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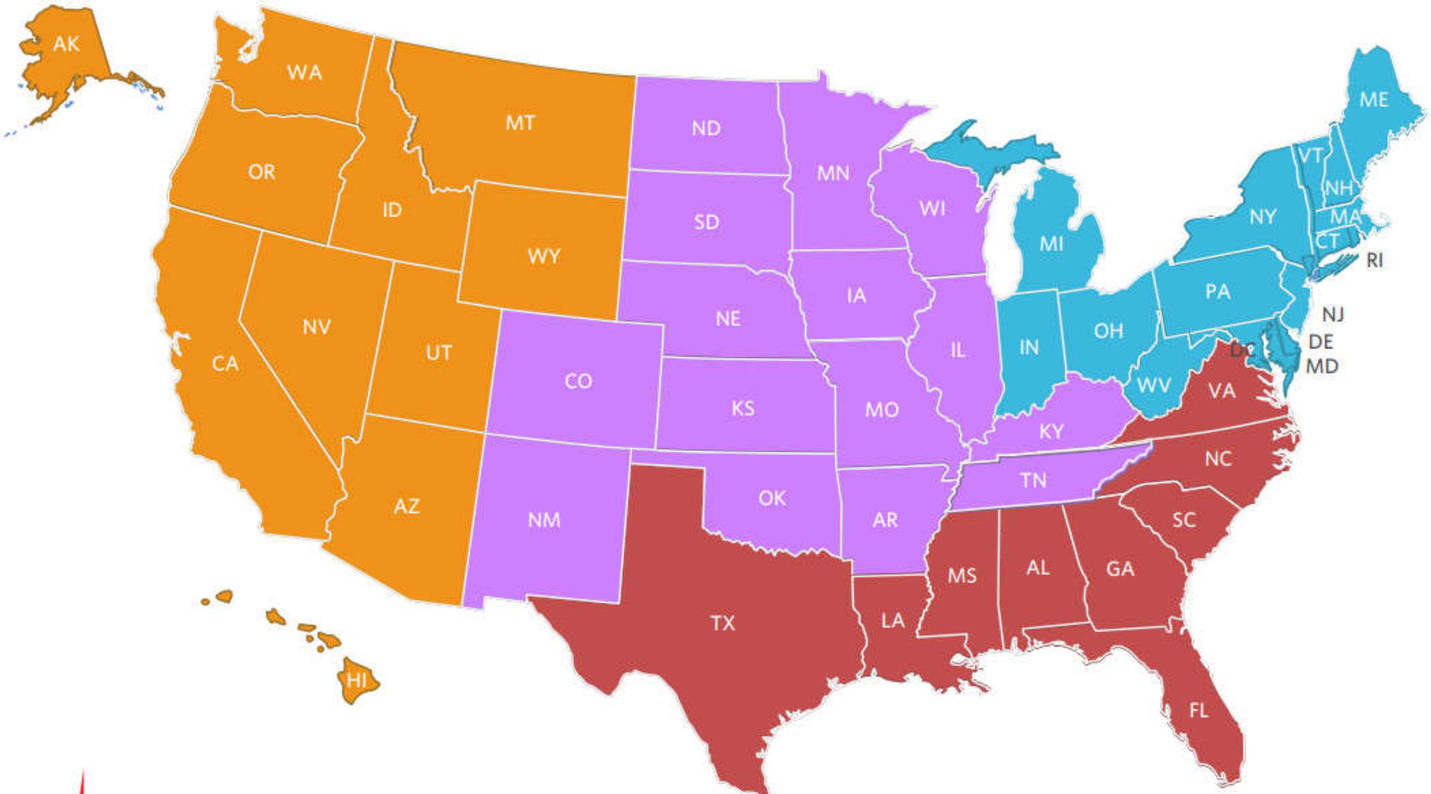

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IRAS: GOLDMINE OR MINEFIELD?

Securities may lose value and are not insured by the FDIC or any federal government agency.
They are not a deposit of or guaranteed by any bank, bank affiliate, or credit union.

TRANSAMERICA

$9.8 trillion

At the end of
3rd Quarter 2019

IRAs represented nearly 1/3 of the total United States retirement market assets*

*Investment Company Institute, 2019

**ICI, Quarterly Retirement Market Data, Third Quarter, 2019*

THE IRA MARKET

19,100

The expected increase in Personal Financial Advisors by 2028.[1]

[1]Bureau of Labor Statistics, U.S. Department of Labor, Occupational projections and worker characteristics.

THE IRA "RULE BOOK"

THE IRA "RULE BOOK" IS OVER 120 PAGES LONG.

PUBLICATION 590 COMES IN TWO PARTS:

590-A: Contributions   590-B: Distributions

This is updated annually.

TOPICS INCLUDE:

- Age 59½ rule
- 10% additional tax
- 60-day period for rollovers
- Early distributions
- Inherited IRAs
- AGI limits

- Penalties
- Transfers
- Form 8606
- Beneficiaries
- Spousal IRA
- Form 5329

- 2-year rule
- Conversions
- Form 1040
- 20% withholding
- Required beginning date
- Age 72 rule

THE IRA MARKET

Clients need your help and they're turning to financial professionals like yourselves for guidance, and you should know the rules and regulations.

COMPETITION
- Tremendous competition
- Regulatory scrutiny

WIN, WIN
- Leverage your experience
- Demonstrate greater value
- Satisfy regulatory guidance

CHALLENGES
- Develop your IRA knowledge
- Identify and organize your resources
  - IRS Publication 590 A/B: Individual Retirement Arrangements
  - IRS Publication 560: Small Business Retirement Plans
  - IRS Publication 575: Pension and Annuity Income
- Transamerica's Advanced Markets Group
  - Help you and your clients obtain the right information to make the solid decisions

AGENDA

These are the issues and concepts that we feel are most important when it comes to IRA planning.

REASONS TO ROLL OVER
There may be more than you think

REASONS NOT TO ROLL OVER
Ensure suitability, demonstrate knowledge and credibility

REQUIRED MINIMUM DISTRIBUTIONS
Important considerations

ROTH IRAs
Not to be overlooked

METHODS OF TAX-FREE TRANSFER
Important differences require knowledge

BENEFICIARY PLANNING
Demonstrating and offering additional value

AVOIDING THE 10% ADDITIONAL FEDERAL TAX:
Know the exceptions

REASONS TO ROLL OVER FROM A QUALIFIED PLAN

Is the focus of your rollover pitch limited to these three reasons?

Share alternative options, choices, and strategies.

Consolidation*	Expanded Investment Options	Manage Expenses	Offer Clients Expanded Distribution Options
• Easier than managing multiple accounts • Coordinated asset allocation and diversification	• Tactical and strategic investments • Annuities	• Compare and manage account fees and expenses	• Bond laddering • Bucketing • Guaranteed lifetime income options

*Consolidation is not a guarantee against a loss.

Rollovers and transfers may be subject to differences in features and expenses. Indirect transfers may be subject to taxation and penalties. Clients should consult their tax advisor regarding their situation.

REASONS TO ROLL OVER FROM A QUALIFIED PLAN

Consider additional reasons for rolling over to an IRA that may be very motivating given the client's personal circumstances.

For clients who need cash from their retirement assets

NO MANDATORY WITHHOLDING

- There is no mandatory withholding on distributions from IRAs however, taxes may still be due

BENEFICIARY FLEXIBILITY

- No spousal automatic survivor benefit requirement*[2]

IRA-specific exceptions to the 10% additional federal tax

- Used to pay expenses for qualified higher education[1]
- Distribution for qualified first-time homebuyers[1]
- Payment of health insurance premiums for unemployed individuals[1]

[1]IRC Section 72(t)(2)(D), (E), and (F)
[2]IRC Sec. 401(a)(11)(B)
*States may have their own requirements.

Rollovers and transfers may be subject to differences in features and expenses. Indirect transfers may be subject to taxation and penalties. Clients should consult their tax advisor regarding their situation.

REASONS NOT TO ROLL OVER FROM A QUALIFIED PLAN

Some individuals left their assets in their former employer's plan because their financial professional recommended it.

SEPARATION FROM SERVICE AT OR AFTER AGE 55

- For qualified plans, there is an exception to the 10% additional federal tax for employees who separate from service during or after the year they attain age 55[1]

LOANS ARE NOT PERMITTED FROM IRAS

- If the client's current employer-sponsored qualified plan has a loan feature, they would forgo this relative accessible source of credit on any amounts rolled to an IRA through an in-service non-hardship withdrawal.

ASSETS WERE AWARDED VIA A QUALIFIED DOMESTIC RELATIONS ORDER (QDRO)

- There is an exception to the 10% additional federal tax for an ex-spouse who received qualified plan assets as an alternate payee under a QDRO[2]
- If an ex-spouse would like to withdraw all or a portion of the assets awarded to him/her via a QDRO, he/she should consider making the withdrawal from the employer-sponsored plan prior to rolling the remainder over to an IRA

[1]IRC Sec. 72(t)(2)(A)(v); 72(t)(3)
[2]IRC Sec. 72(t)(2)(C)

REASONS NOT TO ROLL OVER FROM A QUALIFIED PLAN

Some individuals left their assets in their former employer's plan because their financial professional recommended it.

LOSS OF DEFERRAL OF REQUIRED MINIMUM DISTRIBUTIONS (RMDS)

- For qualified plans, the required beginning date is April 1 of the calendar year following the later of:
  - The year the employee attains age 72
  - The year the employee separates from the employer who sponsors the plan (other than 5% owners)[1]

LOSS OF NET UNREALIZED APPRECIATION (NUA) TREATMENT

- If employer securities are distributed as part of a lump-sum distribution from a qualified plan, the cost basis of the securities is included in income at the time of distribution, and may be subject to the 10% additional federal tax if the employee is under age 59½[2]
- The NUA portion—the gain portion of the security—is excluded from income at the time of distribution, and deferred until the securities are sold[3]
- Once sold, the NUA amount is taxed as long-term capital gain, regardless of the holding period[2]

[1]IRC Sec. 401(a)(9)(C)
[2]IRC Sec. 402(e)(4)(B)
[3]Treas. Reg. 1.402(a)-1(b)(1)(i)

REASONS NOT TO ROLL OVER FROM A QUALIFIED PLAN

There are some reasons why a rollover to an IRA may not always be the best course of action, depending upon the unique and personal circumstances for each client.

403(b) pre-87 grandfathering for RMD purposes will be lost	The pre-1987 accumulations are grandfathered from RMD rules until the participant is age 75[1]	**457 plans, no 10% additional federal tax on pre-59½ withdrawals**	457 plans are not subject to the 10% additional federal tax on pre-59½ withdrawals[2]
Creditor Protection—state laws vary	Qualified plans may offer better protection than IRAs,[4] consult with an attorney Inherited IRAs not protected from bankruptcy[5]	**SIMPLE plans cannot be rolled over to an IRA within two years**	Assets rolled over from a SIMPLE plan to an IRA within the first two years of plan participation may be subject to a 25% additional federal tax[3]

[1]Treas. Reg. 1.403(b)-6(e)(6).
[2]IRC Sec. 72(t)(9).
[3]IRC Sec. 72(t)(6).
[4]ERISA 206(d).
[5]Clark Et Us. V. Rameker, Trustee, Et Al.

THE FEDERAL TAX PENALTY ON WITHDRAWALS

Let's look at the 10% additional federal tax on withdrawals made prior to 59½.

Exceptions to the 10% Additional Federal Tax*	IRA, SEP IRA, SIMPLE IRA, SARSEP, and Roth IRA	401(k) and Other Qualified Retirement Plans
Employee/account owner attains age age 59½	✓	✓
Death of employee/account owner	✓	✓
Disability	✓	✓
Medical expenses	✓	✓
Distributions to unemployed individuals for health insurance premiums	✓	
Higher education expenses	✓	
First-time home purchase (limited to a maximum withdrawal of $10,000)	✓	
Adoption finalized or baby born (limited to a maximum of $5,000)	✓	✓
Separation from service in the year employee reaches age 55, or later		✓
An alternate payee under a qualified domestic relations order (QDRO—generally issued due to divorce)		✓
Series of substantially equal periodic payments (SEPP)**	✓	✓

*Internal Revenue Code Section 72(t). There may be other limitations on taking withdrawals from IRAs and Qualified Plans (e.g. SIMPLE IRA two-year rule). This list does not include all of the exceptions to the 10% additional federal tax.

**This exception, which is available to anyone, allows a stream of payments to avoid the 10% additional federal tax if specific criteria are met. See IRC Secs. 72(t)(A)(iv); 72(t)(4); Rev. Rul. 2002-62

THE FEDERAL TAX PENALTY ON WITHDRAWALS

The SEPP exception is the one exception that is available to everyone, regardless of personal circumstances.

SUBSTANTIALLY EQUAL PERIODIC PAYMENTS (SEPP)

- Exception to the 10% federal tax penalty available to anyone
- Payments are calculated according to one of three IRS-approved methods
- Payments must continue for the greater of five years or attainment of age 59½, whichever is longer
- Failure to adhere to the rules may subject the entire sum of SEPPs to be subject to 10% federal tax and additional interest

PLANNING CONSIDERATIONS

- Consider splitting IRAs to meet income needs
- A one-time election to change to the RMD calculation method is permitted[1]
- For client's close to 59½, weigh the 10% additional tax against the taxation of mandatory distributions for five years

[1]Source: IRC Secs 72(t)(A)(iv); 72(t)(4) (i),(ii); Rev. Rul. 2002-62

METHODS OF TAX-FREE TRANSFERS

Three Methods of Tax-Free Transfers

ROLLOVER

- Also known as an indirect rollover
- Distribution of cash from a retirement plan contributed to another retirement plan within 60 days

DIRECT ROLLOVER

- Direct payment of eligible rollover distributions from a qualified plan to an IRA
- Required option for eligible rollover distributions[1]

TRUSTEE-TO-TRUSTEE TRANSFER

- Transfer of funds in an IRA from one trustee directly to another trustee
- Not a rollover
- Method for transferring an inherited IRA for a non-spouse beneficiary[2]

[1]IRC Sec. 401(a)(31), 403(b)(10), 457(d)(1)(C).
[2]IRC Sec. 402(c)(11).
Rollovers and transfers may be subject to differences in features and expenses. Indirect transfers may be subject to taxation and penalties. Clients should consult their tax advisor regarding their situation.

METHODS OF TAX-FREE TRANSFERS

Ensuring the transaction is processed properly by all three parties involved (the prior plan, the new IRA provider, and you) is critically important.

Process	Indirect Rollover	Direct Rollover
Deadline	60 day time limit[1]	No 60-day time limit[1]
Qualified Plan to IRA	20% mandatory withholding[2] Amount withheld must be added to avoid taxable distribution and potential 10% additional tax	No withholding Fewer tax concerns
IRA to IRA	Only one tax-free rollover during one-year period is permitted, applicable to all of the owner's non-Roth IRAs[3]	No once per year limit

[1]IRC Sec. 402 (c)(3)
[2]IRC Sec. 3405(c)
[3]IRC Sec. 408(d)(3)(B)

ROTH IRAs – NOT TO BE OVERLOOKED

A Roth IRA conversion analysis is an exercise for identifying assets and gathering information.

FUNDAMENTAL BENEFITS OF ROTH IRAS

Roth IRAs can provide a tax-free source of income[1]	Roth IRAs are not subject to required minimum distribution for the original owner[2]	Contributions can always be withdrawn tax-free and penalty-free[5]	Contributions are permitted at any age	Beneficiaries can maintain the benefit of tax-free savings[4]

Keep in mind, a Roth conversion may create a tax liability and can put a client in a higher marginal tax bracket.

[1]IRC Sec. 408A(d)(1).
[2]IRC Sec. 408A (c)(5).
[3]IRC Sec. 408A (c)(4) .
[4]IRC Sec. 401 (a)(9).
[5]Treas. Reg. 1.408A-6.

ROTH IRAs – NOT TO BE OVERLOOKED

THE ORDERING RULES FOR ROTH IRAS ARE OFTEN MISUNDERSTOOD OR OVERLOOKED.

Roth contributions can be withdrawn at anytime tax – and penalty – free.

Roth conversion contributions are withdrawn tax-free and penalty-free after attainment of age 59½, regardless of the holding period.

The content of this slide is a summary of IRC Sec. 408A(d) Distribution Rules for Roth IRAs.

ROTH IRAs – NOT TO BE OVERLOOKED

QUALIFIED ROTH IRA DISTRIBUTIONS ARE:

Distributions made after the five-year period beginning with the first taxable year for which a contribution was made to a Roth IRA for the owner and are:

- Made after the age of 59½
- Due to disability
- Due to death
- For a qualified first-time home purchase

ORDERING RULES FOR NONQUALIFIED DISTRIBUTIONS:

1. **Regular contributions**
   Regular contributions are returned tax-free and penalty-free at any time
2. **Conversion contributions**
   First-in, first-out; amount already included in gross income
3. **Earnings on contributions**
   Taxable, and subject to the 10% additional federal tax if applicable

The content of this slide is a summary of IRC Sec. 408A(d) Distribution Rules for Roth IRAs.

REQUIRED MINIMUM DISTRIBUTIONS (RMDs)

The IRS doesn't allow you to leave all of your money in your IRAs. This timeline illustrates how required minimum distributions work.

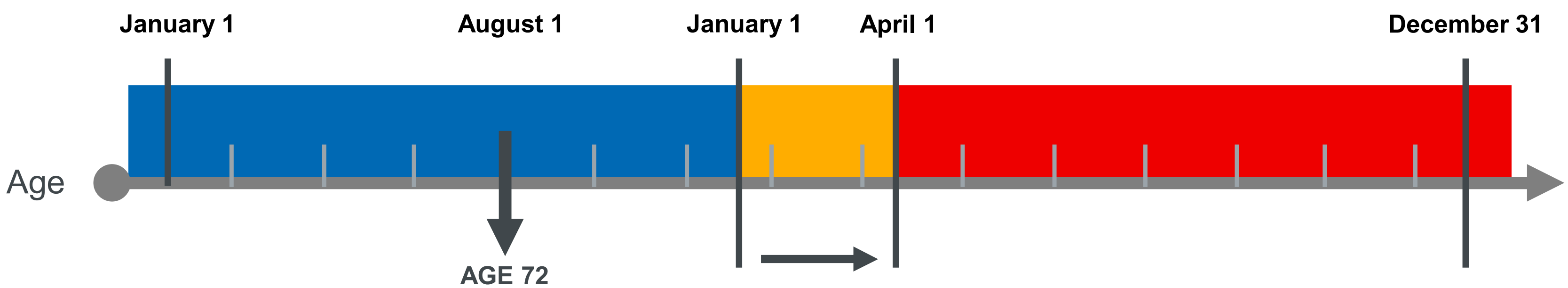
FIRST DISTRIBUTION YEAR

The year you turn 72 is the first "distribution year" for IRA required minimum distributions (RMD). The RMD for the first "distribution year" can be taken that year.

REQUIRED BEGINNING DATE

April 1 of the year following the first "distribution year" is the "required beginning date."[2]

An RMD for the next distribution year, and each year thereafter, must be taken by Dec. 31 of that year.[2]



The RMD for the first "distribution year" can be deferred until April 1 of the following year.[2]

If the first RMD is deferred until the following year (e.g., April 1[1]), two RMDs must be taken in that tax year.

[1]Treas. Reg. 401(a)(9)-5,A-1(b).
[2]IRC Sec. 401(a)(9)(C) Treas. Reg. 1.401(a)(9)-5, A-1(c).

REQUIRED MINIMUM DISTRIBUTIONS (RMDs)

Though many individuals are familiar with the general RMD guidelines, relatively few know about some of the more advanced strategy considerations.

RMD Aggregation[1]

- Traditional, SEP, and SIMPLE IRAs can be aggregated for RMD purposes
- Qualified plan RMDs cannot be aggregated with Traditional IRA RMDs

Missed RMDs[2]

- If an RMD is missed it may be subject to a 50% federal tax penalty
- Exceptions may be granted by filing IRS Form 5329 (see instructions)

RMDs and sustainable withdrawal strategies

- If the client is considering systematic withdrawals for lifetime income, refer to: IRS Table III: Uniform Lifetime Table[3], or IRS Table II: Joint Life Table, if appropriate

[1] 26 CFR 1.408-8, A-9.
[2] IRC Sec. 4974(a).
[3] IRS Publication 590, 2018.

REQUIRED MINIMUM DISTRIBUTIONS (RMDs)

This one-page piece summarizing IRS Table III: Uniform Lifetime Table also provides the percentage of the client's IRA assets that may need to be distributed in any given year.

RMDs — for owners

IRS Table III: Uniform Lifetime Table is for use by owners to calculate lifetime RMDs. The factor changes each year as the owner gets older. The table assumes a life expectancy of the owner and a beneficiary exactly 10 years younger.

Required beginning date

IRA owners must take their first RMD for the year in which they turn age 72. However, the first RMD payment can be delayed until April 1 of the year following the year in which they turn 72. For all subsequent years, including the year in which the first RMD was paid by April 1, the account owner must take the RMD by December 31 of that year.

The table below is based on IRS Table III: Uniform Lifetime Table (for use by owners).

To calculate an RMD: Divide the December 31 account value by the owner's factor (according to age[1]): 12/31 Value ÷ Factor = RMD

AGE	PERCENT	FACTOR	AGE	PERCENT	FACTOR	AGE	PERCENT	FACTOR	AGE	PERCENT	FACTOR
72	3.91	25.6	81	5.59	17.9	90	8.77	11.4	99	14.93	6.7
73	4.05	24.7	82	5.85	17.1	91	9.26	10.8	100	15.87	6.3
74	4.20	23.8	83	6.13	16.3	92	9.80	10.2	101	16.95	5.9
75	4.37	22.9	84	6.45	15.5	93	10.42	9.6	102	18.18	5.5
76	4.55	22.0	85	6.76	14.8	94	10.99	9.1	103	19.23	5.2
77	4.72	21.2	86	7.09	14.1	95	11.63	8.6	104	20.41	4.9
78	4.93	20.3	87	7.46	13.4	96	12.35	8.1	105	22.22	4.5

Joint Life and Last Survivor Expectancy Table located on back page.

IRA BENEFICIARY PLANNING

The importance of beneficiary designations is something that many people frequently overlook.

Distribution options for IRA death benefits

- Lump sum
- All out in 10 years
- Rollover to own IRA, or continue deceased's IRA (spouses only)

Surviving spouse — still allowed to stretch

Disabled individuals — still allowed to stretch

A beneficiary who is no more than 10 years younger than the owner — still allowed to stretch

A minor child of the account holder — still allowed to stretch only until they reach the age of majority. Once age of majority is reached, accounts must be liquidated over a 10-year window.

See through trust where individual trust beneficiarie(s) are any of the above.

Stretch—Inherited/beneficiary IRA

- Required minimum distributions for beneficiaries
- Distributions are based on calculation of single life expectancy from IRS Table I
- Allows beneficiary to maintain tax deferral of inherited IRA, and control the taxation of distributions, to the extent permitted by law
- Non-spouse designated beneficiaries can elect a trustee-to-trustee transfer to a properly titled inherited/beneficiary IRA[1]

[1]IRC Sec. 402(c)(11).

IRA BENEFICIARY PLANNING

While some individuals may think that what happens to their assets after they pass away isn't their problem, others may have concerns.

SPOUSE BENEFICIARIES

A spouse can continue the decedent's IRA, can exercise continuation of the IRA and assume ownership, can elect a spousal rollover, or treat as inherited IRA*

IF SPOUSE ELECTS ROLLOVER TO OWN IRA

- RMD based on own required beginning date
- RMD of original owner must be taken in year of death, payable and taxable to surviving spouse

IF SPOUSE ELECTS INHERITED IRA

- Avoids 10% additional federal tax
- Subject to beneficiary RMD rules

*26 CFR 1.408-8, A-5.

IRA BENEFICIARY PLANNING

There are other important, personal considerations when naming beneficiaries that can be of significant value to clients.

NON-SPOUSE BENEFICIARIES

- A non-spouse cannot assume ownership of the IRA or elect a rollover into their own IRA (no 60-day rollover option)[1]
- A non-spouse beneficiary can elect a trustee-to-trustee transfer into a properly titled out in 10 year IRA[2]

TRUST BENEFICIARIES

- May restrict distribution options
- If 10-year distribution is desired:
  - Trust must meet "look-through" requirements to qualify as a designated beneficiary (see IRS Pub. 590)
  - Is the trust necessary?

[1]IRC Sec. 408(d)(3)(C).
[2]IRC 402(c)(11).

IRA BENEFICIARY PLANNING

Beneficiary designation mistakes are not uncommon. By offering a beneficiary review, you can help your client avoid some of the following common mistakes.

NAMING THE ESTATE AS THE BENEFICIARY

- Ensure that the client understands the potential negative impacts of naming their estate as beneficiary or leaving their beneficiary designations blank

NAMING A TRUST AS THE BENEFICIARY

- Ensure the beneficiary designation reflects the current intentions of the client
- Outdated designations risk disinheritance or an undesired inheritance

FAILURE TO CONSIDER/REVIEW DISTRIBUTION OPTIONS, LIMITATIONS, AND REQUIREMENTS[1]

FAILING TO NAME A CONTINGENT BENEFICIARY

- If the primary beneficiary dies before the client, failure to name a contingent beneficiary may result in the assets passing to the estate

DISREGARDING PER CAPITA VS. PER STIRPES

- In the absence of a specified order of inheritance, the assets may pass to an unintended beneficiary by default

[1] 26 CFR 1.408-8, A-5

IRAs: GOLDMINE OR MINEFIELD

IRA knowledge is becoming mandatory. Make sure you and your clients are prepared and informed.

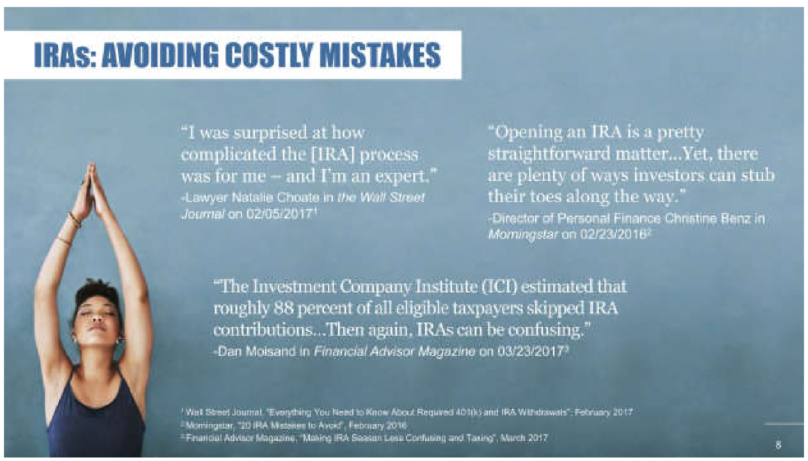
How many of the clients and prospects that you work with understand the nuances of retirement plans and IRAs?

Do you know of a client, prospect, or colleague who has made a mistake with his/her retirement assets?

Demonstrating IRA knowledge and expertise can set you apart from the competition.

LEVERAGE THE VALUE OF PERSONAL GUIDANCE

Our IRA series, The Retirement Minefield, is for those who need a client-facing presentation.



- ☐ Shows how an absence of knowledge can result in a big mistake
- ☐ Illustrates how IRA strategies should be personal and individualized
- ☐ Shows how decisions not only impact retirement, but also family and beneficiaries
- ☐ Outlines important IRA rules, allowing you to demonstrate your knowledge and credibility
- ☐ Demonstrates why it's important to work with a knowledgeable professional

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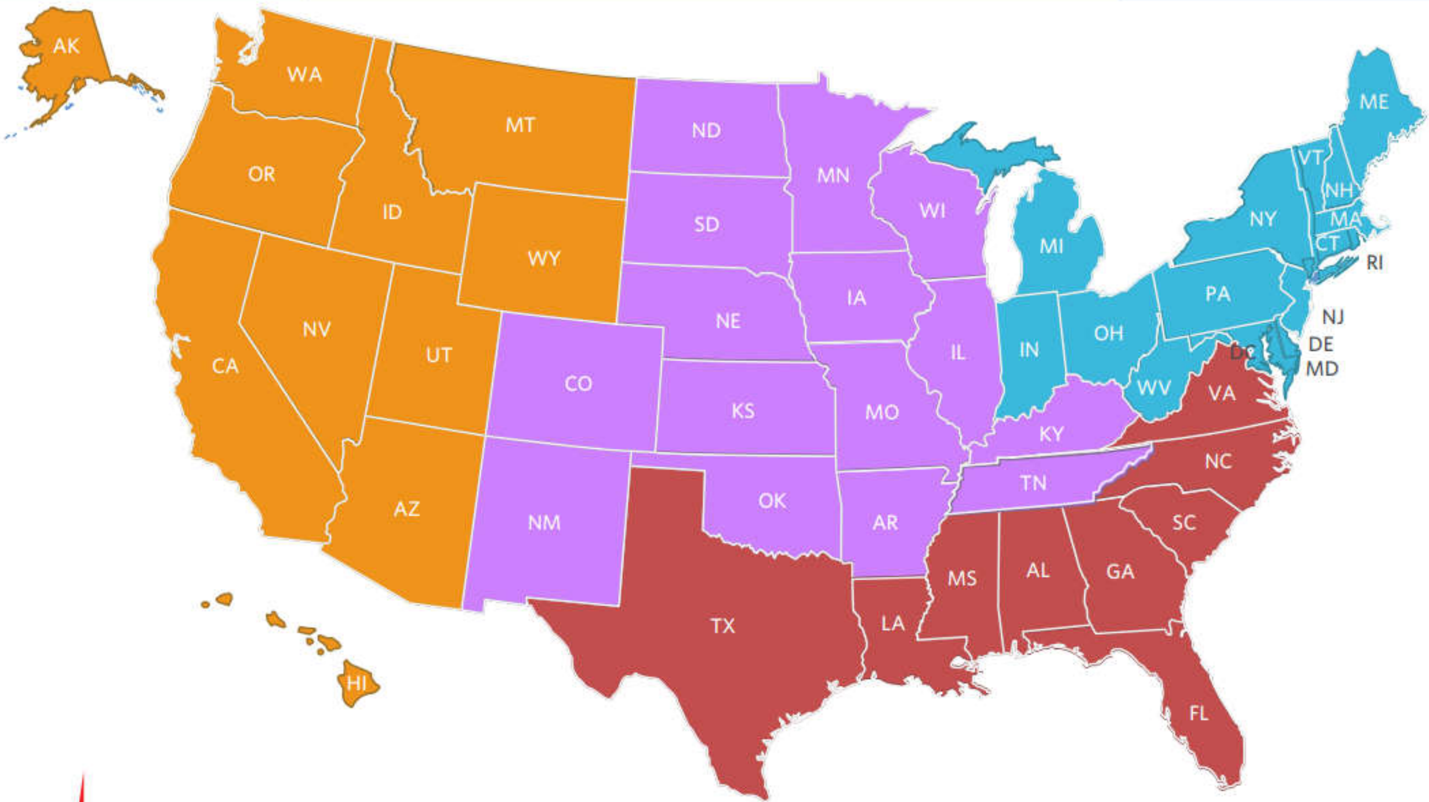

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