ASPPA ANNUAL CONFERENCE

TRUSTS AS BENEFICIARY ISSUES

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INTRODUCTION

Many individuals with retirement needs also have equally important estate needs. The two areas must be carefully examined together. A retirement strategy that is not coordinated with an estate strategy will be less effective, and vice versa.

Many attorneys prepare detailed and complex estate documents for their clients. But often a significant portion of a client's assets will not be governed by his or her will. The qualified plan and IRA assets are included in this category. The qualified plan and IRA assets normally *do not* go through probate. They are payable directly to the designated beneficiary of the plan pursuant to the terms of the plan or IRA document. In many cases the beneficiaries of these assets are not consistent with the original intent of the owner.

The rules pertaining to qualified retirement plans and IRAs are complex, and many financial advisors fail to take all the necessary steps that are required to achieve an overall estate strategy. The advisor must first determine who can be named as beneficiary under the terms of the qualified plan or IRA. Under many retirement plans, a surviving spouse is automatically deemed to be the participant's designated beneficiary of all or a portion of the amount of the participant's interest in the plan, unless the participant's spouse consents otherwise. Some qualified plans do not have any death benefit, while others will only provide benefits in the form of an annuity. For IRAs, the customary beneficiary designation form controls not only who the owner's designated beneficiary is, but also what options are available for withdrawal of those funds upon death.

There are several fundamental steps that must be taken before any final determination can be achieved.

1. Determine whom the client has named as the beneficiary of his or her retirement plan, 403(b) plan and/or IRA and Roth IRA and obtain a file copy. If the client has not named a beneficiary, use the underlying plan document to determine who is deemed as the client's beneficiary (e.g., his or her spouse, children or estate).

2. Obtain a copy of the most recent plan document and summary plan description to determine the manner and mode of distribution upon separation from service, disability or death.

3. If the client is married, determine the plan requirements with regard to a surviving spouse. The plan may require that a surviving spouse be paid all or a portion of the assets upon the client's death.

4. Ascertain the current present value of the accrued benefit or current account balance.

5. Determine if the client is fully vested in his or her retirement benefit and, if not, when full vesting will occur.

After the advisor has determined what the available options are with respect to the retirement strategy and/or IRA assets, he or she should then consider the available options as part of the overall estate strategy. Some of the questions that need to be addressed are:

1. Does the client want to leave those assets to his or her surviving spouse outright or in some other way (e.g., to a marital qualified terminable interest property trust (QTIP) or qualified domestic trust (QDOT))?

2. Does the client want to use the pension assets to fund a credit shelter or disclaimer trust?

3. Does the client want those assets to be paid to his or her children or grandchildren outright, or would a Preservation Trust be preferable?

4. Does the client want to pay the assets to another relative (e.g. nieces, nephews or parents) or to a charity?

Many clients have established complicated trusts for the benefit of their spouse or beneficiaries to ensure that their assets end up with the intended beneficiaries. However, if the client's qualified plan or IRA pays the benefits directly to a designated beneficiary, the trust may be completely ineffective. Pension and IRA distributions are non-probate assets. The clients will *does not* dictate to whom the assets are paid. This is done by the terms of the qualified plan or beneficiary designation forms.

In order for a trust to be treated as a designated beneficiary, the trust must satisfy four requirements:

1. It must be a valid trust under state laws.

2. The beneficiaries of the trust must be identifiable.

3. The trust must be irrevocable, or will become so at the participant's death.

4. The required documentation must be furnished to the plan administrator by the Oct. 31st of the year following the calendar year in which the participant died.

The following are other issues that need to be addressed:

1. It is important to understand whether the assets will remain in the qualified vehicle after death, or whether they will be distributed at that time. Assets remaining in the qualified vehicle remain tax sheltered. Once they are distributed, income tax is accelerated, and the assets will no longer grow tax deferred.

2. It is also important to coordinate where any estate or income tax is going to be paid from at death. For example, if all of the IRA assets are payable to a child, and the balance of the estate is left to the spouse in a QTIP trust, there may be a problem getting enough cash into the estate to pay state or federal estate taxes.

3. In addition, it is important to keep track of the estate tax deduction available under Internal Revenue Code Section 691(c). This is one of the most overlooked deductions on an individual's tax return. When an individual withdraws money from a qualified retirement plan or IRA and that money is included as part of a taxable estate, there is a partial tax deduction.

After all the information has been obtained, the plan must be implemented. The advisor's job has become more complicated in recent years, because he has to understand both retirement and estate concepts. Each case is unique. Certain general rules may exist, but each qualified plan and IRA must be looked at individually to determine if the options available fit within the framework of the overall estate strategy.

The RMD Regulations have given greater flexibility in determining the ultimate beneficiaries even after death. Electing beneficiaries who are younger enables the greatest period of deferral. This may be most advantageous for the family unit providing it is consistent with the participant's objectives.

It may actually be advantageous to defer the final decision until after death through the use of disclaimers. This is true because after death, many of the issues that seemed so complicated in the initial sessions will be clearer. In addition, the assets, health and financial status of the named beneficiaries may change between the initial sessions and the client's death.

Things are different in Community Property states. In a Community Property state, a participant's spouse is generally deemed under state law to own a share of the participant's interest in the qualified plan or IRA. Therefore, the participant's decision is only applicable to the portion (half) of the retirement plan owned by the participant.

It is important to remember that if a participant separated from service before 1985, the benefits in his qualified plan may be in whole or in part excludable from his taxable estate. Generally, if the participant separated from service prior to 1985 and did not change the form of benefit before death, the benefits may be excludable (See Private Letter Ruling 9221030).

IRA STRETCH OUT VIA OUTRIGHT DISTRIBUTION TO SURVIVING SPOUSE VS. ACCUMULATION QTIP TRUST ARRANGEMENT

PERTINENT INFORMATION

- ❑ Mr. Kugler (age 60) has $1,000,000 in an IRA.
- ❑ Mrs. Kugler (age 60) is the designated beneficiary (DB) and their son (age 30) is the contingent beneficiary.
- ❑ Mr. Kugler's will provides for a QTIP trust that pays all trust income to Mrs. Kugler during her lifetime. At Mrs. Kugler's death, their son is the remainder beneficiary.
- ❑ Mr. Kugler is considering naming the QTIP trust as the beneficiary of his IRA.
- ❑ If he does implement this change, the IRA beneficiary designation will be structured to pay the greater of the Required Minimum Distributions (RMDs) or the income earned on the IRA assets to the QTIP trust.

GOALS AND OBJECTIVES

- ❑ Mr. and Mrs. Kugler want to minimize their lifetime distributions in order to maximize the IRA accumulations and the duration of the stretch out to their son.
- ❑ Mr. Kugler wants to compare the duration of the IRA stretch-out naming Mrs. Kugler as the DB vs. naming the QTIP trust as the DB.
- ❑ For purposes of the comparison, Mr. Kugler wants to assume that his death occurs during the current year and Mrs. Kugler survives an additional 20 years to age 80.

PROPOSED ARRANGEMENT

- ❑ Mr. Kugler should continue to name Mrs. Kugler as the DB.

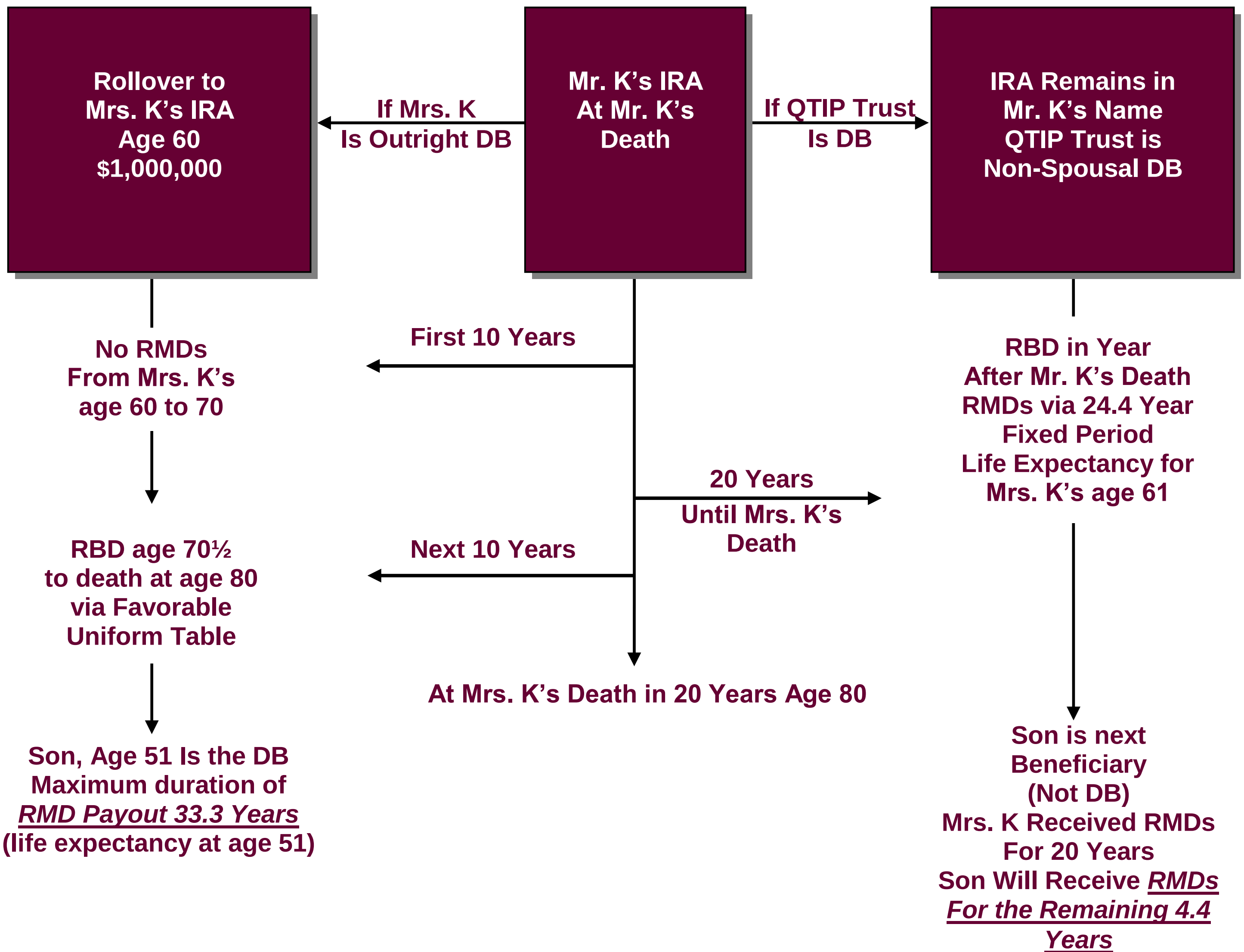
RESULTS AND BENEFITS

- ❑ **If at Mr. Kugler's death, Mrs. Kugler is named the outright DB of the IRA:**
  - ❑ Mrs. Kugler (age 60) will roll the IRA to her name, become the new IRA owner and name their son as the DB.
  - ❑ As the new owner, her Required Beginning Date (RBD) will be in 10 years when she reaches age 70½. As a result, there will be no RMDs for 10 years.
  - ❑ At age 70½ she will take RMDs under the favorable Uniform (joint life) Table for 10 years until her assumed death at age 80.
  - ❑ The joint life table produces lower RMDs and allows greater IRA accumulations during Mrs. Kugler's lifetime.
  - ❑ Assuming Mrs. Kugler dies at age 80, her son (DB) would be age 51 in the year following her death. Since the son would inherit the IRA, he will be the DB.
  - ❑ As a result, the duration of the IRA payout would be based on the 33.3 year life expectancy for age 51.

- **If at Mr. Kugler's death the accumulation QTIP trust is the DB of the IRA:**
  - You must look through the trust to determine the trust beneficiaries.
  - In this case the trust has two beneficiaries.
  - The surviving spouse must be the sole trust beneficiary during her lifetime to allow the QTIP trust to qualify for the estate tax marital deduction.
  - The son is the so-called "remainder beneficiary" of the QTIP trust, and entitled to the IRA distributions at Mrs. Kugler's death.
- Next we want to determine if the accumulation QTIP trust qualifies as the spousal DB of the IRA. If it does, the spousal DB is treated more favorably than a non-spousal DB.
  - The IRA will pay the greater of the income earned on the trust assets or the RMD to the QTIP trust.
  - Under the terms of the "accumulation" QTIP trust, Mrs. Kugler is only entitled to the income earned on the trust assets.
  - Note: Income is usually defined in the trust document. Many state laws allow a total return trust to provide that income includes capital appreciation. Some states allow income to be a stated percentage of the trust assets.
  - If the RMD is greater than the income earned, the RMD will be paid to the QTIP trust. However, the excess over the income amount will not be paid to Mrs. Kugler. It will accumulate in the trust and will ultimately be distributed to the son at Mrs. Kugler's death.
  - Since Mrs. Kugler is not entitled to the entire IRA distribution during her lifetime, the QTIP trust is considered a non-spousal DB.
- The Required Beginning Date (RBD) for a non-spousal DB is the year following the death of the IRA owner. The RMDs will be based on the age of the oldest trust beneficiary (Mrs. Kugler). At age 61, Mrs. Kugler's single life expectancy is 24.4 years.
  - Therefore, the maximum duration of the RMDs will be a fixed period of 24.4 years. The payout for year one would be one divided by 24.4 years (4.1%), for year two it would be one divided by 23.4 years or 4.3%. In subsequent years, you simply subtract one year and repeat the process.
  - Assuming Mrs. Kugler dies at the end of 20 years at age 80, the payout to the son would continue for the remainder of the 24.4 year period. That's just 4.4 years.
- Of course, there is a substantial difference in the duration of the payout to the son. In one case, there is a 33.3 year stretch out (under the outright to the surviving spouse arrangement where the son becomes the DB and measuring life). In the other, there is a 4.4 year stretch-out (under the accumulation QTIP trust arrangement where Mrs. Kugler is the DB and the measuring life).

EXAMPLE: MR. K AGE 60 DIES WITH $1,000,000 IN IRA.
MRS. K IS AGE 60 AND THEIR SON IS AGE 30.
Mrs. K Dies in 20 Years at Age 80. Assume RMD for Year of Mrs. K's Death was Paid Prior to her Death.

Duration of RMDs at Mr. K's Death and Mrs. K's Subsequent Death



- ❑ Note: If the trust were a credit shelter rather than a QTIP trust, the results would be exactly the same.

SINGLE LIFE EXPECTANCY TABLE (SPOUSAL DB)

Used by Spousal Designated Beneficiary

(Surviving spouse that inherits the IRA or QRP from the IRA owner or Plan Participant)

Used when surviving spouse is sole beneficiary but not owner. RBD is the later of December 31 of the year following year of death or when deceased IRA owner would have reached age 70½

Single Life Table based on re-determining life expectancy of surviving spouse.

Once RMDs have commenced under the single life table, the ages of any subsequent beneficiaries are not a factor in determining future distributions. At the surviving spouse's subsequent death (after RMDs have begun), the payout to the beneficiary is based on the deceased spouse's fixed period life expectancy in the year of death. For example, assume surviving spouse dies at age 85. Life expectancy is 7.6 years; therefore, pay 1/7.6 for year one, 1/6.6 for year two and so on for a maximum payout of 7.6 years.

Surviving Spouse Starting Age	Life Expectancy	Redetermined Applicable Percentage
0	82.4	1.21%
1	81.6	1.23%
2	80.6	1.24%
3	79.7	1.25%
4	78.7	1.27%
5	77.7	1.29%
6	76.7	1.30%
7	75.8	1.32%
8	74.8	1.34%
9	73.8	1.36%
10	72.8	1.37%
11	71.8	1.39%
12	70.8	1.41%
13	69.9	1.43%
14	68.9	1.45%
15	67.9	1.47%
16	66.9	1.49%
17	66.0	1.52%
18	65.0	1.54%
19	64.0	1.56%
20	63.0	1.59%
21	62.1	1.61%
22	61.1	1.64%
23	60.1	1.66%
24	59.1	1.69%
25	58.2	1.72%
26	57.2	1.75%
27	56.2	1.78%
28	55.3	1.81%
29	54.3	1.84%
30	53.3	1.88%
31	52.4	1.91%
32	51.4	1.95%
33	50.4	1.98%
34	49.4	2.02%
35	48.5	2.06%

Surviving Spouse Starting Age	Life Expectancy	Redetermined Applicable Percentage
36	47.5	2.11%
37	46.5	2.15%
38	45.6	2.19%
39	44.6	2.24%
40	43.6	2.29%
41	42.7	2.34%
42	41.7	2.40%
43	40.7	2.46%
44	39.8	2.51%
45	38.8	2.58%
46	37.9	2.64%
47	37.0	2.70%
48	36.0	2.78%
49	35.1	2.85%
50	34.2	2.92%
51	33.3	3.00%
52	32.3	3.10%
53	31.4	3.18%
54	30.5	3.28%
55	29.6	3.38%
56	28.7	3.48%
57	27.9	3.58%
58	27.0	3.70%
59	26.1	3.83%
60	25.2	3.97%
61	24.4	4.10%
62	23.5	4.26%
63	22.7	4.41%
64	21.8	4.59%
65	21.0	4.76%
66	20.2	4.95%
67	19.4	5.15%
68	18.6	5.38%
69	17.8	5.62%
70	17.0	5.88%
71	16.3	6.13%

SINGLE LIFE EXPECTANCY TABLE (CONTINUED)

Surviving Spouse Starting Age	Life Expectancy	Redetermined Applicable Percentage
72	15.5	6.45%
73	14.8	6.76%
74	14.1	7.09%
75	13.4	7.46%
76	12.7	7.87%
77	12.1	8.26%
78	11.4	8.77%
79	10.8	9.26%
80	10.2	9.80%
81	9.7	10.31%
82	9.1	10.99%
83	8.6	11.63%
84	8.1	12.35%
85	7.6	13.16%
86	7.1	14.08%
87	6.7	14.93%
88	6.3	15.87%
89	5.9	16.95%
90	5.5	18.18%
91	5.2	19.23%
92	4.9	20.41%
93	4.6	21.74%
94	4.3	23.26%
95	4.1	24.39%
96	3.8	26.32%
97	3.6	27.78%
98	3.4	29.41%
99	3.1	32.26%
100	2.9	34.48%
101	2.7	37.04%
102	2.5	40.00%
103	2.3	43.48%
104	2.1	47.62%
105	1.9	52.63%
106	1.7	58.82%
107	1.5	66.67%
108	1.4	71.43%
109	1.2	83.33%
110	1.1	90.91%
111+	1.0	100.00%

For IRAs the account value as of 12/31 of the previous year is used to determine the RMD. For QRPs, the account balance of plan anniversary date is used to determine the RMD. For both IRAs and QRPs, the age of the measuring life for the year the distribution is made, is based on the actual age on 12/31, e.g. use age 60 if the participant turns age 60 on or before 12/31.

OUTRIGHT DISTRIBUTION TO A SURVIVING SPOUSE VS. CONDUIT QTIP TRUST ARRANGEMENT

PERTINENT INFORMATION

- Mrs. Kugler, age 79, has an IRA with $1,000,000 value as of December 31 of last year.
- She is receiving minimum distributions.
- Mr. K, also age 79, is the designated beneficiary (DB) and their son, age 49, is the contingent beneficiary.

GOALS AND OBJECTIVES

- The Kuglers want to maximize the IRA accumulations and the duration of the stretch out to their son.
- Mrs. Kugler wants to know if she should, 1) leave the IRA outright to Mr. Kugler or, 2) to a QTIP trust that will be structured to pay all IRA distributions to Mr. Kugler during his lifetime.

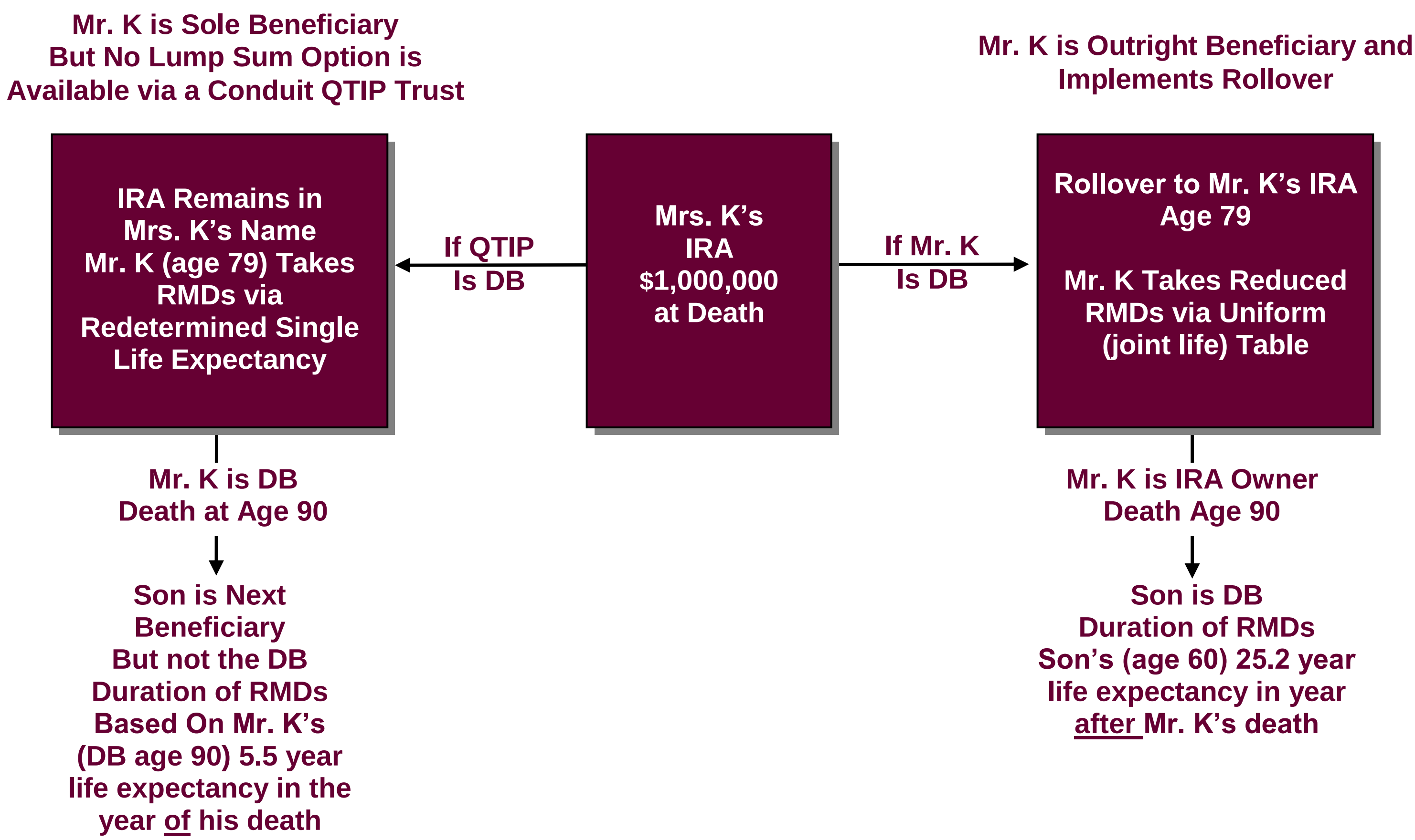
PROPOSED ARRANGEMENT

- If Mrs. Kugler leaves the IRA outright to Mr. Kugler he will be the outright DB and is allowed to roll the IRA into his name and become the new IRA owner.
  - As the new IRA owner he will be allowed to take RMDs under the Uniform (joint life) Table. Since the table is based on the age of the IRA owner and an assumed joint life 10 years younger, this arrangement will produce lower RMDs and maximize the accumulations and stretch out of the IRA.
  - The Uniform Table is based on a re-determined life expectancy. Therefore, there will always the life expectancy remaining at Mr. Kugler's subsequent death.
  - Mr. Kugler would then name the son as the DB of his IRA.
- If Mrs. Kugler were to name a conduit QTIP trust for the sole benefit of Mr. Kugler during his lifetime as the DB and name their son as the remainder trust beneficiary, the duration of the stretch out would change dramatically.
  - First, the RMDs would be based on Mr. Kugler's (DB) re-determined single life expectancy table (not the more favorable Uniform Joint Life Expectancy Table.
  - The DB is the person that inherits the IRA from the IRA owner. Mr. Kugler is the sole DB but not the outright DB. Therefore, he is not allowed to roll the IRA into his name and become the owner.
  - This is true even though Mr. Kugler is entitled to all IRA distributions during his lifetime.
  - Since Mr. Kugler is not the IRA owner (he is the DB), at his death the life expectancy of his son (next beneficiary) cannot be used to measure the duration of the remaining IRA payout.
  - Note: Only the IRA owner or DB may be used as a measuring life.
  - Therefore, at Mr. Kugler's (DB) death, his fixed period (non-redetermined) single life expectancy (based on his age in the year of death) must be utilized for the calculation of the RMDs to the son.

RESULTS AND BENEFITS

- ❑ If the objective is to maximize the stretch out, naming Mr. Kugler as the outright DB will allow the IRA rollover and use of the Uniform (joint life) Table.
- ❑ The uniform table would produce a longer life expectancy which means lower RMDs and more funds accumulating in the IRA.
- ❑ Also, the IRA rollover means that Mr. Kugler will be the IRA owner at his death. Therefore, at Mr. Kugler's death the measuring life for RMD calculations would be the son (DB) rather than Mr. Kugler.
- ❑ The son would have the longer life expectancy and produce a longer stretch out.
- ❑ Example: Assume Mrs. Kugler dies at age 90 (life expectancy 5.5 years) and his son is age 60 (life expectancy 25.2 years) the year following his death.
- ❑ Assume further that Mr. Kugler has not received his RMD for age 90 (1/5.5 or 18.2%) prior to his death.

Duration of RMDs at Mr. K's Death



1/5.5 Years (18.2%)*	**RMD for Year of Mr. K's Death Paid to Son**	**1/5.5 Years (18.2%)**
4.5 Years	**Life Expectancy for RMD Calculation**	**25.2 Years**
1/4.5 (22.2%)	**RMD for Year One**	**1/25.2 (3.9%)**
1/3.5 (28.6%)	**Year Two, and so on...**	**1/24.2 (4/1%)**

* Since the RMD (18.2%) was not taken by Mr. K (DB) for the year of death, it must be taken by his son (next beneficiary). The re-determined life expectancy terminates at Mr. Kugler's death and his life expectancy in the year **of** death becomes a fixed period payout to the son.

THE CONDUIT IRA BYPASS TRUST VS. A TRADITIONAL IRA BYPASS TRUST

PERTINENT INFORMATION

- ❑ Mr. Kugler has $500,000 in his IRA that will be payable to a credit shelter (bypass) trust under his will.
- ❑ The beneficiary designation provides that the IRA will pay all RMDs to the credit shelter trust.
- ❑ The credit shelter trust provides that all trust income must be paid to Mrs. Kugler at least annually during her lifetime.

GOALS AND OBJECTIVES

- ❑ Mr. K is considering changing the trust to provide that the trust must pay the greater of the trust income or RMDs to Mrs. K.
- ❑ Mr. K wants to know how this change would impact the IRA distributions after his death.

PROPOSED ARRANGEMENT

- ❑ Under either arrangement the credit shelter trust would function as a bypass trust.
  - ❑ Therefore, at Mrs. Kugler's demise the trust principal should not be included in her estate.
- ❑ The proposed change will guarantee that Mrs. K will receive all RMDs. This causes the identity of the designated beneficiary to change for retirement distribution purposes.
- ❑ The designated beneficiary affects the RBD and the RMDs applicable to the beneficiary.

RESULTS AND BENEFITS

- ❑ If the terms of the credit shelter trust require that Mrs. K receives the RMDs (conduit trust), then:
  - ❑ Mrs. K will be treated as the sole designated beneficiary and recognized as the surviving spouse for retirement distribution purposes.
  - ❑ As a result, RMDs may be deferred until Mr. K would have attained his 70½ birthday.
  - ❑ Each year Mrs. K's single life expectancy would be redetermined for RMD calculation purposes.
  - ❑ Upon her death, RMDs are based on Mrs. K's fixed period life expectancy in the year of her death.
- ❑ If the terms of the credit shelter trust require that Mrs. K only receive the IRA income paid to the trust (traditional credit shelter trust) then:
  - ❑ The credit shelter trust is considered to have multiple beneficiaries. Thus, the IRA has multiple beneficiaries.
  - ❑ The oldest trust beneficiary (Mrs. K) is considered the beneficiary for retirement distribution purposes.
- ❑ However, since Mrs. K is not the sole designated beneficiary, she is treated as any other IRA beneficiary and not as a surviving spouse.

- ❑ RMDs are based on Mrs. K's fixed period (not redetermined) life expectancy.
- ❑ At Mrs. K's subsequent death, RMDs to the remainder beneficiaries of the QTIP trust would then be based on Mrs. K's remaining unused fixed period, which commenced at Mr. K's prior death.

Conduit Credit Shelter Trust	← RMD Distributions	Mr. K's IRA (Deceased) Retain in Mr. K's Name	RMD Distributions →	Accumulation Credit Shelter Trust
Trust will pay the greater of RMDs or IRA income to Mrs. K		**IRA will pay greater of the IRA income RMDs to trust**		Trust will pay IRA income to Mrs. K
Conduit Credit Shelter Trust		**IRA Beneficiary**		Traditional Credit Shelter Trust
Mrs. K – surviving spouse is deemed the sole beneficiary*		**Designated beneficiary for retirement distribution purposes**		Trust is sole beneficiary**
Not available, as Mrs. K is not the outright beneficiary		**Rollover**		Not available, as Mrs. K is not the sole outright beneficiary
Mr. K's later age of 70½ or end of year following death if over 70½		**RBD**		End of year following Mr. K's death
Mrs. K's single life expectancy redetermined Table V***		**RMDs during Mrs. K's lifetime**		Mrs. K's fixed period single life expectancy Table V***
Based on Mrs. K's fixed period single life expectancy in year of Mrs. K's death		**RMDs at Mrs. K's death**		Based on Mrs. K's remaining unused fixed period (if any) in year following Mr. K's death****

* Mrs. K is deemed the sole beneficiary because she is entitled to all IRA distributions during her lifetime.

** Look through the trust terms to ascertain the beneficiaries of the trust. The oldest trust beneficiary (shortest life expectancy) must be used as the measuring life for all retirement distribution calculations. Since Mrs. K is the oldest trust beneficiary, her life expectancy will be used. However, since the surviving spouse (Mr. K) is not the sole designated beneficiary, his life expectancy may not be redetermined.

*** Use Single Life Expectancy Table (redetermined).

**** Mrs. K's fixed period single life expectancy in year following Mr. K's death. If she survives that period, all RMDs will have been paid out during her lifetime. If she dies during the period, RMDs continue for the duration of the fixed period.

Note: Unlike a QTIP trust the surviving spouse does not have to be given the right to income on the IRA assets or require the trustees to invest in income producing assets.

Note: If the RMDs exceed the IRA income, the excess may be accumulated in the trust (taxed to trust) and retained for the remainder beneficiaries.

USING THE PORTABILITY OPTION IN LIEU OF A CREDIT SHELTER TRUST WHEN THE PRIMARY ASSET IS A QUALIFIED RETIREMENT PLAN BENEFIT

PERTINENT INFORMATION

- ❑ Mr. and Mrs. Kugler are both age 65 and have estates of $5,000,000 each.
- ❑ The primary asset in Mr. Kugler's estate is a $4,000,000 IRA.
- ❑ Mr. Kugler is considering a new will that provides a bequest to a credit shelter trust equal to the unused Applicable Exclusion Amount (AEA).

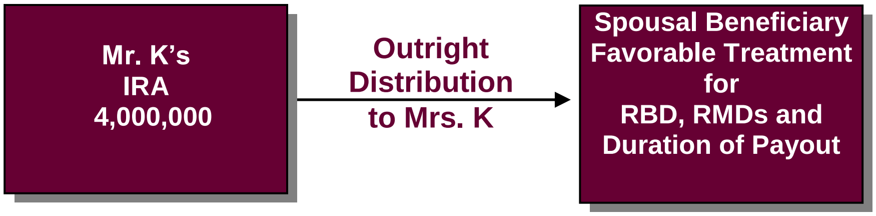
GOALS AND OBJECTIVES

- ❑ **IRA Objectives**: Mr. Kugler wants 1) Mrs. Kugler to receive all IRA income during her lifetime, 2) postpone the Required Minimum Distributions (RMDs) as long as possible (age 70½), 3), take only RMDs, and 4) maximize the duration of the payout.
- ❑ **Estate Objective**: He wants to minimize any future estate tax. To do this he realizes he must take advantage of the AEA at death. He does not anticipate making taxable gifts during lifetime.
- ❑ Mr. Kugler is not sure if naming Mrs. Kugler as a beneficiary of the IRA, or naming the credit shelter trust as a beneficiary is the better choice to accomplish his goals.

PROPOSED ARRANGEMENT

- ❑ **Credit Shelter Trust as Beneficiary of the QRP**: The trust will have several beneficiaries (Mrs. K and children). Since Mrs. Kugler is not the outright beneficiary, the trust is considered a non-spousal beneficiary and <u>not</u> entitled to the favorable treatment provided to an outright spousal beneficiary.
  - ❑ **Required Beginning Date (RBD):** The RMDs will begin at the earlier of his attainment of age 70½ or the year following his death if before age 70½.
  - ❑ **RMDs**: Mrs. Kugler will be the income beneficiary and receive the RMDs from the trust. The payout will be based on the life expectancy of the oldest trust beneficiary (Mrs. K). Assume she is age 65. Her life expectancy under the single life table is 21 years. The RMD will be 1/21 of the account balance for year 1, 1/20 for year 2 and so on until 21 years.
  - ❑ **Duration of Payout:** If she dies before 21 years, the payout to the children will continue just as though she were still living for the balance of the 21 year period. The maximum duration is the same 21 years.
- ❑ **Surviving Spouse as Beneficiary:** When the surviving spouse is the designated beneficiary, he/she is entitled to favorable treatment for the RBD, RMDs and is able to maximize the duration of the payout.
  - ❑ **RBD**: As the surviving spouse, Mrs. Kugler is allowed to roll over the IRA into her name. If Mr. Kugler predeceases, as the IRA owner, her RMDs may be postponed until she reaches age 70½.
  - ❑ **RMDs**: As the IRA owner, Mrs. Kugler's RMDs will be based on the favorable Uniform Table. This is a joint life table based on the age of the IRA owner and assumed joint life that is 10 years younger. This means a substantially lower RMD that continues for Mrs. Kugler's lifetime.
  - ❑ **Duration of Payout:** At her death, the payout to the children will be based on each child's life expectancy. If for example, her son is age 58 when she dies, the life expectancy on the single life table is 27 years. The payout will be 1/27 for year 1, 1/26 for year 2 and so on. The duration of the payout will be 27 years. And bear in mind that is 27 years after Mrs. Kugler has died.

At Mr. K's Death



- Of course, naming Mrs. Kugler as the designated beneficiary allows the distributions to be postponed until age 70½, produces the lowest RMD, and provides the longest payout duration.

- Note: If the plan involves a Roth IRA, it is even more important that Mrs. Kugler be the designated beneficiary. As the spousal beneficiary she will not be required to take any distributions during her lifetime. If the trust is named as designated beneficiary, the RMDs begin in the year following Mr. Kugler's death.

- It should be noted that the trust offers considerable non-tax advantages. The trust may be structured to limit any potential invasion of trust principal by creditors, an ex-spouse, or due to subsequent incompetence of trust beneficiaries. In addition, any appreciation in the trust will not be subject to estate tax at the death of the Mrs. Kugler. However, the RMDs may decrease the estate value by more than the appreciation.

- **Minimize the Estate Tax:** The other primary objective is to minimize the estate tax at the death of the surviving spouse. This can be accomplished by naming Mrs. Kugler as the sole designated beneficiary and having the executor of Mr. Kugler's estate exercise the portability option.

- **Surviving Spouse as Beneficiary:** The portability option allows Mr. Kugler's unused AEA to be transferred to Mrs. Kugler at his death. The unused AEA transferred is referred to as DSUE (Deceased Spouse's Unused Applicable Exclusion). When the DSUE is added to Mrs. Kugler's AEA, she will not have an estate tax unless her subsequent estate is greater than $10,860,000 (2015 exclusion), plus any potential indexing.

- **Credit Shelter Trust as Beneficiary:** Since the trust value is not included in Mrs. Kugler's estate, Mr. Kugler wants an asset that will grow in value. The RMDs will generally cause a decrease in trust value. And if the Mrs. Kugler lives to her 21 year life expectancy, there will be a zero value.

- Since the IRA distributions are taxable as ordinary income, the credit shelter trust and the outright spousal designated beneficiary will produce the same income tax results.

At Mr. K's Death

- **Conclusion:** All of the favorable treatment applicable to a spousal designated beneficiary is lost when qualified retirement assets are used to fund a credit shelter trust. And since the RMDs cause a reducing trust value, the spousal beneficiary appears more favorable. Therefore, the spousal beneficiary is generally the better option.

- Note: The credit shelter trust does provide some non-tax advantages that are not applicable to the outright spousal beneficiary. For example, the trust can be structured to limit any potential invasion of trust principal by creditors, an ex-spouse, or due to the subsequent incompetence of a trust beneficiary. The trust can also guarantee that the trust principal will ultimately pass to the children and, if desired, grandchildren.

An alternate arrangement might be to name the credit shelter trust as the secondary beneficiary of the QRP. This gives Mrs. Kugler the option to disclaim the QRP proceeds and allow the QRP to pass to the trust.

ANALYSIS OF STRETCH OUT IRAs UNDER DIFFERENT SPOUSAL BENEFICIARY OPTIONS (DEATH AFTER RBD)

PERTINENT INFORMATION

- There are four Kugler brothers.
- Each has a traditional IRA and expects to accumulate $1,000,000 by age 70.
- At age 70 each brother expects to commence taking Required Minimum Distributions (RMDs).
- They believe their IRA will earn 7% and they will only take the RMDs during their lifetime. The 7% growth rate will consist of 3% income and 4% appreciation.
  - Note: The definition of trust income will vary based on state laws.
- Estate tax on the IRA will be paid from other estate assets or life insurance.

GOALS AND OBJECTIVES

- Each brother would like an illustration showing the payout and accumulations for the IRA under the following assumptions.
  - The payout to each brother (age 70) is for 16-years (Mr. K dies age 85).
  - The surviving spouse is 7 years younger (age 63) and will survive by seven years and also die at age 85.

PROPOSED ARRANGEMENT

- Assume the following designated beneficiaries are applicable:
  - Kugler brother No. 1 – Mrs. K is the outright beneficiary, and she will name their son as designated beneficiary. Their son will be age 50 in the year following Mrs. K's death (34.2 year life expectancy).
  - Kugler brother No. 2 – A Conduit QTIP Trust will be beneficiary. Mrs. K will qualify as sole designated beneficiary. The son is the remainder interest beneficiary.
  - Kugler brother No. 3 – An Accumulation QTIP Trust will be the beneficiary. Mrs. K will be the oldest Trust beneficiary. However, under this arrangement she does not qualify as the sole designated beneficiary. She is considered a non-spousal designated beneficiary. At Mrs. K's death the son is the remainder interest beneficiary.
  - Kugler brother No. 4 – Assume Mrs. K is the outright beneficiary, and she will name their grandson* as the designated beneficiary. The grandson will be age 30 (53.3 year life expectancy) in the year following Mr. K's death.

* Assume the son has predeceased Mrs. K so there would be no generation skipping transfer.

Note: A credit shelter bypass trust, structured with the same payout requirements to the surviving spouse as a QTIP, could produce the same results for retirement distribution purposes. However, the trust principal would not be included in the surviving spouse's subsequent estate.

Note: In each situation the RMD will be greater than the income earned within the IRA.

Kugler Brother 1
Beneficiary: Mrs. K outright

During Mr. K's Lifetime (Uniform Table life expectancy)

Year	Mr. Kugler's Age	IRA Beginning Balance	Uniform Table Life Expectancy	Applicable Percentage	RMD	IRA Ending Balance 7% Growth
1	70	$1,000,000	27.4	3.65%	($36,496)	$1,033,504
2	71	1,033,504	26.5	3.77%	(39,000)	1,066,849
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10	79	1,277,882	19.5	5.13%	(65,532)	1,301,801
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15	84	1,369,220	15.5	6.45%	(88,337)	1,376,728
16 (year of death)	85	1,376,728	14.8	6.76%	(93,022)	1,380,077
				Total RMDs	**($986,008)**	

At Mr. K's death, Mrs. K is the outright beneficiary of the IRA.

In year following Mr. K's death, Mrs. K (age 79) will roll IRA into her own name and take first RMD (if Mrs. K were under age 70½ at the time of the rollover, the RMDs would begin at her age 70½).

Year	Mrs. Kugler's Age	IRA Beginning Balance	Uniform Table Life Expectancy	Applicable Percentage	RMD	IRA Ending Balance 7% Growth
1	79	$1,380,077	19.5	5.13%	($70,773)	$1,405,909
2	80	1,405,909	18.7	5.35%	(75,182)	1,429,141
3	81	1,429,141	17.9	5.59%	(79,840)	1,449,340
4	82	1,449,340	17.1	5.85%	(84,757)	1,466,037
5	83	1,466,037	16.3	6.13%	(89,941)	1,478,719
6	84	1,478,719	15.5	6.45%	(95,401)	1,486,828
7	85	1,486,828	14.8	6.76%	(100,461)	1,490,445
				Total RMDs	**($596,356)**	

At Mrs. K's death, the son is the sole designated beneficiary. However, the RMDs will now be based on the son's (age 50) fixed period life expectancy in the year <u>following</u> Mrs. K's death.

At Mrs. K's Death: Payout to son for 34.2 year fixed period life expectancy

Year	Son's Age	IRA Beginning Balance	Fixed Life Expectancy Table V	Applicable Percentage	RMD	IRA Ending Balance 7% Growth
1	50	$1,490,445	34.2	2.92%	($43,580)	$1,551,195
2	51	1,551,195	33.2	3.01%	(46,723)	1,613,056
--						
10	59	2,060,444	25.2	3.97%	(81,764)	2,122,911
--						
20	69	2,529,047	15.2	6.58%	(166,385)	2,539,696
--						
30	79	1,833,037	5.2	19.23%	(352,507)	1,608,843
--						
35	84	147,674	0.2	100.00%	(158,011)	(0)
				Total RMDs	**($6,337,349)**	

If son dies before 34.2 years, RMDs will continue to son's designated beneficiary (assume Mr. K's grandson).

Kugler Brother 2

Beneficiary: Conduit QTIP

During Mr. K's Lifetime (Uniform Table life expectancy)

Year	Mr. Kugler's Age	IRA Beginning Balance	Uniform Table Life Expectancy	Applicable Percentage	RMD	IRA Ending Balance 7% Growth
1	70	$1,000,000	27.4	3.65%	($36,496)	$1,033,504
2	71	1,033,504	26.5	3.77%	(39,000)	1,066,849
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10	79	1,277,882	19.5	5.13%	(65,532)	1,301,801
--			--			--
15	84	1,369,220	15.5	6.45%	(88,337)	1,376,728
16 (year of death)	85	1,376,728	14.8	6.76%	(93,022)	1,380,077
				Total RMDs	**($986,008)**	

At Mr. K's death, Mrs. K (then age 78) will be recognized as sole designated beneficiary via conduit QTIP. However, she is not the IRA owner (cannot roll over); therefore, her single life expectancy (redetermined) in the year of Mr. K's death under Table V may be used for RMD calculations. She is not required to take the first distribution until the following year (if Mr. K died prior to age 70½, then RMDs may be deferred until he would have reached age 70½).

At Mr. K's Death; payout to Mrs. K via conduit QTIP (redetermined single life expectancy)

Year	Mrs. Kugler's Age	IRA Beginning Balance	Table V Single Life Expectancy	Applicable Percentage	RMD*	IRA Ending Balance 7% Growth
1	79	$1,380,077	10.8	9.26%	($127,785)	$1,348,897
2	80	1,348,897	10.2	9.80%	(132,245)	1,311,075
3	81	1,311,075	9.7	10.31%	(135,162)	1,267,688
4	82	1,267,688	9.1	10.99%	(139,306)	1,217,120
5	83	1,217,120	8.6	11.63%	(141,526)	1,160,793
6	84	1,160,793	8.1	12.35%	(143,308)	1,098,741
7	85	1,098,741	7.6	13.16%	(144,571)	1,031,081
				Total RMDs	**($963,903)**	

At Mrs. K's death, the son is the sole designated beneficiary. However, the RMDs are based on Mrs. K's fixed period single life expectancy in the year of her death.

* The RMD is greater than the assumed 3% income earned by the IRA. However, if the IRA income were greater, the distribution from the IRA would be increased to satisfy the QTIP spousal income requirement.

At Mrs. K's Death: Payout to son for Mrs. K's 7.6 year fixed period life expectancy

Year	Son's Age	IRA Beginning Balance	Fixed Life Expectancy Table V	Applicable Percentage	RMD	IRA Ending Balance 7% Growth
1		$1,031,081	7.6	13.16%	($135,669)	$967,588
2		967,588	6.6	15.15%	(146,604)	888,715
3	Not	888,715	5.6	17.86%	(158,699)	792,226
4	A	792,226	4.6	21.74%	(172,223)	675,459
5	Factor	675,459	3.6	27.78%	(187,627)	535,114
6		535,114	2.6	38.46%	(205,813)	366,759
7		366,759	1.6	62.50%	(229,224)	163,208
8		163,208	0.6	100.00%	(174,632)	(0)
				Total RMDs	**($1,410,492)**	

Kugler Brother 3
Beneficiary: Accumulation QTIP

During Mr. K's Lifetime (Uniform Table life expectancy)

Year	Mr. Kugler Married (Age)	IRA Beginning Balance	Uniform Table Life Expectancy	Applicable Percentage	RMD	IRA Ending Balance 7% Growth
1	70	$1,000,000	27.4	3.65%	($36,496)	$1,033,504
2	71	1,033,504	26.5	3.77%	(39,000)	1,066,849
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10	79	1,277,882	19.5	5.13%	(65,532)	1,301,801
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15	84	1,369,220	15.5	6.45%	(88,337)	1,376,728
16 (year of death)	85	1,376,728	14.8	6.76%	(93,022)	1,380,077
				Total RMDs	**($986,008)**	

At Mr. K's death, Mrs. K (age 78) will be the oldest beneficiary of the QTIP Trust. Therefore, her life expectancy will be used for retirement distribution calculations. However, she is not the sole designated beneficiary. As a result, her single life expectancy is **not** redetermined under Table V. Thus the payout is for a fixed period based upon her life expectancy (10.8 years) in the year **following** Mr. K's death.

At Mr. K's Death; 10.8 year fixed period (life expectancy at age 79) payout to traditional QTIP

IRA				QTIP			
Year	Beginning Balance	RMD paid to QTIP	Ending Balance	3% IRA Income to Mrs. K via QTIP	Difference Between RMD and 3% QTIP	Cumulative after Tax (40%) difference	3% from prior year's QTIP balance to Mrs. K
1	$1,380,077	($127,785)	1,348,897	($41,402)	($86,383)	($51,830)	$0
2	1,348,897	(137,643)	1,305,678	(40,467)	(97,176)	(110,135)	(1,555)
3	1,305,678	(148,372)	1,248,703	(39,170)	(109,202)	(175,656)	(3,304)
4	1,248,703	(160,090)	1,176,022	(37,461)	(122,629)	(249,234)	(5,270)
5	1,176,022	(172,944)	1,085,399	(35,281)	(137,664)	(331,832)	(7,477)
6	1,085,399	(187,138)	974,239	(32,562)	(154,576)	(424,577)	(9,955)
7	974,239	(202,966)	839,469	(29,227)	(173,739)	(528,821)	(12,737)*
	Total	**$(1,136,939)**		**($255,570)**			**($40,298)**

At Mrs. K's death, the son is the sole designated beneficiary. However, the RMDs are now based on Mrs. K's remaining unused fixed period life expectancy in the year of her death.

At Mrs. K's Death: Payout to son is for Mrs. K's remaining unused 3.8 year life expectancy

IRA				QTIP			
Year	Beginning Balance	RMD paid to QTIP	Ending Balance	3% IRA Income to Son via QTIP	Difference Between RMD and & 3% QTIP	Cumulative after Tax (40%) difference	3% from prior year's QTIP balance to son
1	$839,469	($220,913)	$677,319	(25,184)	(195,729)	(646,258)	(15,865)
2	677,319	(241,900)	482,832	(20,320)	(221,580)	(779,206)	(19,388)
3	482,832	(268,240)	248,390	(14,485)	(253,755)	(931,459)	(23,376)
4	214,592	(265,777)	0	(7,452)	(258,326)	(1,086,455)	(27,944)
	Total	**(996,830)**		**(67,440)**			**(86,572)**

Note: The RMD is greater than the assumed 3% income earned by the IRA. The excess (after-tax) is accumulated in the QTIP trust to eventually be paid to the remainder beneficiary. However, if the IRA income were greater, the distribution from the IRA would be increased to satisfy the QTIP spousal income requirement.

Kugler Brother 4
Beneficiary: Mrs. K outright

During Mr. K's Lifetime (Uniform Table life expectancy)

Year	Mr. Kugler's Age	IRA Beginning Balance	Uniform Table Life Expectancy	Applicable Percentage	RMD	IRA Ending Balance 7% Growth
1	70	$1,000,000	27.4	3.65%	($36,496)	$1,033,504
2	71	1,033,504	26.5	3.77%	(39,000)	1,066,849
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10	79	1,277,882	19.5	5.13%	(65,532)	1,301,801
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15	84	1,369,220	15.5	6.45%	(88,337)	1,376,728
16 (year of death)	85	1,376,728	14.8	6.76%	(93,022)	1,380,077
				Total RMDs	**($986,008)**	

At Mr. K's death, Mrs. K is the outright beneficiary of the IRA.

In year following Mr. K's death, Mrs. K (age 79) will roll IRA into her own name and take her first RMD (if Mrs. K were under age 70½ at the time of the rollover, the RMDs would begin at her age 70½).

Year	Mrs. Kugler's Age	IRA Beginning Balance	Uniform Table Life Expectancy	Applicable Percentage	RMD	IRA Ending Balance 7% Growth
1	79	$1,380,077	19.5	5.13%	($70,773)	$1,405,909
2	80	1,405,909	18.7	5.35%	(75,182)	1,429,141
3	81	1,429,141	17.9	5.59%	(79,840)	1,449,340
4	82	1,449,340	17.1	5.85%	(84,757)	1,466,037
5	83	1,466,037	16.3	6.13%	(89,941)	1,478,719
6	84	1,478,719	15.5	6.45%	(95,401)	1,486,828
7	85	1,486,828	14.8	6.76%	(100,461)	1,490,445
				Total RMDs	**($596,356)**	

At Mrs. K's Death: Payout to grandson for 53.3 year fixed period single life expectancy

Year	Grand-son's Age	IRA Beginning Balance	Fixed Life Expectancy Table V	Applicable Percentage	RMD	IRA Ending Balance 7% Growth
1	30	$1,490,445	53.3	1.88%	($27,963)	$1,566,812
10	39	2,305,431	44.3	2.26%	(52,041)	2,414,769
20	49	3,571,389	34.3	2.92%	(104,122)	3,717,264
30	59	5,092,612	24.3	4.12%	(209,573)	5,239,523
40	69	6,108,868	14.3	6.99%	(427,194)	6,109,295
50	79	3,929,373	4.3	23.26%	(913,808)	3,290,622
54	83	482,183	0.3	100.00%	(515,936)	0
				Total RMDs	**($16,320,607)**	

If grandson dies before 53.3 years, RMDs will continue to the designated beneficiary.

RESULTS AND BENEFITS

- Brother No. 1, **outright to spouse** and subsequent rollover with **son** as remainder beneficiary.

Years		RMDs	IRA Balance
16	During Mr. K's Lifetime	$986,008	$1,380,077
7	During Mrs. K's Lifetime	596,356	1,490,445*
34	During Son's Lifetime	6,337,349	0
57		$**7,919,713**	

- Brother No. 2, **conduit QTIP trust** (spouse is sole designated beneficiary) with son as remainder beneficiary.

Years		RMDs	IRA Balance
16	During Mr. K's Lifetime	$986,008	$1,380,077
7	During Mrs. K's Lifetime	963,903	1,031,081*
8	During Son's Lifetime	1,410,492	0
31		$**3,360,403**	

- Brother No. 3, an accumulation **QTIP trust** (spouse is not sole designated beneficiary) with son as remainder beneficiary.

Years		RMDs	3% IRA Income via QTIP	Ending IRA Balance	After-Tax QTIP Balance	3% Income from QTIP Balance	IRA & QTIP Balance
16	During Mr. K's lifetime	(986,008)	$0	1,380,077	$0	$0	1,380,077
7	During Mrs. K's lifetime	(1,136,939)	255,570**	839,469	528,821	$40,298**	
							1,368,290*
4	During son's lifetime	(996,830)	67,440	0	1,086,455	86,572	1,086,455
27		**($3,119,777)**	**$323,011**			**$126,870**	

- Summary of RMD Payout: 16 years to Mr. K $986,008; 7 years to the QTIP Trust during Mrs. K's lifetime $1,136,939; and 3.8 additional years to the QTIP Trust after Mrs. K dies for the balance of her 10.8 year life expectancy $996,830.

- Note: the QTIP balance is the cumulative after-tax (assume 40%) RMDs in excess of 3% QTIP income paid out to Mrs. K for her lifetime and then to their son for four years. The QTIP trust is assumed to grow by a net 4% each year (7% growth less 3% income payout).

- Brother No. 4, **outright to spouse** and subsequent rollover with grandson as remainder beneficiary.

Years		RMDs	IRA Balance
16	During Mr. K's lifetime	$986,008	1,380,077
7	During Mrs. K's lifetime	596,356	1,490,445*
54	During Grandson's lifetime	16,320,607	0
77		**$17,902,972**	

* Estate tax is assumed to be payable from other estate assets or life insurance.

** The total payout to Mrs. K would be $295,868 (3% income from IRA $255,570 plus 3% income from QTIP $40,298). Mrs. K is entitled to income earned on IRA and QTIP assets, but not the RMD.

ANALYSIS OF STRETCH OUT IRAs UNDER DIFFERENT SPOUSAL BENEFICIARY OPTIONS (DEATH BEFORE RBD)

PERTINENT INFORMATION

- There are four Kugler brothers and each has a traditional IRA.
- They believe their IRA will earn 7% (3% income and 4% appreciation).
  - Note: The definition of trust income will vary based on state laws.
- Estate tax on the IRA will be paid from other estate assets or life insurance.

GOALS AND OBJECTIVES

- Each brother would like an illustration showing the payout and accumulation assuming death were at age 60 and the surviving spouse (age 53) will survive to age 85.
- Assume $1,000,000 in the IRA in the year following Mr. K's death.
- They would then like to see an illustration that shows RMDs during the lifetime of their designated beneficiaries.
- Each brother has a different designated beneficiary arrangement, which will have a significant impact on the overall results of the plan.

PROPOSED ARRANGEMENT

- Assume the following:
  - Kugler brother No. 1 – Mrs. K is the outright beneficiary. She is age 53. Their son (designated beneficiary) will be age 50 in the year following Mrs. K's death (34.2 year life expectancy).
  - Kugler brother No. 2 – a conduit QTIP trust will be beneficiary. Mrs. K will qualify as sole designated beneficiary. At Mrs. K's death, her son will be the beneficiary.
  - Kugler brother No. 3 – an accumulation QTIP trust will be the beneficiary. Mrs. K will be the oldest Trust beneficiary. However, under this arrangement she does not qualify as the sole designated beneficiary. Their son will be the remainder interest beneficiary.
  - Kugler brother No. 4 – Mrs. K is the outright beneficiary and she will name their grandson* as the designated beneficiary. The grandson will be age 30 in the year following Mrs. K's death (53.3 year life expectancy).

*Assume the son has predeceased Mrs. K so there would be no generation skipping transfer.

Note: A credit shelter bypass trust, structured with the same payout requirements to the surviving spouse as a QTIP, could produce the same results for retirement distribution purposes. However, the trust principal would not be included in the surviving spouse's subsequent estate.

Kugler Brother 1
Beneficiary: Mrs. K outright

Assume rollover to Mrs. K's name (no RMDs until she reaches age 70½).

Year	Mrs. Kugler's Age	IRA Beginning Balance	7% Growth	Applicable Percentage	No RMDs Required	IRA Ending Balance 7% Growth
1	54	$1,000,000	$70,000	0.00%	0	$1,070,000
2	55	1,070,000	74,900	0.00%	0	1,144,900
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5	58	1,310, 796	91,755	0.00%	0	1,402,552
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10	63	1,838,459	128,692	0.00%	0	1,967,151
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15	68	2,578,534	180,497	0.00%	0	2,759,032
16	69	2,759,032	193,132	0.00%	0	2,952,164

At age 70½, Mrs. K must commence RMDs.

Year	Mrs. Kugler's Age	IRA Beginning Balance	Uniform Table Life Expectancy	Applicable Percentage	RMD	IRA Ending Balance 7% Growth
1	70	$2,952,164	27.4	3.65%	($107,743)	$3,051,072
2	71	3,051,072	26.5	3.77%	(115,135)	3,149,512
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5	74	3,342,781	23.8	4.20%	(140,453)	3,436,323
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10	79	3,772,517	19.5	5.13%	(193,462)	3,843,131
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15	84	4,042,160	15.5	6.45%	(260,785)	4,064,327
16	85	4,064,327	14.8	6.76%	(274,617)	4,074,213
				Total RMDs	**($2,910,859)**	

At Mrs. K's death, the son is the sole designated beneficiary. The RMDs will now be based on the son's (age 50) fixed period life expectancy in the year following Mrs. K's death.

At Mrs. K's Death: Payout to son for 34.2 year fixed period life expectancy

Year	Son's Age	IRA Beginning Balance	Fixed Life Expectancy Table V	Applicable Percentage	RMD	IRA Ending Balance 7% Growth
1	50	$4,074,213	34.2	2.92%	($119,129)	$4,240,279
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10	59	5,632,337	25.2	3.97%	(223,505)	5,803,095
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20	69	6,913,292	15.2	6.58%	(454,822)	6,942,400
--		--	--			--
30	79	5,010,710	5.2	19.23%	(963,598)	4,397,862
--		--	--			--
35	84	403,674	0.2	100.00%	(431,931)	0
				Total RMDs	**($17,323,495)**	

If son dies before 34.2 years, RMDs will continue to son's designated beneficiary (assume Mr. K's grandson) for the balance of the fixed period.

Kugler Brother 2
Beneficiary: Conduit QTIP

At Mr. K's death, Mrs. K (then age 53) will be recognized as sole designated beneficiary via conduit QTIP. However, she is not the IRA owner (cannot roll over); therefore, her single life expectancy (redetermined) in the year of Mr. K's death under Table V may be used for RMD calculations. She is not required to take the first distribution until the following year.

Assume IRA will pay 3% income to Mrs. K via QTIP

Year	Mrs. Kugler's Age	IRA Beginning Balance	IRA RMD	7% Growth	3% IRA Income to Mrs. K via QTIP	IRA Ending Balance
1	54	$1,000,000	0.0	$70,000	($30,000)	$1,040,000
2	55	1,040,000	0.0	72,800	(31,200)	1,081,600
--		--	--			--
5	58	1,169,859	0.0	75,712	(35,096)	1,216,653
--		--	--			--
9	62	1,368,569	0.0	78,740	(41,057)	1,423,312
			Total QTIP Income		**($317,484)**	

When Mr. K would have attained age 70½, Mrs. K (age 63) must commence RMDs.

Year	Mrs. Kugler's Age	IRA Beginning Balance	Table V Single Life Expectancy	Applicable Percentage	RMD	IRA Ending Balance 7% Growth
1	63	$1,423,312	22.7	4.41%	($62,701)	$1,460,243
--		--	--			--
5	67	1,560,282	19.4	5.15%	(80,427)	1,589,075
--		--	--			--
10	72	1,669,813	15.5	6.45%	(107,730)	1,678,970
--		--	--			--
15	77	1,659,093	12.1	8.26%	(137,115)	1,638,114
--		--	--			--
20	82	1,478,050	9.1	10.99%	(162,423)	1,419,090
--			--			
23	85	1,281,067	7.6	13.16%	(168,561)	1,202,180
				Total RMDs	**($2,733,519)**	

At Mrs. K's death, the son is the sole designated beneficiary. However, the RMDs are based on Mrs. K's fixed period single life expectancy in the year of her death.

At Mrs. K's Death: Payout to son for Mrs. K's 7.6 year fixed period life expectancy

Year	Son's Age	IRA Beginning Balance	Fixed Life Expectancy Table V	Applicable Percentage	RMD	IRA Ending Balance 7% Growth
1		$1,202,180	7.6	13.16%	($158,182)	$1,128,151
2		1,128,151	6.6	15.15%	(170,932)	1,036,190
3	Not	1,036,190	5.6	17.86%	(185,034)	923,689
4	A	923,689	4.6	21.74%	(200,802)	787,545
5	Factor	787,545	3.6	27.78%	(218,763)	623,911
6		623,911	2.6	38.46%	(239,966)	427,619
7		427,619	1.6	62.50%	(267,262)	190,290
8		190,290	0.6	100.00%	(203,611)	(0)
				Total RMDs	**($1,644,550)**	

*The RMD is greater than the assumed 3% income earned by the IRA. However, if the IRA income were greater, the distribution from the IRA would be increased to satisfy the QTIP spousal income requirement.

Kugler Brother 3
Beneficiary: Accumulation QTIP

At Mr. K's death, Mrs. K (then age 53) will be the oldest beneficiary of the QTIP Trust. All beneficiaries are individuals. Therefore, her life expectancy will be used for retirement distribution calculations. However, she is not the sole designated beneficiary. As a result, her single life expectancy is not redetermined under Table V. Thus the payout is for a fixed period based upon her life expectancy (30.5 years) in the year following Mr. K's death.

IRA				QTIP			
Year	Beginning Balance	RMD Paid to QTIP	Ending Balance	3% IRA Income to Mrs. K via QTIP*	Difference Between RMD and 3% QTIP	Cumulative After Tax (40%) difference**	3% from Prior Year's QTIP Balance to Mrs. K
1	$1,000,000	($32,787)	1,037,213	$30,000	$2,787	1,672	0
--			--	--			
5	1,149,587	(43,381)	1,186,677	34,488	(8,893)	(16,961)	(349)
--			--	--			
10	1,326,514	(61,698)	1,357,671	39,795	(21,903)	(65,295)	(1,565)
--			--	--			
15	1,453,405	(88,085)	1,467,058	43,602	(44,483)	(168,742)	(4,262)
--			--	--			
20	1,455,907	(126,601)	1,431,220	43,677	(82,923)	(366,532)	(9,503)
--			--	--			
25	1,200,596	(184,707)	1,099,930	36,018	(148,689)	(725,016)	(19,074)
--			--	--			
30	435,209	(290,140)	175,534	13,056	(277,083)	(1,375,410)	(36,275)
31 ***	175,534	(187,822)	(0)	5,266	182,556	(1,484,944)	(41,262)
32	--	0	--	0		(1,529,492)	(44,548)
33	--	0	--	0		1,575,377	(45,885)
	Total	**($3,581,085)**		**$1,106,179**			(405,135)

At Mrs. K's death (year 33), the IRA would already be exhausted because she outlived her 30.5 year life expectancy. The RMDs will be paid to the QTIP. Since the RMDs exceed the assumed 3% IRA income, the QTIP will only pay the 3% income ($1,106,179) to Mrs. K. The after-tax (40%) difference is assumed to accumulate in the QTIP Trust.

* Total payout to Mrs. K would be $1,511,314 ($1,106,179 plus $405,135). She only receives a 3% income on the IRA assets and QTIP principal. She does not receive the RMDs. Amount remaining at her death to pay son: $1,575,377.

** The QTIP trust is assumed to grow by a net 4% each year (7% growth less 3% ($405,135) income payout to Mrs. K).

*** Year 31 RMDs terminate because Mrs. K reaches 30.5 year fixed period life expectancy.

Kugler Brother 4
Beneficiary: Mrs. K outright

During Mr. K's Lifetime (Uniform Table life expectancy)

Year	Mrs. Kugler's Age	IRA Beginning Balance	7% Growth	Applicable Percentage	No RMDs Required	IRA Ending Balance
1	54	$1,000,000	$70,000	0.00%	0	$1,070,000
2	55	1,070,000	74,900	0.00%	0	1,144,900
--				--		--
5	58	1,310,796	95,755	0.00%	0	1,402,552
--				--		--
10	63	1,838,459	128,692	0.00%	0	1,967,151
--				--		--
15	68	2,578,534	180,497	0.00%	0	2,759,032
16	69	2,759,032	193,132	0.00%	0	2,952,164

At Mr. K's death, Mrs. K is the outright beneficiary of the IRA.

Year	Mrs. Kugler's Age	IRA Beginning Balance	Uniform Table Life Expectancy	Applicable Percentage	RMD	IRA Ending Balance 7% Growth
1	70	$2,952,164	27.4	3.65%	($107,743)	$3,051,072
2	71	3,051,072	26.5	3.77%	(115,135)	3,149,512
--			--			--
5	74	3,342,781	23.8	4.20%	(140,453)	3,436,323
--			--			--
10	79	3,772,517	19.5	5.13%	(193,462)	3,843,131
--			--			--
15	84	4,042,160	15.5	6.45%	(260,785)	4,064,327
16	85	4,064,327	14.8	6.76%	(274,617)	4,074,213
				Total RMDs	**$(2,910,859)**	

At Mrs. K's Death: Payout to grandson for 53.3 year fixed period life expectancy

Year	Grandson's Age	IRA Beginning Balance	Fixed Life Expectancy Table V	Applicable Percentage	RMD	IRA Ending Balance 7% Growth
1	30	$4,074,213	53.3	1.88%	($76,439)	$4,282,969
10	39	6,302,023	44.3	2.26%	(142,258)	6,600,907
20	49	9,762,590	34.3	2.92%	(284,624)	10,161,347
30	59	13,920,939	24.3	4.12%	(572,878)	14,322,527
40	69	16,698,931	14.3	6.99%	(1,167,757)	16,700,099
54	83	1,318,074	0.3	100.00%	(1,410,339)	(0)
				Total RMDs	**($44,613,289)**	

If grandson dies before 53.3 years, RMDs will continue to the designated beneficiary.

RESULTS AND BENEFITS

- Kugler brother number 1, **outright to spouse** and subsequent rollover with son as remainder beneficiary.

Years		RMDs	IRA Balance
16	Prior to Mrs. K's RMDs	$0	$2,952,164
16	During Mrs. K's lifetime	2,910,859	4,074,213*
34	During Son's lifetime	17,323,495	0
66		**$20,234,354**	

- Kugler brother number 2, **a conduit QTIP** trust (spouse is sole designated beneficiary with **son** as remainder beneficiary.

Years		RMDs	3% IRA Income to Mrs. K via QTIP	IRA Balance
9	3% IRA to QTIP Prior to RBD (Mr. K's age 70½)	$0	$317,484	1,423,312
23	During Mrs. K's Lifetime	2,733,519	0	1,419,090*
8	During Son's Lifetime	1,644,550	0	0
40		**$4,378,069**	**$317,484**	

Note: 3% income ($317,484) is paid from the IRA to satisfy QTIP spousal income requirement.

- Kugler brother number 3, an Accumulation **QTIP** trust (spouse is not sole designated beneficiary).

Years		RMDs paid to QTIP	3% IRA income via QTIP	Ending IRA Balance	After- tax QTIP** balance	3% Income from QTIP balance	IRA & QTIP Balance
33	During Mrs. K's Lifetime	$3,581,085	$1,106,179	$0	$1,575,377	$405,135	$1,575,377

Note: The 3% income (total of $1,511,314 was paid to Mrs. K) includes the 3% income from the IRA assets ($1,106,179) and the 3% QTIP trust principal ($405,135).

- For Kugler brother 4, **outright to spouse** and subsequent rollover with grandson as remainder beneficiary.

Years		RMDs	IRA Balance
16	Prior to Mrs. K's RMDs	0	$2,952,164
16	During Mrs. K's Lifetime	2,910,859	4,074,213*
53	During Grandson's Lifetime	44,613,289	0
85		**$47,524,148**	

* Estate tax is assumed to be payable from other estate assets or life insurance.

** The QTIP trust is assumed to grow by a net 4% each year (7% growth less 3% ($405,135) income payout).

Note: For a Roth IRA, there would be no RMDs during Mr. K's lifetime. There would also be no RMDs during Mrs. K's lifetime if the Roth IRA were distributed outright to the surviving spouse via rollover.

APPENDIX A – UNIFORM TABLE
LIFETIME REQUIRED MINIMUM DISTRIBUTIONS

Used by QRP plan participant, IRA owner, or surviving spouse who rolls IRA to his/her name (not applicable to Roth IRA), RBD is generally age 70½.

Joint life table based on the redetermined life expectancy of the plan participant or the IRA owner and an assumed joint life that is 10 years younger.

At the death of the IRA owner the individual that inherits the IRA from the IRA owner would be the designated beneficiary and his/her age (life expectancy) may be used to determine the duration of the IRA payout.

Starting Age	Joint Life Expectancy*	Redetermined Applicable Percentage
70	27.4	3.65%
71	26.5	3.77%
72	25.6	3.91%
73	24.7	4.05%
74	23.8	4.20%
75	22.9	4.37%
76	22.0	4.55%
77	21.2	4.72%
78	20.3	4.93%
79	19.5	5.13%
80	18.7	5.35%
81	17.9	5.59%
82	17.1	5.85%
83	16.3	6.13%
84	15.5	6.45%
85	14.8	6.76%
86	14.1	7.09%
87	13.4	7.46%
88	12.7	7.87%
89	12.0	8.33%
90	11.4	8.77%
91	10.8	9.26%
92	10.2	9.80%
93	9.6	10.42%

Starting Age	Joint Life Expectancy*	Redetermined Applicable Percentage
94	9.1	10.99%
95	8.6	11.63%
96	8.1	12.35%
97	7.6	13.16%
98	7.1	14.08%
99	6.7	14.93%
100	6.3	15.87%
101	5.9	16.95%
102	5.5	18.18%
103	5.2	19.23%
104	4.9	20.41%
105	4.5	22.22%
106	4.2	23.81%
107	3.9	25.64%
108	3.7	27.03%
109	3.4	29.41%
110	3.1	32.26%
111	2.9	34.48%
112	2.6	38.46%
113	2.4	41.67%
114	2.1	47.62%
115 or older	1.9	52.63%

This table determines their annual lifetime RMDs regardless of who the beneficiary is. The only exception is if the employee's sole beneficiary as of 1/1 of the year is the spouse who is more than ten years younger. In that case, the employee is allowed to use the longer distribution period measured by the redetermined joint life and last survivor life expectancy of the individual and spouse.

The distribution period is divided into 100% to arrive at the applicable percentage for annual withdrawals. The applicable percentage times the account balance (revalued annually) as of the end of the prior year (i.e. 12/31 of the prior year for an IRA) produces the lifetime RMD. The distribution period is redetermined every year as the individual gets older. As a result, if only RMDs are taken every year, the individual will never exhaust the account during lifetime.

For IRAs the account value as of 12/31 of the previous year is used to determine the RMD. For QRPs, the account balance of plan anniversary date is used to determine the RMD. For both IRAs and QRPs, the age of the measuring life for the year the distribution is made, is based on the actual age on 12/31, e.g. use age 60 if the participant is age 60 on or before 12/31.

APPENDIX B
JOINT LIFE EXPECTANCY TABLE

Used by IRA owner or qualified plan participant when surviving spouse is sole beneficiary and more than ten years younger

Divide into 100% to obtain the applicable percentage for each year

Ages	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84
35	48.7	48.7	48.7	48.6	48.6	48.6	48.6	48.6	48.6	48.6	48.5	48.5	48.5	48.5	48.5
36	47.8	47.7	47.7	47.7	47.7	47.7	47.6	47.6	47.6	47.6	47.6	47.6	47.6	47.6	47.6
37	46.8	46.8	46.8	46.7	46.7	46.7	46.7	46.7	46.6	46.6	46.6	46.6	46.6	46.6	46.6
38	45.9	45.9	45.8	45.8	45.8	45.7	45.7	45.7	45.7	45.7	45.7	45.7	45.6	45.6	45.6
39	44.9	44.9	44.9	44.8	44.8	44.8	44.8	44.8	44.7	44.7	44.7	44.7	44.7	44.7	44.7
40	44.0	44.0	43.9	43.9	43.9	43.8	43.8	43.8	43.8	43.8	43.7	43.7	43.7	43.7	43.7
41	43.1	43.0	43.0	43.0	42.9	42.9	42.9	42.9	42.8	42.8	42.8	42.8	42.8	42.8	42.7
42	42.2	42.1	42.1	42.0	42.0	42.0	41.9	41.9	41.9	41.9	41.8	41.8	41.8	41.8	41.8
43	41.3	41.2	41.1	41.1	41.1	41.0	41.0	41.0	40.9	40.9	40.9	40.9	40.9	40.9	40.8
44	40.3	40.3	40.2	40.2	40.1	40.1	40.1	40.0	40.0	40.0	40.0	39.9	39.9	39.9	39.9
45	39.4	39.4	39.3	39.3	39.2	39.2	39.1	39.1	39.1	39.1	39.0	39.0	39.0	39.0	39.0
46	38.6	38.5	38.4	38.4	38.3	38.3	38.2	38.2	38.2	38.1	38.1	38.1	38.1	38.0	38.0
47	37.7	37.6	37.5	37.5	37.4	37.4	37.3	37.3	37.2	37.2	37.2	37.2	37.1	37.1	37.1
48	36.8	36.7	36.6	36.6	36.5	36.5	36.4	36.4	36.3	36.3	36.3	36.2	36.2	36.2	36.2
49	35.9	35.9	35.8	35.7	35.6	35.6	35.5	35.5	35.4	35.4	35.4	35.3	35.3	35.3	35.3
50	35.1	35.0	34.9	34.8	34.8	34.7	34.6	34.6	34.5	34.5	34.5	34.4	34.4	34.4	34.4
51	34.3	34.2	34.1	34.0	33.9	33.8	33.8	33.7	33.6	33.6	33.6	33.5	33.5	33.5	33.4
52	33.4	33.3	33.2	33.1	33.0	33.0	32.9	32.8	32.8	32.7	32.7	32.6	32.6	32.6	32.5
53	32.6	32.5	32.4	32.3	32.2	32.1	32.0	32.0	31.9	31.8	31.8	31.8	31.7	31.7	31.7
54	31.8	31.7	31.6	31.5	31.4	31.3	31.2	31.1	31.0	31.0	30.9	30.9	30.8	30.8	30.8
55	31.1	30.9	30.8	30.6	30.5	30.4	30.3	30.3	30.2	30.1	30.1	30.0	30.0	29.9	29.9
56	30.3	30.1	30.0	29.8	29.7	29.6	29.5	29.4	29.3	29.3	29.2	29.2	29.1	29.1	29.0
57	29.5	29.4	29.2	29.1	28.9	28.8	28.7	28.6	28.5	28.4	28.4	28.3	28.3	28.2	28.2
58	28.8	28.6	28.4	28.3	28.1	28.0	27.9	27.8	27.7	27.6	27.5	27.5	27.4	27.4	27.3
59	28.1	27.9	27.7	27.5	27.4	27.2	27.1	27.0	26.9	26.8	26.7	26.6	26.6	26.5	26.5
60	27.4	27.2	27.0	26.8	26.6	26.5	26.3	26.2	26.1	26.0	25.9	25.8	25.8	25.7	25.6
61	26.7	26.5	26.3	26.1	25.9	25.7	25.6	25.4	25.3	25.2	25.1	25.0	24.9	24.9	24.8
62	26.1	25.8	25.6	25.4	25.2	25.0	24.8	24.7	24.6	24.4	24.3	24.2	24.1	24.1	24.0
63	25.4	25.2	24.9	24.7	24.5	24.3	24.1	23.9	23.8	23.7	23.6	23.4	23.4	23.3	23.2
64	24.8	24.5	24.3	24.0	23.8	23.6	23.4	23.2	23.1	22.9	22.8	22.7	22.6	22.5	22.4
65	24.3	23.9	23.7	23.4	23.1	22.9	22.7	22.5	22.4	22.2	22.1	21.9	21.8	21.7	21.6
66	23.7	23.4	23.1	22.8	22.5	22.3	22.0	21.8	21.7	21.5	21.3	21.2	21.1	21.0	20.9
67	23.2	22.8	22.5	22.2	21.9	21.6	21.4	21.2	21.0	20.8	20.6	20.5	20.4	20.2	20.1
68	22.7	22.3	22.0	21.6	21.3	21.0	20.8	20.6	20.3	20.1	20.0	19.8	19.7	19.5	19.4
69	22.2	21.8	21.4	21.1	20.8	20.5	20.2	19.9	19.7	19.5	19.3	19.1	19.0	18.8	18.7
70	21.8	21.3	20.9	20.6	20.2	19.9	19.6	19.4	19.1	18.9	18.7	18.5	18.3	18.2	18.0
71	21.3	20.9	20.5	20.1	19.7	19.4	19.1	18.8	18.5	18.3	18.1	17.9	17.7	17.5	17.4
72	20.9	20.5	20.0	19.6	19.3	18.9	18.6	18.3	18.0	17.7	17.5	17.3	17.1	16.9	16.7
73	20.6	20.1	19.6	19.2	18.8	18.4	18.1	17.8	17.5	17.2	16.9	16.7	16.5	16.3	16.1
74	20.2	19.7	19.3	18.8	18.4	18.0	17.6	17.3	17.0	16.7	16.4	16.2	15.9	15.7	15.5
75	19.9	19.4	18.9	18.4	18.0	17.6	17.2	16.8	16.5	16.2	15.9	15.6	15.4	15.2	15.0
76	19.6	19.1	18.6	18.1	17.6	17.2	16.8	16.4	16.0	15.7	15.4	15.1	14.9	14.7	14.4
77	19.4	18.8	18.3	17.8	17.3	16.8	16.4	16.0	15.6	15.3	15.0	14.7	14.4	14.2	13.9
78	19.1	18.5	18.0	17.5	17.0	16.5	16.0	15.6	15.2	14.9	14.5	14.2	13.9	13.7	13.4

APPENDIX C, PART 1 (NON- SPOUSAL DB)

Used when designated beneficiary is non-spouse or surviving spouse is not sole beneficiary

RBD 12/31 of the year following the death of the QRP participant or IRA owner

FIXED PERIOD SINGLE LIFE EXPECTANCY (Not Redetermined)

Fixed period life expectancy is reduced by one for each subsequent year. For example, at age 58 the life expectancy is 27.0 years. RMD is 1/27 in year one, 1/26 in year two, and so on for a maximum payout of 27 years. If the Designated Beneficiary (DB) dies in less than 27 years, and if the IRA has remaining value, the RMDs continue (just as if the DB were alive) to the successor beneficiary.

Designated Beneficiary Starting Age	Distribution Period	Designated Beneficiary Starting Age	Distribution Period	Designated Beneficiary Starting Age	Distribution Period
1	81.6	38	45.6	75	13.4
2	80.6	39	44.6	76	12.7
3	79.7	40	43.6	77	12.1
4	78.7	41	42.7	78	11.4
5	77.7	42	41.7	79	10.8
6	76.7	43	40.7	80	10.2
7	75.8	44	39.8	81	9.7
8	74.8	45	38.8	82	9.1
9	73.8	46	37.9	83	8.6
10	72.8	47	37.0	84	8.1
11	71.8	48	36.0	85	7.6
12	70.8	49	35.1	86	7.1
13	69.9	50	34.2	87	6.7
14	68.9	51	33.3	88	6.3
15	67.9	52	32.3	89	5.9
16	66.9	53	31.4	90	5.5
17	66.0	54	30.5	91	5.2
18	65.0	55	29.6	92	4.9
19	64.0	56	28.7	93	4.6
20	63.0	57	27.9	94	4.3
21	62.1	58	27.0	95	4.1
22	61.1	59	26.1	96	3.8
23	60.1	60	25.2	97	3.6
24	59.1	61	24.4	98	3.4
25	58.2	62	23.5	99	3.1
26	57.2	63	22.7	100	2.9
27	56.2	64	21.8	101	2.7
28	55.3	65	21.0	102	2.5
29	54.3	66	20.2	103	2.3
30	53.3	67	19.4	104	2.1
31	52.4	68	18.6	105	1.9
32	51.4	69	17.8	106	1.7
33	50.4	70	17.0	107	1.5
34	49.4	71	16.3	108	1.4
35	48.5	72	15.5	109	1.2
36	47.5	73	14.8	110	1.1
37	46.5	74	14.1	111 +	1.0

For IRAs the account value as of 12/31 of the previous year is used to determine the RMD. For QRPs, the account balance of plan anniversary date is used to determine the RMD. For both IRAs and QRPs, the age of the measuring life for the year the distribution is made, is based on the actual age on 12/31, e.g. use age 60 if the participant is age 60 on or before 12/31.

APPENDIX C, PART 2
SINGLE LIFE EXPECTANCY TABLE V (SPOUSAL DB)

Used by Spousal Designated Beneficiary

(Surviving spouse that inherits the IRA or QRP from the IRA owner or Plan Participant)

Used when surviving spouse is sole beneficiary but not owner. RBD is the later of December 31 of the year following year of death or when deceased IRA owner would have reached age 70½

Single Life Table based on re-determining life expectancy of surviving spouse.

Once RMDs have commenced under the single life table, the age of any subsequent beneficiaries is not a factor in determining future distributions. At the surviving spouse's subsequent death (after RMDs have begun), the payout to the beneficiary is based on the deceased spouse's fixed period life expectancy in the year of death. For example, assume surviving spouse dies at age 85. Life expectancy is 7.6 years; therefore, pay 1/7.6 for year one, 1/6.6 for year two and so on for a maximum payout of 7.6 years.

Surviving Spouse Starting Age	Life Expectancy	Redetermined Applicable Percentage
0	82.4	1.21%
1	81.6	1.23%
2	80.6	1.24%
3	79.7	1.25%
4	78.7	1.27%
5	77.7	1.29%
6	76.7	1.30%
7	75.8	1.32%
8	74.8	1.34%
9	73.8	1.36%
10	72.8	1.37%
11	71.8	1.39%
12	70.8	1.41%
13	69.9	1.43%
14	68.9	1.45%
15	67.9	1.47%
16	66.9	1.49%
17	66.0	1.52%
18	65.0	1.54%
19	64.0	1.56%
20	63.0	1.59%
21	62.1	1.61%
22	61.1	1.64%
23	60.1	1.66%
24	59.1	1.69%
25	58.2	1.72%
26	57.2	1.75%
27	56.2	1.78%
28	55.3	1.81%
29	54.3	1.84%
30	53.3	1.88%
31	52.4	1.91%
32	51.4	1.95%
33	50.4	1.98%
34	49.4	2.02%
35	48.5	2.06%

Surviving Spouse Starting Age	Life Expectancy	Redetermined Applicable Percentage
36	47.5	2.11%
37	46.5	2.15%
38	45.6	2.19%
39	44.6	2.24%
40	43.6	2.29%
41	42.7	2.34%
42	41.7	2.40%
43	40.7	2.46%
44	39.8	2.51%
45	38.8	2.58%
46	37.9	2.64%
47	37.0	2.70%
48	36.0	2.78%
49	35.1	2.85%
50	34.2	2.92%
51	33.3	3.00%
52	32.3	3.10%
53	31.4	3.18%
54	30.5	3.28%
55	29.6	3.38%
56	28.7	3.48%
57	27.9	3.58%
58	27.0	3.70%
59	26.1	3.83%
60	25.2	3.97%
61	24.4	4.10%
62	23.5	4.26%
63	22.7	4.41%
64	21.8	4.59%
65	21.0	4.76%
66	20.2	4.95%
67	19.4	5.15%
68	18.6	5.38%
69	17.8	5.62%
70	17.0	5.88%
71	16.3	6.13%

APPENDIX C, PART 2
(CONTINUED)

Surviving Spouse Starting Age	Life Expectancy	Redetermined Applicable Percentage
72	15.5	6.45%
73	14.8	6.76%
74	14.1	7.09%
75	13.4	7.46%
76	12.7	7.87%
77	12.1	8.26%
78	11.4	8.77%
79	10.8	9.26%
80	10.2	9.80%
81	9.7	10.31%
82	9.1	10.99%
83	8.6	11.63%
84	8.1	12.35%
85	7.6	13.16%
86	7.1	14.08%
87	6.7	14.93%
88	6.3	15.87%
89	5.9	16.95%
90	5.5	18.18%
91	5.2	19.23%
92	4.9	20.41%
93	4.6	21.74%
94	4.3	23.26%
95	4.1	24.39%
96	3.8	26.32%
97	3.6	27.78%
98	3.4	29.41%
99	3.1	32.26%
100	2.9	34.48%
101	2.7	37.04%
102	2.5	40.00%
103	2.3	43.48%
104	2.1	47.62%
105	1.9	52.63%
106	1.7	58.82%
107	1.5	66.67%
108	1.4	71.43%
109	1.2	83.33%
110	1.1	90.91%
111+	1.0	100.00%

For IRAs the account value as of 12/31 of the previous year is used to determine the RMD. For QRPs, the account balance on the plan anniversary date is used to determine the RMD. For both IRAs and QRPs, the age of the measuring life for the year the distribution is made, is based on the actual age on 12/31, e.g. use age 60 if the participant turns age 60 on or before 12/31.