

Plan Distribution Choices

The following illustrates what the after-tax effect that two different distribution choices may look like if Timothy decides to invest the after-tax distributions in a taxable investment.

Timothy G. Sample at Assumed Age 72

<div style="background-color: #d9ead3; padding: 5px; text-align: center; margin-bottom: 10px;"> Lump Sum Distribution \$341,102 </div> <div style="background-color: #d9ead3; padding: 5px; margin-bottom: 10px;"> \$341,102 -\$106,844 (35.00% top \$234,258 tax bracket) </div> <div style="background-color: #d9ead3; padding: 5px; margin-bottom: 10px;"> \$234,258 re-invested in a taxable investment at 5.25% after-tax annual rate of return ** </div> <div style="background-color: #d9ead3; padding: 5px; margin-bottom: 10px; text-align: center;"> 16 years </div> <div style="background-color: #d9ead3; padding: 5px; text-align: center;"> \$531,079 </div>	<div style="background-color: #d9ead3; padding: 5px; text-align: center; margin-bottom: 10px;"> RMD \$341,102 </div> <div style="background-color: #d9ead3; padding: 5px; margin-bottom: 10px;"> spreads income over 16 years Total after-tax distributions: \$473,044 Total taxes paid: * \$163,708 (16 years) (25.00% median tax bracket) </div> <div style="background-color: #d9ead3; padding: 5px; margin-bottom: 10px;"> After-tax RMD distributions re-invested in a taxable investment at 5.25% after-tax annual rate of return ** </div> <div style="background-color: #d9ead3; padding: 5px; margin-bottom: 10px; text-align: center;"> 16 years </div> <div style="background-color: #d9ead3; padding: 5px; text-align: center;"> \$663,958 </div>
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Assumptions

Timothy is assumed to have a taxable income of \$50,000 each year and file a federal income tax using a single filing status. To this amount, the annual distributions and interest illustrated above are added, and then income taxes are computed based on 2006 federal income tax rates. Tax rates are subject to change over time. Individual state income taxes are not included in this example.

Rates of return are hypothetical. This example does not represent the performance of a specific investment product. Had the example used a 0% rate of return, the beneficiary would have only received the inherited value at death over this time period, less income taxes due.

* Under the RMD distribution method, your RMD should increase as your life expectancy decreases. As a result, your taxable income may also increase over time. The total taxes paid totals the exact amounts you would pay each year under current federal income tax rates. The "median tax rate" is added to the chart to help you compare federal income taxation of this method with the other two options. Actual tax rates will differ from this median.

** After-tax rates of return are calculated by reducing the interest earned at an assumed hypothetical 7.00% annual rate of return by the federal income taxes payable for that year. The after-tax interest rate shown is the rate in the median year of distributions under each distribution method.

Plan Distribution Choices

The following illustrates what the after-tax effect that two different distribution choices may look like if Theresa decides to invest the after-tax distributions in a taxable investment.

Theresa Sample Jones at Assumed Age 67

<div style="background-color: #d9ead3; padding: 5px; text-align: center; margin-bottom: 10px;"> Lump Sum Distribution \$454,803 </div> <div style="background-color: #d9ead3; padding: 5px; margin-bottom: 10px;"> \$454,803 -\$146,639 (35.00% top \$308,164 tax bracket) </div> <div style="background-color: #d9ead3; padding: 5px; margin-bottom: 10px;"> \$308,164 re-invested in a taxable investment at 5.04% after-tax annual rate of return ** </div> <div style="background-color: #d9ead3; padding: 5px; margin-bottom: 10px; text-align: center;"> 20 years </div> <div style="background-color: #d9ead3; padding: 5px; margin-bottom: 10px; text-align: center;"> \$852,791 </div>	<div style="background-color: #d9ead3; padding: 5px; text-align: center; margin-bottom: 10px;"> RMD \$454,803 </div> <div style="background-color: #d9ead3; padding: 5px; margin-bottom: 10px;"> spreads income over 20 years Total after-tax distributions: \$737,545 Total taxes paid: * \$260,754 (20 years) (25.00% median tax bracket) </div> <div style="background-color: #d9ead3; padding: 5px; margin-bottom: 10px;"> After-tax RMD distributions re-invested in a taxable investment at 5.25% after-tax annual rate of return ** </div> <div style="background-color: #d9ead3; padding: 5px; margin-bottom: 10px; text-align: center;"> 20 years </div> <div style="background-color: #d9ead3; padding: 5px; margin-bottom: 10px; text-align: center;"> \$1,116,136 </div>
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Assumptions

Theresa is assumed to have a taxable income of \$50,000 each year and file a federal income tax using a single filing status. To this amount, the annual distributions and interest illustrated above are added, and then income taxes are computed based on 2006 federal income tax rates. Tax rates are subject to change over time. Individual state income taxes are not included in this example.

Rates of return are hypothetical. This example does not represent the performance of a specific investment product. Had the example used a 0% rate of return, the beneficiary would have only received the inherited value at death over this time period, less income taxes due.

* Under the RMD distribution method, your RMD should increase as your life expectancy decreases. As a result, your taxable income may also increase over time. The total taxes paid totals the exact amounts you would pay each year under current federal income tax rates. The "median tax rate" is added to the chart to help you compare federal income taxation of this method with the other two options. Actual tax rates will differ from this median.

** After-tax rates of return are calculated by reducing the interest earned at an assumed hypothetical 7.00% annual rate of return by the federal income taxes payable for that year. The after-tax interest rate shown is the rate in the median year of distributions under each distribution method.

Plan Distribution Choices

The following illustrates what the after-tax effect that two different distribution choices may look like if Timmy decides to invest the after-tax distributions in a taxable investment.

Timmy G. Sample at Assumed Age 35

<div style="background-color: #c8e6c9; padding: 5px; text-align: center; margin-bottom: 10px;"> Lump Sum Distribution \$113,701 </div> <div style="background-color: #c8e6c9; padding: 5px; margin-bottom: 10px;"> <table style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: right;">\$113,701</td></tr> <tr><td style="text-align: right;">-\$30,879 (33.00% top</td></tr> <tr><td style="text-align: right;">\$82,821 tax bracket)</td></tr> </table> </div> <div style="background-color: #c8e6c9; padding: 5px; margin-bottom: 10px;"> <table style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">\$82,821</td></tr> <tr><td style="text-align: center;">re-invested in a taxable</td></tr> <tr><td style="text-align: center;">investment at 6.00%</td></tr> <tr><td style="text-align: center;">after-tax annual rate of return **</td></tr> </table> </div> <div style="background-color: #c8e6c9; padding: 5px; margin-bottom: 10px; text-align: center;">49 years</div> <div style="background-color: #c8e6c9; padding: 5px; text-align: center;">\$1,410,444</div>	\$113,701	-\$30,879 (33.00% top	\$82,821 tax bracket)	\$82,821	re-invested in a taxable	investment at 6.00%	after-tax annual rate of return **	<div style="background-color: #e0f7fa; padding: 5px; text-align: center; margin-bottom: 10px;"> RMD \$113,701 </div> <div style="background-color: #e0f7fa; padding: 5px; margin-bottom: 10px;"> spreads income over 49 years Total after-tax distributions: \$1,028,015 Total taxes paid: * \$363,208 (49 years) (25.00% median tax bracket) </div> <div style="background-color: #e0f7fa; padding: 5px; margin-bottom: 10px;"> After-tax RMD distributions re-invested in a taxable investment at 6.00% after-tax annual rate of return ** </div> <div style="background-color: #e0f7fa; padding: 5px; margin-bottom: 10px; text-align: center;">49 years</div> <div style="background-color: #e0f7fa; padding: 5px; text-align: center;">\$2,409,145</div>
\$113,701								
-\$30,879 (33.00% top								
\$82,821 tax bracket)								
\$82,821								
re-invested in a taxable								
investment at 6.00%								
after-tax annual rate of return **								

Assumptions

Timmy is assumed to have a taxable income of \$50,000 each year and file a federal income tax using a single filing status. To this amount, the annual distributions and interest illustrated above are added, and then income taxes are computed based on 2006 federal income tax rates. Tax rates are subject to change over time. Individual state income taxes are not included in this example.

Rates of return are hypothetical. This example does not represent the performance of a specific investment product. Had the example used a 0% rate of return, the beneficiary would have only received the inherited value at death over this time period, less income taxes due.

* Under the RMD distribution method, your RMD should increase as your life expectancy decreases. As a result, your taxable income may also increase over time. The total taxes paid totals the exact amounts you would pay each year under current federal income tax rates. The "median tax rate" is added to the chart to help you compare federal income taxation of this method with the other two options. Actual tax rates will differ from this median.

** After-tax rates of return are calculated by reducing the interest earned at an assumed hypothetical 8.00% annual rate of return by the federal income taxes payable for that year. The after-tax interest rate shown is the rate in the median year of distributions under each distribution method.

Plan Distribution Choices

The following illustrates what the after-tax effect that two different distribution choices may look like if Suzie decides to invest the after-tax distributions in a taxable investment.

Suzie G. Sample at Assumed Age 31

<div style="background-color: #d9ead3; padding: 5px; text-align: center; margin-bottom: 10px;"> Lump Sum Distribution \$113,701 </div> <div style="background-color: #d9ead3; padding: 5px; margin-bottom: 10px;"> \$113,701 -\$30,879 (33.00% top \$82,821 tax bracket) </div> <div style="background-color: #d9ead3; padding: 5px; margin-bottom: 10px;"> \$82,821 re-invested in a taxable investment at 6.00% after-tax annual rate of return ** </div> <div style="background-color: #d9ead3; padding: 5px; margin-bottom: 10px; text-align: center;"> 53 years </div> <div style="background-color: #d9ead3; padding: 5px; text-align: center;"> \$1,766,794 </div>	<div style="background-color: #d9ead3; padding: 5px; text-align: center; margin-bottom: 10px;"> RMD \$113,701 </div> <div style="background-color: #d9ead3; padding: 5px; margin-bottom: 10px;"> spreads income over 53 years Total after-tax distributions: \$1,292,539 Total taxes paid: * \$465,552 (53 years) (25.00% median tax bracket) </div> <div style="background-color: #d9ead3; padding: 5px; margin-bottom: 10px;"> After-tax RMD distributions re-invested in a taxable investment at 6.00% after-tax annual rate of return ** </div> <div style="background-color: #d9ead3; padding: 5px; margin-bottom: 10px; text-align: center;"> 53 years </div> <div style="background-color: #d9ead3; padding: 5px; text-align: center;"> \$3,140,838 </div>
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Assumptions

Suzie is assumed to have a taxable income of \$50,000 each year and file a federal income tax using a single filing status. To this amount, the annual distributions and interest illustrated above are added, and then income taxes are computed based on 2006 federal income tax rates. Tax rates are subject to change over time. Individual state income taxes are not included in this example.

Rates of return are hypothetical. This example does not represent the performance of a specific investment product. Had the example used a 0% rate of return, the beneficiary would have only received the inherited value at death over this time period, less income taxes due.

* Under the RMD distribution method, your RMD should increase as your life expectancy decreases. As a result, your taxable income may also increase over time. The total taxes paid totals the exact amounts you would pay each year under current federal income tax rates. The "median tax rate" is added to the chart to help you compare federal income taxation of this method with the other two options. Actual tax rates will differ from this median.

** After-tax rates of return are calculated by reducing the interest earned at an assumed hypothetical 8.00% annual rate of return by the federal income taxes payable for that year. The after-tax interest rate shown is the rate in the median year of distributions under each distribution method.

Plan Distribution Choices

The following illustrates what the after-tax effect that two different distribution choices may look like if Ashley decides to invest the after-tax distributions in a taxable investment.

Ashley R. Jones at Assumed Age 29

<div style="background-color: #d9ead3; padding: 5px; text-align: center; margin-bottom: 10px;"> Lump Sum Distribution \$113,701 </div> <div style="background-color: #d9ead3; padding: 5px; margin-bottom: 10px;"> \$113,701 -\$30,879 (33.00% top \$82,821 tax bracket) </div> <div style="background-color: #d9ead3; padding: 5px; margin-bottom: 10px;"> \$82,821 re-invested in a taxable investment at 6.00% after-tax annual rate of return ** </div> <div style="background-color: #d9ead3; padding: 5px; margin-bottom: 10px; text-align: center;"> 55 years </div> <div style="background-color: #d9ead3; padding: 5px; margin-bottom: 10px; text-align: center;"> \$1,974,910 </div>	<div style="background-color: #d9ead3; padding: 5px; text-align: center; margin-bottom: 10px;"> RMD \$113,701 </div> <div style="background-color: #d9ead3; padding: 5px; margin-bottom: 10px;"> spreads income over 55 years Total after-tax distributions: \$1,445,824 Total taxes paid: * \$527,152 (55 years) (25.00% median tax bracket) </div> <div style="background-color: #d9ead3; padding: 5px; margin-bottom: 10px;"> After-tax RMD distributions re-invested in a taxable investment at 6.00% after-tax annual rate of return ** </div> <div style="background-color: #d9ead3; padding: 5px; margin-bottom: 10px; text-align: center;"> 55 years </div> <div style="background-color: #d9ead3; padding: 5px; margin-bottom: 10px; text-align: center;"> \$3,581,440 </div>
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Assumptions

Ashley is assumed to have a taxable income of \$50,000 each year and file a federal income tax using a single filing status. To this amount, the annual distributions and interest illustrated above are added, and then income taxes are computed based on 2006 federal income tax rates. Tax rates are subject to change over time. Individual state income taxes are not included in this example.

Rates of return are hypothetical. This example does not represent the performance of a specific investment product. Had the example used a 0% rate of return, the beneficiary would have only received the inherited value at death over this time period, less income taxes due.

* Under the RMD distribution method, your RMD should increase as your life expectancy decreases. As a result, your taxable income may also increase over time. The total taxes paid totals the exact amounts you would pay each year under current federal income tax rates. The "median tax rate" is added to the chart to help you compare federal income taxation of this method with the other two options. Actual tax rates will differ from this median.

** After-tax rates of return are calculated by reducing the interest earned at an assumed hypothetical 8.00% annual rate of return by federal income taxes payable for that year. The after-tax interest rate shown is the rate in the median year of distributions under each distribution method.