Hypothetical Effect of Taxes on Plan Distributions

After Jack T. Sampleton Inherits This Plan

Many retirement plan administrators will liquidate the account by requiring your non-spouse beneficiary to take a lump sum distribution. The following illustrates the difference between a lump sum distribution and earning a hypothetical a 8.00% return and taking only required minimum distributions.

Lump Sum Account Liquidation In 2025

Total Distributions	$134,400
Federal Income Taxes	- $33,998
California State Income Taxes	- $12,084

Net After-tax Income (34.29% lost to taxes)	$88,318

Required Minimum Distributions From 2025 Through 2087

Total Distributions	$3,775,326
Federal Income Taxes	- $960,727
California State Income Taxes	- $330,916

Net After-tax Income (34.21% lost to taxes)	$2,483,684

$88,318
Lump Sum Income
Accelerated Income Taxes
Loss of Tax Deferral

Without Planning

$2,483,684
Lifetime Income
Minimize Income Taxes
Maintain Tax Deferral

With Planning

The above assumes that Jack T. Sampleton files a joint federal income tax return and has a taxable income of $50,000, excluding annual distributions. This example is based on 2004 income tax rates. It is not intended as income tax advice or a projection or guarantee of any particular fund's future values.