's total distributions over 11 years: $67,263

Remaining account value: $144,511

Generation 2: Alison

John and Jane's 48-year-old daughter, Alison inherits the remaining account value of **$144,511.**

Alison could take a lump sum payout of **$144,511,** but chooses to stretch the IRA payments and begins receiving payments based on her life expectancy. The final payment must be made within 10 years of her mother's death.

Alison's total distributions over 10 years: $205,420

Generation 3: Mary

If Alison dies before the end of 10 years, any remaining payments can continue for Alison's sole beneficiary, her daughter Mary.

The IRA makes a combined total of $272,683 in distributions over two or three generations.

Inherited non-qualified contracts

The same scenario applies to an inherited non-qualified annuity contract, except John and Jane would not be required to take RMD payments, and the payments to Alison (and any remaining payments to Mary) could be stretched out over Alison's entire 36-year life expectancy without a 10-year limitation.

The amounts shown are prior to the deduction of applicable taxes.

This example does not describe a specific annuity product and interest rates are not guaranteed. Assumes a 4% interest rate. A lower interest rate would reduce the effects of deferring withdrawals, and a higher interest rate would increase them.

This example assumes the contract was issued on January 1 and RMDs were taken on December 21 each year they needed to be taken. It also assumes an RMD was taken in the year of John's death.

For advice tailored to your specific circumstances, contact your financial professional.

This information is not intended or written to be used as legal or tax advice. It was written solely to support the sale of annuity products. You should seek advice on legal or tax questions based on your particular circumstances from an independent attorney or tax advisor.

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