

Inherited IRA Analysis for Marianne Scott

For: Simon and Ann Scott



Presented By: _____

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Comparison Analysis of Cash Flow and Plan Assets

Inherited IRA vs. Inherited Roth IRA

Presented By: [Licensed user's name appears here]

For: Marianne Scott

Preface

Parents

The two advantages of parents utilizing a Roth IRA instead of an IRA are 1) tax free distributions from plan values and 2) the absence of government-directed required minimum distributions. There is one tax disadvantage -- contributions to a Roth are not deductible. If an IRA is currently in force, it can be converted to a Roth, but only with payment of income taxes on the converted amount, a condition that causes some to avoid such conversions.

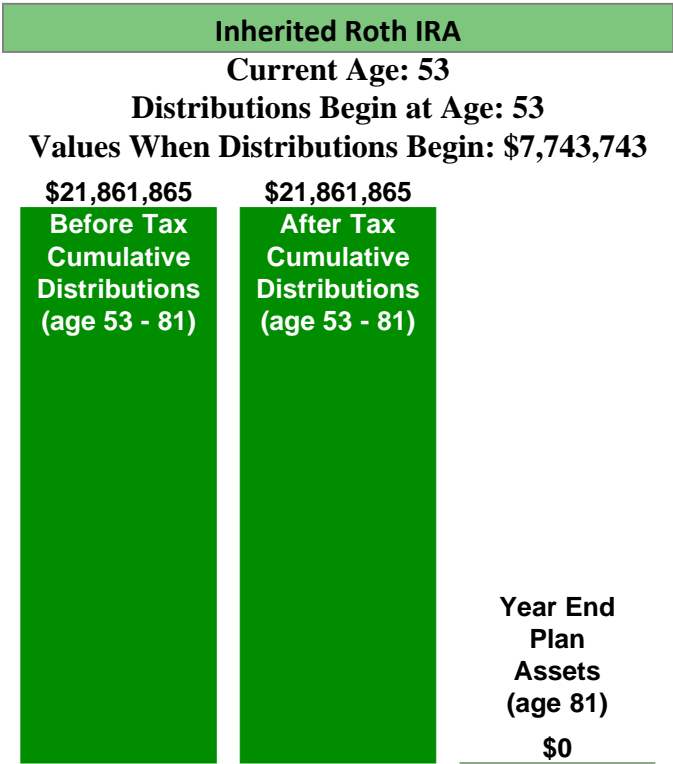
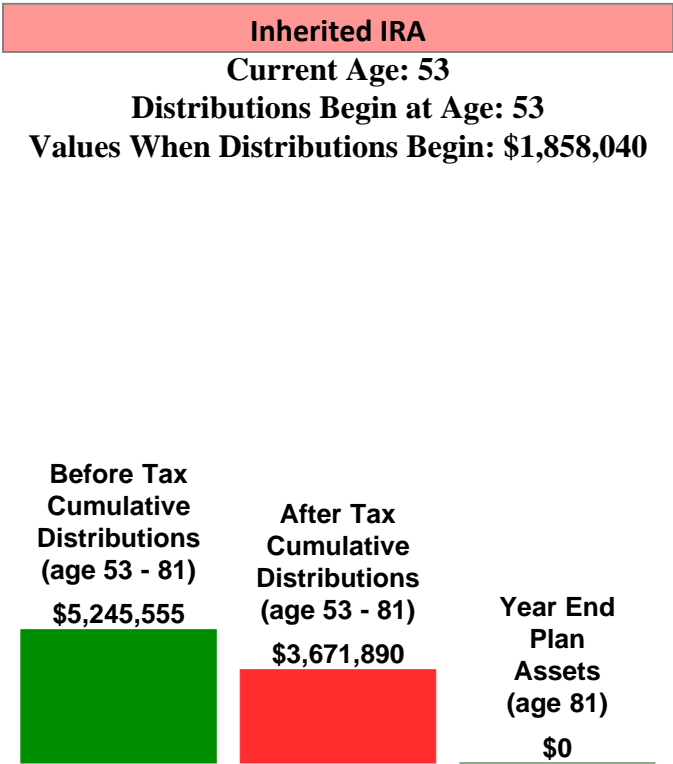
Children

An extraordinary third advantage of the Roth goes to the children who inherit it. An inherited IRA and an inherited Roth IRA are both subject to required minimum distributions; however, distributions from an inherited Roth are tax free producing significantly higher cash flow for the heirs.

Conclusion

Due to the Roth's absence of required minimum distributions for the parents, the inherited Roth IRA will typically have a greater beginning account value than an inherited IRA. This, coupled with tax free distributions from the inherited Roth, can produce a major difference in wealth for heirs. From an inter-generational perspective, a Roth for the parents transformed into an inherited Roth for the children is a winner by a substantial margin for all participants.

Below is a summary of the distribution results from this analysis.



Inherited IRA vs. Inherited Roth IRA

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For: Marianne Scott

Comparison Analysis of Cash Flow and Plan Assets

Plan
Yield
7.50%

Beneficiary's
Income Tax Bracket
30.00%

Plan
Yield
7.50%

		Inherited IRA					Inherited Roth IRA				
Year	Age	(1) Beginning of Year Balance in Plan Assets	(2) Before Tax IRS Required Minimum Distribution*	(3) Before Tax Scheduled Distribution	(4) After Tax Scheduled Distribution	(5) Year End Plan Assets	(6) Beginning of Year Balance in Plan Assets	(7) Before Tax IRS Required Minimum Distribution*	(8) Before Tax Scheduled Distribution	(9) After Tax Scheduled Distribution**	(10) Year End Plan Assets
1	53	1,858,040	64,740	64,740	45,318	1,913,339	7,743,743	269,817	269,817	269,817	7,974,212
2	54	1,913,339	69,074	69,074	48,352	1,967,716	7,974,212	287,878	287,878	287,878	8,200,838
3	55	1,967,716	73,697	73,697	51,588	2,020,799	8,200,838	307,147	307,147	307,147	8,422,075
4	56	2,020,799	78,630	78,630	55,041	2,072,173	8,422,075	327,707	327,707	327,707	8,636,185
5	57	2,072,173	83,894	83,894	58,726	2,121,370	8,636,185	349,643	349,643	349,643	8,841,222
6	58	2,121,370	89,509	89,509	62,656	2,167,868	8,841,222	373,047	373,047	373,047	9,035,013
7	59	2,167,868	95,501	95,501	66,851	2,211,087	9,035,013	398,018	398,018	398,018	9,215,134
8	60	2,211,087	101,893	101,893	71,325	2,250,378	9,215,134	424,661	424,661	424,661	9,378,886
9	61	2,250,378	108,714	108,714	76,100	2,285,021	9,378,886	453,086	453,086	453,086	9,523,270
10	62	2,285,021	115,991	115,991	81,194	2,314,220	9,523,270	483,415	483,415	483,415	9,644,961
11	63	2,314,220	123,755	123,755	86,629	2,337,089	9,644,961	515,773	515,773	515,773	9,740,273
12	64	2,337,089	132,039	132,039	92,427	2,352,651	9,740,273	550,298	550,298	550,298	9,805,129
13	65	2,352,651	140,877	140,877	98,614	2,359,824	9,805,129	587,133	587,133	587,133	9,835,025
14	66	2,359,824	150,307	150,307	105,215	2,357,417	9,835,025	626,435	626,435	626,435	9,824,990
15	67	2,357,417	160,368	160,368	112,258	2,344,114	9,824,990	668,367	668,367	668,367	9,769,545
16	68	2,344,114	171,103	171,103	119,772	2,318,467	9,769,545	713,105	713,105	713,105	9,662,655
17	69	2,318,467	182,556	182,556	127,789	2,278,883	9,662,655	760,839	760,839	760,839	9,497,681
18	70	2,278,883	194,776	194,776	136,343	2,223,612	9,497,681	811,768	811,768	811,768	9,267,327
19	71	2,223,612	207,814	207,814	145,470	2,150,730	9,267,327	866,105	866,105	866,105	8,963,578
20	72	2,150,730	221,725	221,725	155,208	2,058,128	8,963,578	924,080	924,080	924,080	8,577,642
21	73	2,058,128	236,566	236,566	165,596	1,943,493	8,577,642	985,936	985,936	985,936	8,099,876
22	74	1,943,493	252,402	252,402	176,681	1,804,289	8,099,876	1,051,932	1,051,932	1,051,932	7,519,716
23	75	1,804,289	269,297	269,297	188,508	1,637,740	7,519,716	1,122,346	1,122,346	1,122,346	6,825,594
24	76	1,637,740	287,323	287,323	201,126	1,440,811	6,825,594	1,197,473	1,197,473	1,197,473	6,004,853
25	77	1,440,811	306,555	306,555	214,589	1,210,180	6,004,853	1,277,628	1,277,628	1,277,628	5,043,654
26	78	1,210,180	327,076	327,076	228,953	942,217	5,043,654	1,363,150	1,363,150	1,363,150	3,926,868
27	79	942,217	348,969	348,969	244,278	632,958	3,926,868	1,454,395	1,454,395	1,454,395	2,637,974
28	80	632,958	372,328	372,328	260,630	278,076	2,637,974	1,551,749	1,551,749	1,551,749	1,158,934
29	81	278,076	278,076	278,076	194,653	0	1,158,934	1,158,934	1,158,934	1,158,934	0
			5,245,555	5,245,555	3,671,890			21,861,865	21,861,865	21,861,865	

**Beneficiary's income tax bracket is irrelevant with this Roth IRA.

*Columns (2) and (7) are estimates of required minimum distributions based on asset value and beneficiary's life expectancy (reduced by one each year thereafter).

Plan results are hypothetical only. Actual results will vary due to changes in contributions and withdrawals, income tax brackets, and investment performance.

29 Year Summary

	Inherited IRA	Inherited Roth IRA
Plan Assets	0	0
Cum. After Tax Distributions	3,671,890	21,861,865

Inherited IRA vs. Inherited Roth IRA

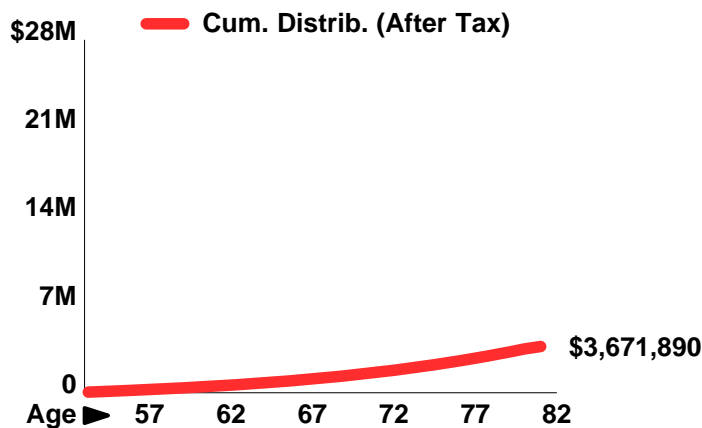
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For: Marianne Scott

Comparison Analysis

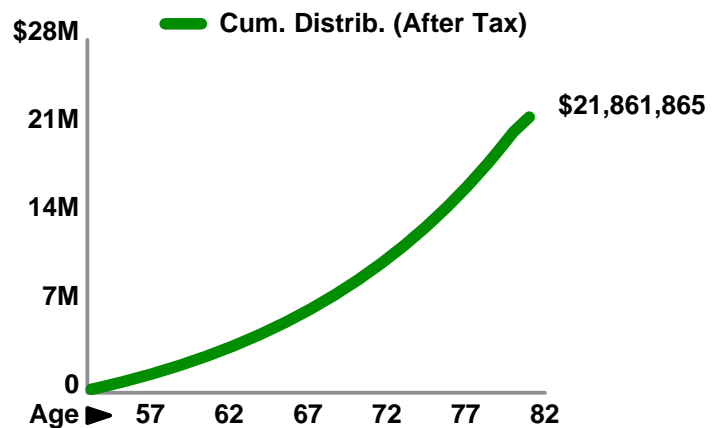
Inherited IRA

Cumulative Distributions
(After Tax)

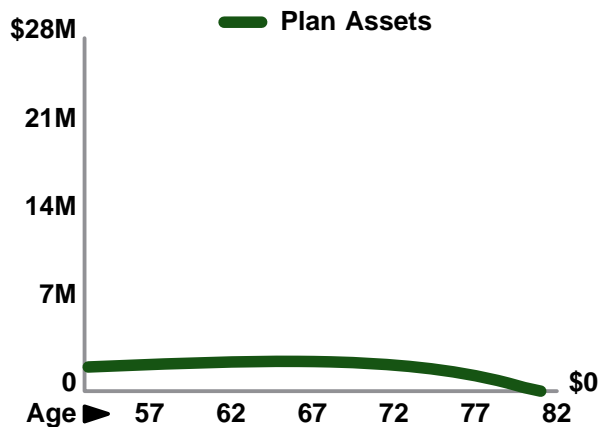


Inherited Roth IRA

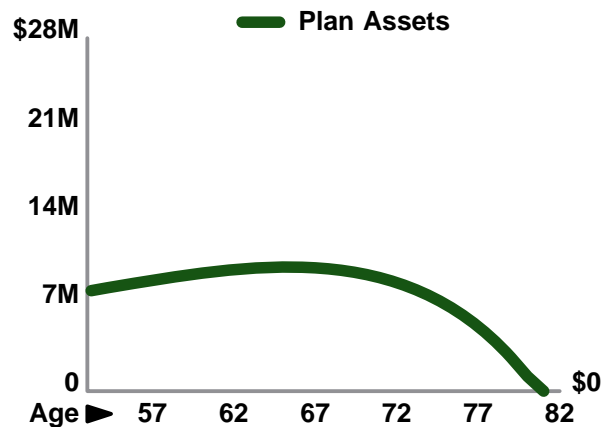
Cumulative Distributions
(After Tax)



Plan Assets



Plan Assets



Note: All projections are based on client furnished data and assumptions.

Inherited IRA

Preface

An inherited IRA is an asset accumulation and distribution program that has been granted special tax consideration. It has the following characteristics:

Additional Contributions

There is no provision for additional contributions.

Tax Free Growth

As values grow, earnings are not subject to income tax.

Taxable Distributions

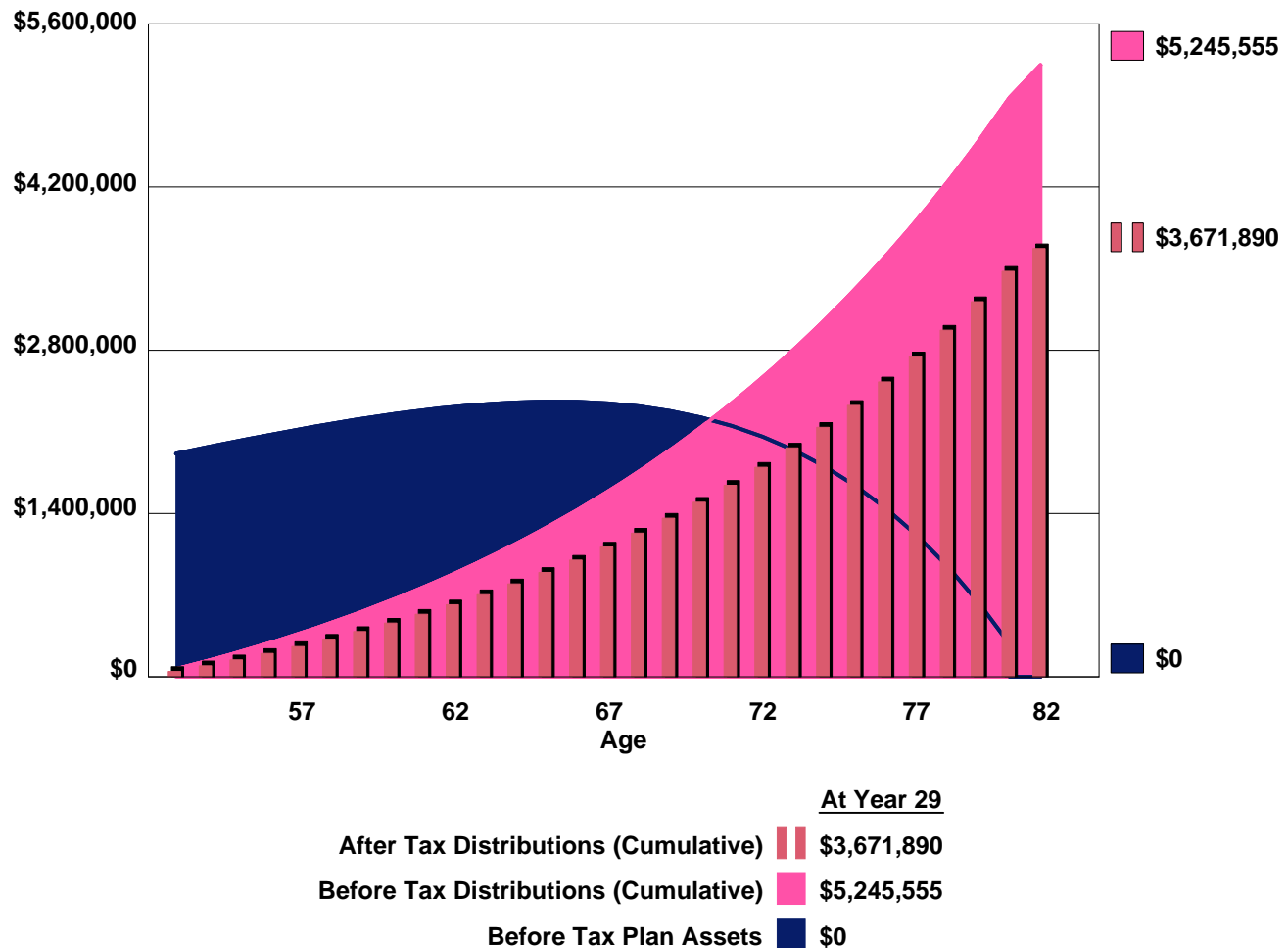
Distributions in excess of any cost basis are subject

to income tax, however, a deduction is allowed for any estate tax attributable to the income which accrued prior to the owner's death.

Required Minimum Distributions

There are required minimum distributions from such plans based on age(s) of participants and IRS formulas.

As a result of its powerful tax free growth component, an IRA is a valuable financial instrument to inherit. The accompanying material should be helpful to you in analyzing the value of such a plan.



Note: All projections are based on client furnished data and assumptions.

Inherited IRA

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For: Marianne Scott

Distribution

		Current Value 1,858,040	Plan Yield 7.50%	Beneficiary's Income Tax Bracket 30.00%				
Year	Age	(1) Beginning of Year Balance in Plan Assets	(2) Before Tax IRS Required Minimum Distribution*	(3) Before Tax Scheduled Distribution	(4) Taxable Portion of Scheduled Distribution Column (3)	(5) Income Tax Owed	(6) After Tax Income from Scheduled Distribution (3) - (5)	(7) Year End Plan Assets
1	53	1,858,040	64,740	64,740	64,740	19,422	45,318	1,913,339
2	54	1,913,339	69,074	69,074	69,074	20,722	48,352	1,967,716
3	55	1,967,716	73,697	73,697	73,697	22,109	51,588	2,020,799
4	56	2,020,799	78,630	78,630	78,630	23,589	55,041	2,072,173
5	57	2,072,173	83,894	83,894	83,894	25,168	58,726	2,121,370
6	58	2,121,370	89,509	89,509	89,509	26,853	62,656	2,167,868
7	59	2,167,868	95,501	95,501	95,501	28,650	66,851	2,211,087
8	60	2,211,087	101,893	101,893	101,893	30,568	71,325	2,250,378
9	61	2,250,378	108,714	108,714	108,714	32,614	76,100	2,285,021
10	62	2,285,021	115,991	115,991	115,991	34,797	81,194	2,314,220
11	63	2,314,220	123,755	123,755	123,755	37,127	86,629	2,337,089
12	64	2,337,089	132,039	132,039	132,039	39,612	92,427	2,352,651
13	65	2,352,651	140,877	140,877	140,877	42,263	98,614	2,359,824
14	66	2,359,824	150,307	150,307	150,307	45,092	105,215	2,357,417
15	67	2,357,417	160,368	160,368	160,368	48,110	112,258	2,344,114
16	68	2,344,114	171,103	171,103	171,103	51,331	119,772	2,318,467
17	69	2,318,467	182,556	182,556	182,556	54,767	127,789	2,278,883
18	70	2,278,883	194,776	194,776	194,776	58,433	136,343	2,223,612
19	71	2,223,612	207,814	207,814	207,814	62,344	145,470	2,150,730
20	72	2,150,730	221,725	221,725	221,725	66,518	155,208	2,058,128
21	73	2,058,128	236,566	236,566	236,566	70,970	165,596	1,943,493
22	74	1,943,493	252,402	252,402	252,402	75,721	176,681	1,804,289
23	75	1,804,289	269,297	269,297	269,297	80,789	188,508	1,637,740
24	76	1,637,740	287,323	287,323	287,323	86,197	201,126	1,440,811
25	77	1,440,811	306,555	306,555	306,555	91,967	214,589	1,210,180
26	78	1,210,180	327,076	327,076	327,076	98,123	228,953	942,217
27	79	942,217	348,969	348,969	348,969	104,691	244,278	632,958
28	80	632,958	372,328	372,328	372,328	111,698	260,630	278,076
29	81	278,076	278,076	278,076	278,076	83,423	194,653	0
			5,245,555	5,245,555	5,245,555	1,573,668	3,671,890	

Management fees reflected in column (7): 0.75%

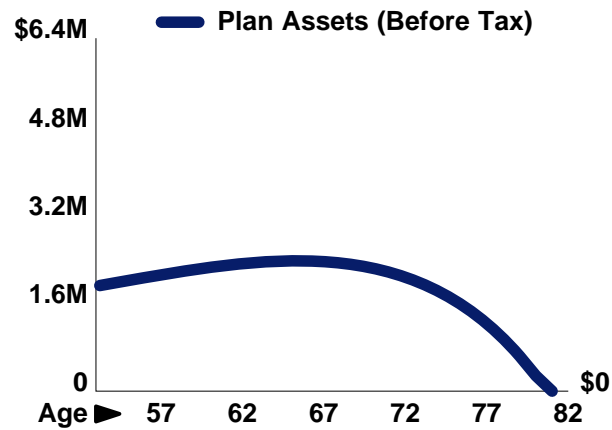
Inherited IRA Plan assets were assumed inherited with a value of \$1,858,040.

*Column (2) projects an estimate of the required minimum distribution based on asset value and beneficiary's life expectancy (reduced by one each year thereafter).

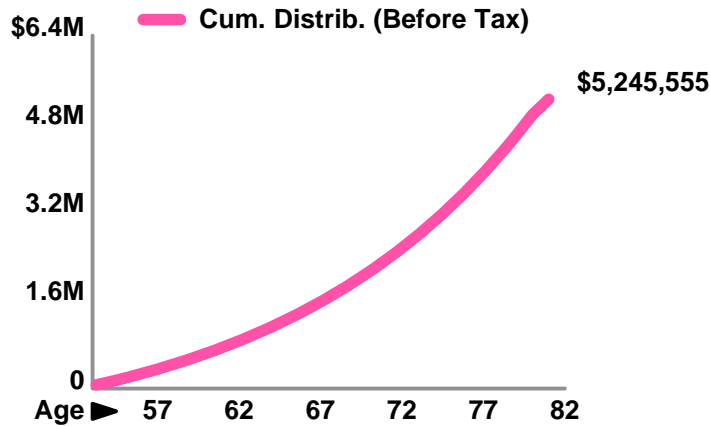
Plan results are hypothetical only. Actual results will vary due to changes in contributions and withdrawals, income tax brackets, and investment performance.

Distribution

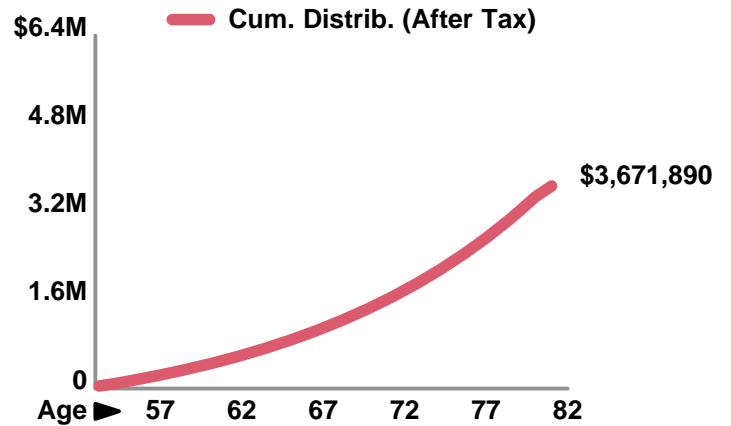
Plan Assets (Before Tax)



Cumulative Distributions (Before Tax)



Cumulative Distributions (After Tax)



Note: All projections are based on client furnished data and assumptions.

Inherited Roth IRA

Preface

An inherited Roth IRA is an asset accumulation and distribution program that has been granted special tax consideration. It has the following characteristics:

Additional Contributions

There is no provision for additional contributions.

Tax Free Growth

As values grow, earnings are not subject to income tax.

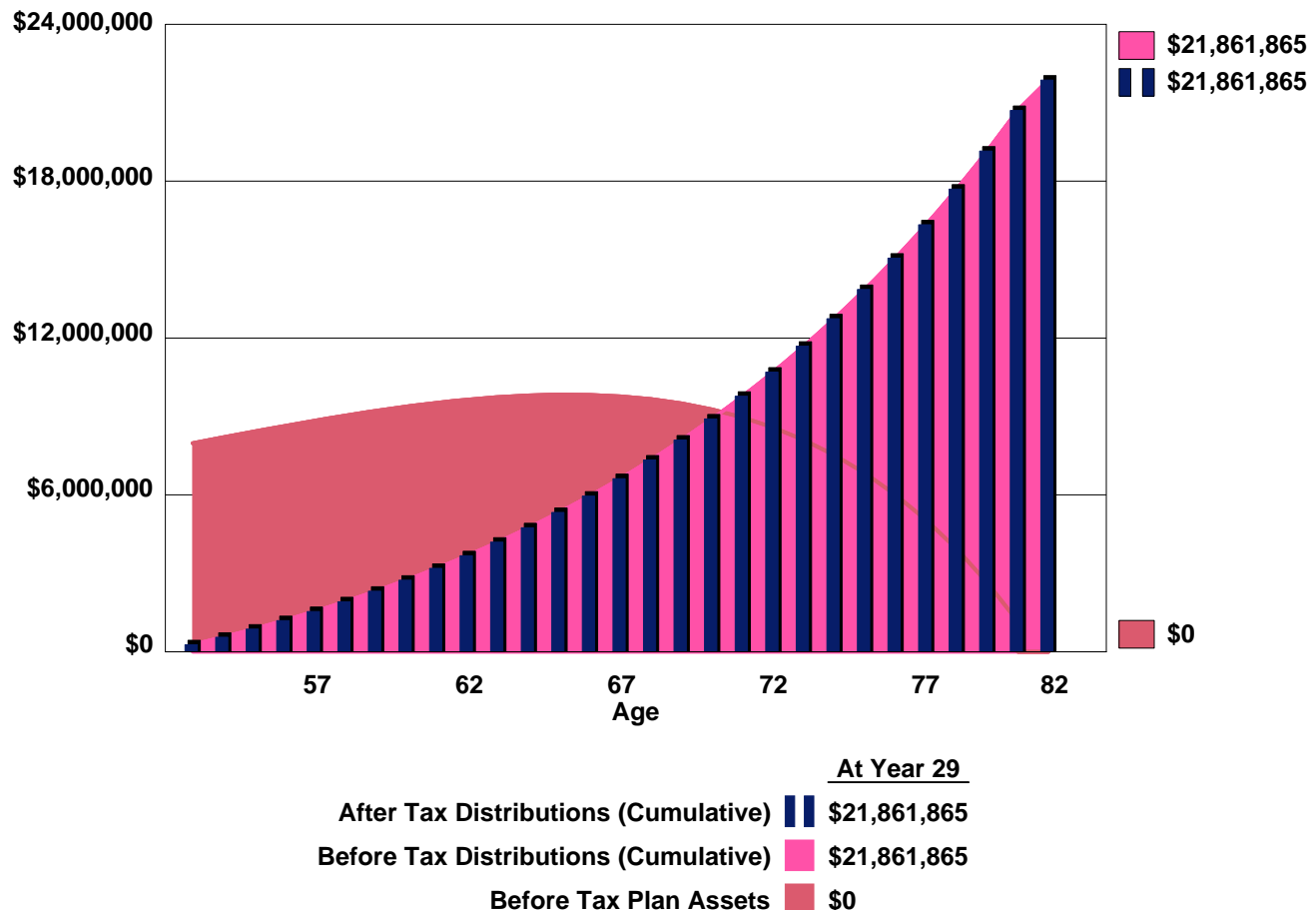
Tax Free Distributions

Distributions are income tax free.

Required Minimum Distributions

There are required minimum distributions from such plans based on age(s) of participants and IRS formulas.

As a result of the dynamic combination of tax free growth and tax free distributions, an inherited Roth IRA is an extraordinary financial instrument. The accompanying material should be helpful to you in analyzing the value of such a plan.



Note: All projections are based on client furnished data and assumptions.

Inherited Roth IRA

Presented By: [Licensed user's name appears here]

For: Marianne Scott

Distribution

		Current Value 7,743,743			Plan Yield 7.50%		
Year	Age	(1) Beginning of Year Balance in Plan Assets	(2) Before Tax IRS Required Minimum Distribution*	(3) Before Tax Scheduled Distribution	(4) After Tax Income from Scheduled Distribution	(5) Year End Plan Assets	
1	53	7,743,743	269,817	269,817	269,817	7,974,212	
2	54	7,974,212	287,878	287,878	287,878	8,200,838	
3	55	8,200,838	307,147	307,147	307,147	8,422,075	
4	56	8,422,075	327,707	327,707	327,707	8,636,185	
5	57	8,636,185	349,643	349,643	349,643	8,841,222	
6	58	8,841,222	373,047	373,047	373,047	9,035,013	
7	59	9,035,013	398,018	398,018	398,018	9,215,134	
8	60	9,215,134	424,661	424,661	424,661	9,378,886	
9	61	9,378,886	453,086	453,086	453,086	9,523,270	
10	62	9,523,270	483,415	483,415	483,415	9,644,961	
11	63	9,644,961	515,773	515,773	515,773	9,740,273	
12	64	9,740,273	550,298	550,298	550,298	9,805,129	
13	65	9,805,129	587,133	587,133	587,133	9,835,025	
14	66	9,835,025	626,435	626,435	626,435	9,824,990	
15	67	9,824,990	668,367	668,367	668,367	9,769,545	
16	68	9,769,545	713,105	713,105	713,105	9,662,655	
17	69	9,662,655	760,839	760,839	760,839	9,497,681	
18	70	9,497,681	811,768	811,768	811,768	9,267,327	
19	71	9,267,327	866,105	866,105	866,105	8,963,578	
20	72	8,963,578	924,080	924,080	924,080	8,577,642	
21	73	8,577,642	985,936	985,936	985,936	8,099,876	
22	74	8,099,876	1,051,932	1,051,932	1,051,932	7,519,716	
23	75	7,519,716	1,122,346	1,122,346	1,122,346	6,825,594	
24	76	6,825,594	1,197,473	1,197,473	1,197,473	6,004,853	
25	77	6,004,853	1,277,628	1,277,628	1,277,628	5,043,654	
26	78	5,043,654	1,363,150	1,363,150	1,363,150	3,926,868	
27	79	3,926,868	1,454,395	1,454,395	1,454,395	2,637,974	
28	80	2,637,974	1,551,749	1,551,749	1,551,749	1,158,934	
29	81	1,158,934	1,158,934	1,158,934	1,158,934	0	
			21,861,865	21,861,865	21,861,865		

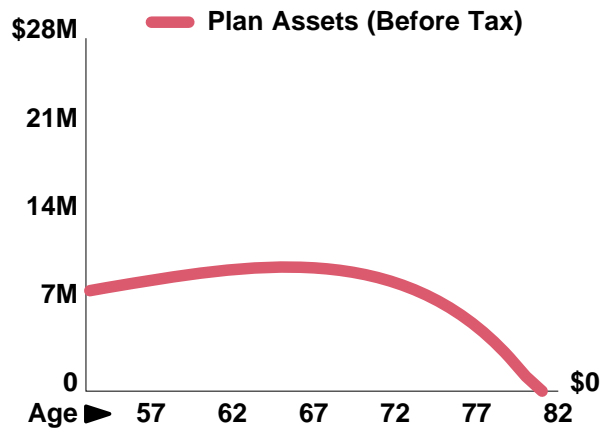
Management fees reflected in column (5): 0.75%

*Column (2) projects an estimate of the required minimum distribution based on asset value and beneficiary's life expectancy (reduced by one each year thereafter).

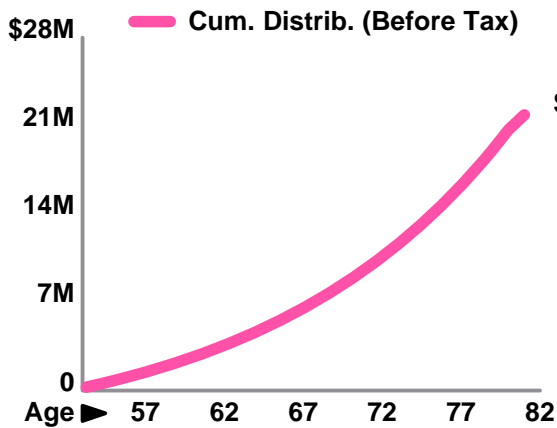
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Distribution

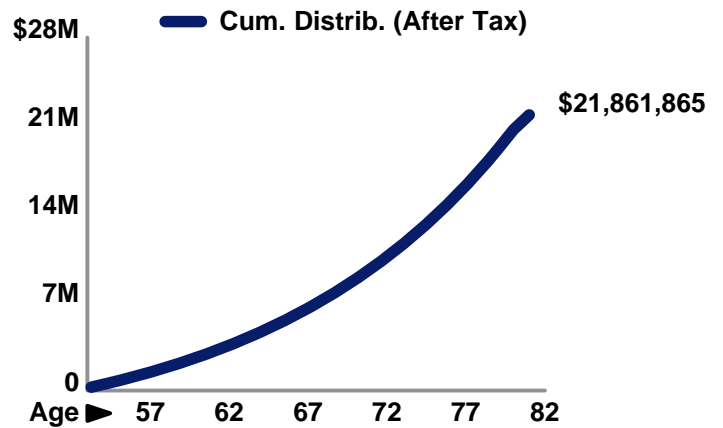
**Plan Assets
(Before Tax)**



**Cumulative Distributions
(Before Tax)**



**Cumulative Distributions
(After Tax)**



Note: All projections are based on client furnished data and assumptions.