



## **Beyond Annuities:** Using Revocable Trusts and Deferred Annuities for Lasting Generational Wealth

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# From retirement planning to legacy planning

Your clients have worked hard to build a financially secure retirement – and you’ve helped them get there. Now happily retired and maybe collecting Social Security, pension benefits, or drawing from qualified accounts, some clients may find themselves in the enviable position: they don’t need all their retirement assets to maintain their lifestyle.

## Deferred annuity as legacy asset

If your clients are unlikely to access their deferred annuity during retirement, it may be time to shift the conversation toward wealth transfer and the unique legacy properties of their contract.

This guide outlines how a deferred annuity – originally structured as a retirement asset – can be repositioned as a legacy asset, one that meaningfully supports the next generation’s own financial and retirement goals.



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## Changing annuitants

Central to this strategy is a change of annuitant from your client (or your client and their spouse) to a child or other intended beneficiary.

With this change in place, the deferred annuity contract takes on a new life – literally. Future life-contingent distributions are now tied to the child’s age, not the parent’s, extending the tax-deferred growth horizon significantly. Instead of inheriting a lump sum without a clear purpose, the child receives a contract already oriented toward their own retirement – a meaningful head start on long-term financial security.

## The advantage of trust ownership

Because MassMutual Ascend deferred annuity contracts are “owner-driven,” avoiding a death benefit trigger at the parents’ death requires an additional step: transferring ownership from your client individually to themselves as trustee of their revocable living trust. Since a trust cannot die, the contract instead looks to the life of the annuitant to determine if and when a death benefit is payable.

While this is a change in the form of ownership, it’s an essential step in the strategy. If the trust agreement allows, your client can retain full control of the

contract (including the ability to take withdrawals if circumstances change) and continued flexibility if plans change. At your client’s death, the trust will be instrumental in facilitating your client’s wealth transfer plan.

If the trust agreement allows, a successor trustee can distribute the deferred annuity contract in-kind to a child who is a trust beneficiary without a taxable event that interrupts tax deferral. The child then retitles the annuity contract in their name and updates the beneficiary, and the annuity continues its intended course.

## Getting the contract right

It’s also worth evaluating whether the deferred annuity contract your client holds is the right fit for the child who will ultimately inherit it. If a different contract type would better serve that beneficiary, a 1035 exchange may be worth exploring. It’s also a natural opportunity to establish or deepen your relationship with the next generation.

Risk tolerance is a key consideration: a variable annuity that served your client well may be too aggressive for a more conservative beneficiary. Alternatively, a fixed annuity may be too conservative for a child with a longer time horizon and greater appetite for growth.

## Case study:

The following hypothetical example illustrates how leveraging a revocable trust can support wealth transfer planning objectives.

### Meet John and Melinda

#### “Professional grandparents” with a plan

When John was in his 50s, he purchased a deferred annuity contract with a lump sum of \$100,000. Now in his 70s, he and his wife Melinda are happily retired, and his deferred annuity contract value has grown to \$300,000. John and Melinda spend most of their time as “professional grandparents,” available for childcare and always up for an adventure.

John and Melinda’s daughter Lois was out of the workforce for ten years raising her own children, and she’s behind on various metrics when it comes to retirement preparedness. After reviewing John’s deferred annuity contract with their financial professional, John and Melinda agree: neither of them is likely to need it during retirement, and they’d rather see Lois use it for her own retirement security – hopefully giving her the same freedom to be present for her grandchildren someday.



John changes the annuitant on his contract to Lois.



John creates a revocable living trust and transfers ownership of his deferred annuity contract to the trust. Depending on state law, John doing so may require Melinda's agreement.



**Owner:** Trust

**Annuitant:** Lois

**Beneficiary:** Trust



John passes away, but because Lois is the annuitant, **no death benefit is triggered.**



Ownership of the deferred annuity transfers to Lois; **full tax deferral maintained.**

## Put this revocable trust strategy to work for your clients

While it may not be appropriate for all clients to use a revocable trust strategy with a deferred annuity for generational wealth transfer, it could benefit some families who desire to pass their legacy on to the next generation in a meaningful way. A client should work carefully with their attorney and tax professional to determine whether this strategy makes sense for their specific situation.





Trust planning with  
deferred annuities can  
be a powerful strategy to  
support your clients' legacy  
and estate planning goals.

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