

## Tax Change May Present New Opportunity

Do you have pre-tax *and* after-tax<sup>1</sup> monies in a former employer's traditional 401(k) plan?

Some traditional 401(k) plans allow additional after-tax contributions, up to the IRS limit for total 401(k) contributions for that year. After-tax contributions are those made to a traditional 401(k) plan (or other qualified plan) on an after-tax basis. They are tax-free when distributed. Earnings on them are taxable when distributed.



### Rule Changes Enhance Flexibility

Before 2015, IRS rules made it difficult to “roll over” before-tax and after-tax contributions in a tax-efficient manner. In general, each distribution from a qualified plan or traditional IRA was treated as part nontaxable and part taxable (pro rata rule). This held true for distributions someone intended to roll over. There was no easy way to separate before-tax and after-tax contributions:

- One could avoid current taxation by rolling over the entire distribution to a traditional IRA, but the earnings on the after-tax contributions would continue to be subject to taxation upon distribution.
- One could roll over the entire distribution to a Roth IRA and have all distributions be tax free, but current taxes would be owed on the pre-tax portion.
- One could roll part of the distribution to a traditional IRA and part to a Roth IRA, but each would still consist of both after-tax and pre-tax funds. Current taxes would be owed on the pre-tax funds rolled into the Roth IRA.

No longer. IRS Notice 2014-54<sup>1</sup> changed the rules. Now the plan administrator can be directed to schedule and allocate the pre-tax portion to a traditional IRA and the after-tax contributions to a Roth IRA. By doing so:

- any current taxation is avoided and
- future taxable earnings on the after-tax contributions are converted to potentially tax-free earnings.

*(continued)*

<sup>1</sup> 2014-41 IRB 670.

# New Rules = New Opportunities

## Know the Options

Before making any decision to rollover or transfer funds from a traditional 401(k) (or 403(b), 457(b) or some other qualified plan) to an IRA, all available retirement plan options should be carefully considered. Factors to consider include, but are not limited to, investment- or account-related fees and expenses, service levels, withdrawal penalties and plan-specific tax benefits.

A decision to roll over old 401(k) money or other former employer retirement plan money to an IRA may make sense. The investment options available in an old plan may be limited. The risk of outliving the money in that plan may fall squarely on an individual's shoulders.

## Consider a Variable Annuity

Retirement planning, similar to other planning disciplines, focuses on the accumulation, conservation and distribution of retirement plan assets in light of personal tax and non-tax objectives.

One option for a rollover, a variable annuity, may help address each of these components. It may offer a wide variety of investment subaccounts – representing many different assets classes – allowing for the construction of a diversified portfolio. While diversification may allow for more consistent performance under a wide range of economic conditions, it does not assure profit or protect against loss. A variable annuity may provide predictable, sustainable income for life while still allowing a measure of control over the assets in it by offering a living benefit (at an additional charge). A variable annuity may also offer the protection of a death benefit during the accumulation period and provide lifetime income during the distribution period.

With a variable annuity, an insurance company accepts premiums and guarantees future income. Premiums can be allocated among underlying investment options. Returns are tied to the performance of those options. There are separate account charges and charges for optional benefits, such as a guaranteed lifetime withdrawal benefit (GLWB) rider. Withdrawals may be subject to charges and may reduce contract values and benefits.

## Consider VAROOM®

VAROOM (Variable Annuity for Roll Over Only Money) is, as its name suggests, designed for money in motion. A flexible premium deferred variable annuity, VAROOM is issued by Integrity Life Insurance Company or National Integrity Life Insurance Company and distributed by Touchstone Securities, Inc. For a retirement saver with qualified retirement plans, VAROOM offers its own combination of investment options and income benefits exclusively for tax-qualified rollovers from those plans. In addition, VAROOM:

- Preserves tax advantages similar to those in qualified plans
- Offers retirement income stream options with lifetime guarantees
- Provides a death benefit for loved ones

### Added Considerations

To provide various features, limits and conditions apply to VAROOM and its optional benefits. They include limits on how funds can be invested and on how income can be taken. Before acting, the VAROOM prospectus should be reviewed for important details of the features, restrictions, costs and operation of the contract and its optional benefits.

## Change for the Better? An Individual Decision

An individual may consider instructing the administrator of an old 401(k) plan to directly transfer:

- the before-tax portion to a VAROOM traditional IRA and
- the after-tax contributions to a VAROOM Roth IRA

Keep in mind, VAROOM requires an initial premium of at least \$25,000 for each contract. Also, if only part of the account value is taken, the pro rata rule still applies. To convert all of the after-tax contributions to a Roth IRA, all of the money in the account must be taken out and split into before- and after-tax amounts accordingly.



## Next Steps to Consider

To pursue goals for retirement assets, a plan must be developed. A tax or legal advisor should be consulted regarding the particular situation. What's most important is that all of the essential information is understood before a course of action is determined.

*For information on retirement rollover journeys, visit [GoVAROOM.com](http://GoVAROOM.com).*



## Western & Southern: Our Strength. Your Future.



Built on a heritage dating to 1888, Western & Southern Financial Group (Western & Southern) today stands strong. As a dynamic family of diversified financial services providers, Western & Southern has demonstrated resolve and resiliency throughout challenging economic cycles. Our financial strength continues to be the cornerstone of our success. We are proud of our strong industry ratings, which you can check at [WSFinancialPartners.com/ratings](http://WSFinancialPartners.com/ratings). Western & Southern remains committed to helping safeguard your future well-being with our strength, stability and full range of risk management financial solutions.

The VAROOM contract itself does not provide the tax advantages typically provided by a variable annuity. The tax advantages available with this contract are solely through the contract's qualification as an IRA. VAROOM is subject to all laws governing IRAs, including, but not limited to, age and contributions limits, early and late IRS withdrawal penalties and required minimum distributions. Integrity Life and National Integrity Life do not provide tax or legal advice. Please contact your tax or legal advisor regarding your situation.

VAROOM is issued by Integrity Life Insurance Company or National Integrity Life Insurance Company. Securities offered by **Touchstone Securities, Inc.** Cincinnati, OH. Integrity Life, Cincinnati, OH, operates in DC and all states except NY, where National Integrity Life, Greenwich, NY, operates. W&S Financial Group Distributors, Inc. is an affiliated agency of the issuer. All companies are members of Western & Southern Financial Group. Issuer has sole financial responsibility for its products. Payment of benefits under the annuity contract is the obligation of, and is guaranteed by, the claims-paying ability of insurance company issuing the annuity. Variable annuities are suited for long-term investing. Earnings and pre-tax payments are subject to income tax at withdrawal. Withdrawals prior to age 59½ are generally subject to a 10% IRS penalty tax. Western & Southern member companies and their agents do not offer legal or tax advice. For specific tax information, consult your attorney or tax advisor. Interest rates are declared by the insurance company at annual effective rates, taking into account daily compounding of interest. Product approval, availability and features may vary by state. See your financial professional for product details and limitations. Flexible Premium Deferred Fixed and Variable Annuity contract series ICC10 INT-15 1011, INT-15 1011, ICC10 NIL-15 1011 and NIL-15 1011 NY and Guaranteed Lifetime Withdrawal Benefit Rider series ICC10 IR.32 1011, IR.32 1011, ICC10 IR.33 1011, IR.33 1011, ICC10 NR.32 1011, NR.32 1011 NY, ICC10 NR.33 1011, and NR.33 1011 NY and Death Benefit Rider series ICC10 IR.34 1011, IR.34 1011, ICC10 NR.34 1011 and NR.34 1011.

***There is no guarantee of the investment performance or safety of variable annuity investment options. Investment return and principal value of an investment in a variable annuity will fluctuate, so units, when redeemed, may be worth more or less than their original cost.***

**Investors should carefully consider the investment objectives, risks, charges and expenses of the contract and the underlying investment options. This and other information is contained in the product and the underlying fund prospectuses and, if available, summary prospectuses. For prospectuses, call 800.325.8583 or visit [WSFinancialPartners.com](http://WSFinancialPartners.com). Please read the prospectuses carefully before investing.**

\*A registered broker-dealer and member FINRA/SIPC.

No bank guarantee	Not a deposit	May lose value	Not FDIC/NCUA insured	Not insured by any federal government agency
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