



PREMIER

BROKERAGE SERVICES, INC.

DEFERRING TAXATION BY DELAYING YOUR RMD

The Challenge

In light of the continued demise of Employer Sponsored Defined Benefit Pension Plans, one of the overwhelming concerns of individuals either in or approaching retirement is the **fear of outliving their assets**. An ancillary concern is **having to take monies from your qualified plans at age 72 and pay the resulting taxes - whether you need the income or not**.

The Solution

In July 2014 the Treasury Department published a report that encouraged the use of Deferred income annuities in company retirement plans and Individual Retirement Accounts (IRAs). A new definition came out of this report --- the **Qualified Longevity Annuity Contract (QLAC)**. The QLAC is a 'pure' deferred annuity that pays an annuitant later in life. The QLAC is quickly changing the retirement planning landscape **by allowing your clients to defer some Required Minimum Distributions (RMDs) associated with qualified plans (and the resulting taxation) up to age 85**.

The Basics of QLACs are fairly straight-forward:

- QLACs are Deferred Income Annuities which expressly specify at the time of purchase that the DIA is intended to be a QLAC. Otherwise it will be considered a non-QLAC and follow standard qualified plan/IRA rules.
- Premiums into a QLAC are limited to the LESSER of \$135,000 or 25% of the participants qualified account values. The dollar limit applies to across all plans collectively, while the percentage limit applies to each qualified plan separately and the IRA on an aggregated basis.
- Premiums paid into a QLAC may be excluded from RMD calculations up until the month after the participant's 85th birthday.
- Only fixed annuities can be used as QLACs --- variable and index annuities are not permitted.

The Bottom Line

QLACs can offer distinct tax advantages for retirees that were unheard of prior to July 2014. As the baby boomer generation retires, healthy clients can expect to live 23 – 30+ years in retirement - a sharp contrast to just a few decades ago. With more and more clients concerned about outliving their retirement assets, the QLAC offers a tax-favored alternative to help plan for the future. Contact your Premier Sales Team to discuss how to generate revenue with this unique sales opportunity.

RELATIONSHIPS FIRST

Corporate Headquarters: 604 Harper Avenue ■ Jenkintown, PA 19046 ■ Tel: 800.543.5555

Miami Office: 3470 NW 82nd Avenue, Suite #670 ■ Doral, FL 33122 ■ Tel: 800.683.3077

www.premierbrokerage.com

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