

# The Overlooked Opportunity: Unlocking Larger Legacy Potential Across IRAs & NQ Annuities

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[Presenter Name]

W&S Financial Group Distributors

[Month DD, YYYY]



# Today's Agenda

- IRAs & Qualified Plans: RMDs Upon Death
- Nonqualified (NQ) Annuities: Spreading Out Income & Taxes
- Opportunities Today for Your Clients & You

# Legacy Potential Across IRAs

## RMDs Upon Death: IRAs & Qualified Plans

1.

Spouses **may rollover** qualified plan and IRA accounts inherited from their **deceased spouse** into their own IRA or qualified plan (provided the plan accepts such rollovers).

2.

**Eligible designated beneficiaries** may **stretch** inherited IRAs and qualified plan accounts over their lifetime. Eligible designated beneficiaries are:

- › Spouses
- › Beneficiaries not more than 10 years younger than the decedent
- › Disabled or chronically ill persons
- › Minors (up to age 21)

3.

Distributions over the **eligible designated beneficiary's** lifetime **must begin by Dec. 31** of the year following the death of the decedent and must be made at least annually thereafter.

# Legacy Potential Across IRAs

## RMDs Upon Death: IRAs & Qualified Plans

4.

**Ineligible designated beneficiaries** (e.g., healthy adult children) **are subject to the 10-year rule:** *Death before RBD*<sup>1</sup> – Must withdraw the entire amount by Dec. 31 of year that contains the 10th anniversary of the decedent's death. *Death after RBD* – Must also take annual distributions based on life expectancy.

### Annual Distributions

Not required before 1/1/25.

5.

**Eligible designated beneficiaries** may elect to follow the **10-year rule**.

### 10-Year Rule

For example, the 10-year period for a death in 2025 would end on Dec. 31, 2035.

- 1 RBD stands for required beginning date, which is generally April 1 of the year following the year the IRA owner or plan participant turns age 73 (age 72 for individuals who turned 72 2020-2022).
- 2 Proposed regulations under IRC Section 401(a)(9) require different rules for 10-year deferral beneficiaries depending upon whether the IRA owner or plan participant died before or after their RBD. Previously, it was thought that all 10-year deferral beneficiaries were exempt from annual distributions.
- 3 Notice 2024-35 provides that final regulations will not apply prior to the 2025 distribution calendar year.

# Legacy Potential Across IRAs

## RMDs Upon Death: IRAs & Qualified Plans



**6.** Original beneficiaries of decedents who died before 2020 may **continue to stretch** over their lifetimes.



Any **successor beneficiary** to an original beneficiary **who was stretching must continue** to take annual distributions based on the original beneficiary's life expectancy, with 100% distributed before the end of the 10-year period.



Any **successor beneficiary** to an original beneficiary **who was subject to the 10-year rule** will have the remainder of the 10-year deferral period (including any required annual distributions).

# Legacy Potential Across IRAs

## RMDs Upon Death: IRAs & Qualified Plans

9.

**Non-designated beneficiaries** – estates, charities and non-see-through trusts – are **limited to a 5-year rule** if the decedent died before their required beginning date (or to the decedent's remaining life expectancy, if otherwise).

10.

**Eligible beneficiaries of see-through trusts** – depending upon the type of trust (conduit versus accumulation/discretionary) – **may still be able to stretch.**

# Legacy Potential Across IRAs

## IRAs & Qualified Plans: Aggregation Rules Differ

- RMDs for IRAs **may** be aggregated
  - Cannot aggregate IRAs held as owner & beneficiary
  - Can aggregate beneficiary IRAs of same decedent
- RMDs for qualified plans **may not** be aggregated

# Legacy Potential Across IRAs

## Annuity Solution Options

- Eligible Designated Beneficiaries (EDBs)
  - ANY of our annuity solutions
- Ineligible Beneficiaries
  - 10-year payout from our SPIA

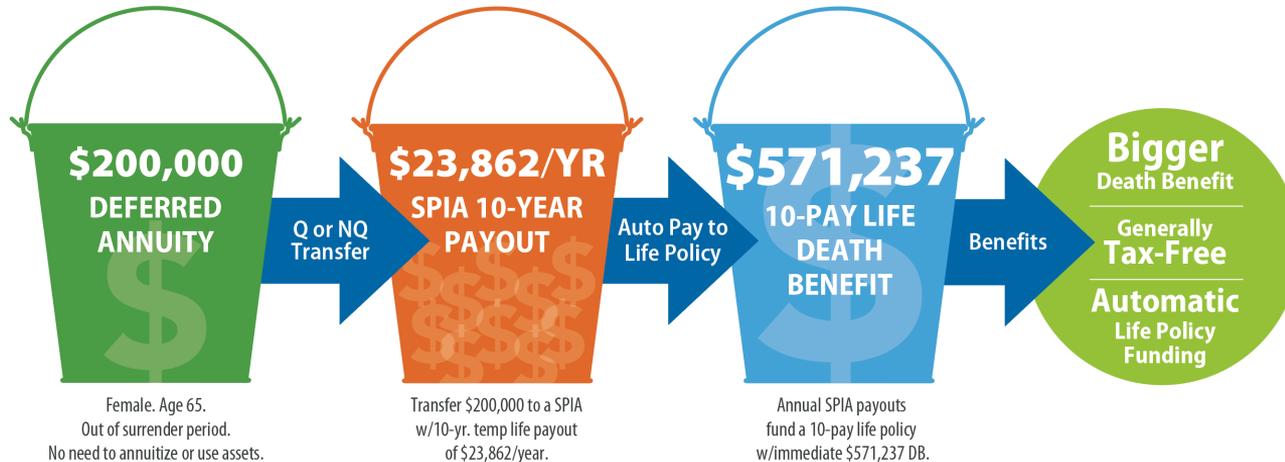
# Legacy Potential Across IRAs

## Turn Annuity Value into BIGGER Tax-Free Benefit<sup>1</sup>

**Transfer Fact:** Many clients transfer qualified/nonqualified annuities to beneficiaries without ever accessing the value

**Tax Problem:** Transferred annuity value may result in an unexpected tax bill for a beneficiary

**Life Solution:** Turn annuity value into SPIA payouts funding life policy ... Spreads tax liability ... Passes **bigger** benefit (generally tax-free)



<sup>1</sup> Hypothetical example for illustration only. Policy provides tax-free death benefit unless it reaches maturity when ordinary income tax may be owed on net proceeds. Based on female, age 65, standard nonsmoker, as of 2/6/26. SPIA payouts continue only for annuitant's life. Life payouts provide no benefit upon annuitant's death. Taxes will be owed on gain portion of SPIA payout.

# Legacy Potential Across NQ Annuities

## Upon Death of Owner of NQ Deferred Annuity

Death Benefit Options: Pros and Cons		
	Pros	Cons
Lump Sum	Immediate access to cash	All gain includable in income; no continued growth or tax deferral
Five-Year Deferral	Ability to spread any tax over five years; may access cash as needed	All gain must be includable in income within the five-year deferral period

# Legacy Potential Across NQ Annuities

## Upon Death of Owner of NQ Deferred Annuity

Death Benefit Options: Pros and Cons		
	Pros	Cons
Annuitization	Use of exclusion ratio, each payment is part gain and part return of basis; may elect guaranteed lifetime income	Lack of flexibility and liquidity
NQ Stretch	Allows most flexibility; can stretch payments and taxes over lifetime but can take home as needed <sup>1</sup>	May not qualify for exclusion ratio

<sup>1</sup> Taking more than the required amount will result in the loss of the exclusion ratio and remaining distributions will be taxed under the LIFO (gains first) method.

# Legacy Potential Across NQ Annuities

## Upon Death of Owner of NQ Deferred Annuity

- No regulations under Section 72(s)
- Private Letter Ruling<sup>1</sup> outlined 3 methods for satisfying requirements:
  1. RMD
  2. Amortization
  3. Annuitization

<sup>1</sup> PLR 200303016. A PLR has no reliance value other than for its specific taxpayer recipient.

# Legacy Potential Across NQ Annuities

## Upon Death of Owner of NQ Deferred Annuity

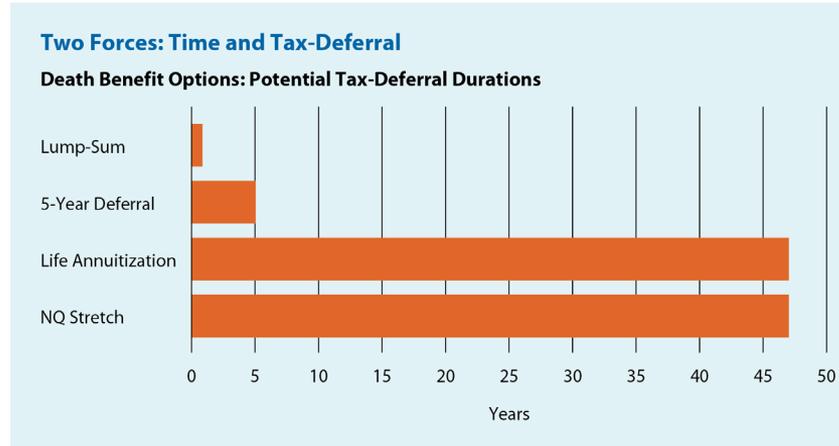
- Private Letter Ruling<sup>1</sup> permitted non-spousal beneficiary to 1035 exchange one inherited NQ deferred annuity for another

<sup>1</sup> PLR 201330016. A PLR has no reliance value other than for its specific taxpayer recipient.

# Legacy Potential Across NQ Annuities

## Upon Death of Owner of NQ Deferred Annuity

- Two Forces: Time & Tax Deferral



\*Hypothetical example for illustration only Source for beneficiary's life expectancy of 46.7 years as illustrated for Life Annuitization and NQ Stretch from Table 1 (Single Life Expectancy; For Use by Beneficiaries); [https://www.irs.gov/publications/p590b#en\\_US\\_2023\\_publink100089977](https://www.irs.gov/publications/p590b#en_US_2023_publink100089977); accessed 2/20/26.

# Legacy Potential Across NQ Annuities

## For Example: Upon Death of NQ Deferred Annuity Owner

- Sarah's father: owner & annuitant of NQ annuity
- Annuity value at his death: \$500,000 (w/ \$250,000 cost basis)
- Sarah: 55 & married
- Couple's combined taxable income: \$110,000 (22% federal tax bracket)

Hypothetical example for illustration only.

# Legacy Potential Across NQ Annuities

## For Example: Upon Death of NQ Deferred Annuity Owner

- All options assume 4% future value/interest rate
- Lump-sum distribution assumes combined 30% total net effective federal & state tax
- 5-year deferral distributions assume 27% total net effective federal & state tax
- Stretch distributions assume 25% net effective federal & state tax rate
- Future values of distributions assume 25% total net effective federal & state tax
- Portion of NQ Stretch account value still subject to income tax

Hypothetical example for illustration only.

# NQ Stretch: Spreading Out Income ... and Taxes

## For Example: Upon Death of NQ Deferred Annuity Owner

End of	Lump Sum	5-Year Deferral	NQ Stretch		
	Future Value of Distribution	Account Value + Future Value of Distributions	NQ Stretch Account Value	Future Value of Distributions	Total
Year 1	\$437,750	\$503,260	\$503,544	+ \$14,320	= \$517,864
Year 5	\$492,691	\$508,551	\$512,660	+ \$80,879	= \$593,539
Year 10	\$571,164	\$589,551	\$509,920	+ \$187,983	= \$697,903
Year 15	\$657,315	\$683,451	\$486,988	+ \$326,558	= \$813,546

All options assume 4% future value/ interest rate. Lump sum distribution assumes 30% combined net effective state and federal tax rate. 5-year deferral distributions assume 27% combined net effective state and federal tax rate. Stretch distributions assume 25% combined net effective state and federal tax rate. All future values of distributions assume 25% combined net effective state and federal tax rate on the growth in future value. Portion of NQ Stretch account value still subject to income tax. Hypothetical results for example only.

- Assuming all after-tax funds received are reinvested, in 15 years:
  - projected future value of NQ stretch account & distributions totals \$813,546
  - compare to \$683,451 w/ 5-year deferral & \$662,136 w/ lump sum

# NQ Stretch: Spreading Out Income ... and Taxes

## Upon Death of Owner of NQ Deferred Annuity: An Example

- Use of exclusion ratio allows for larger net distributions
- Required distributions may not always qualify for exclusion ratio
- Taking more than required amount will trigger LIFO taxation

End of	Annual Distribution	Taxable Amount	Taxes	Net Distribution
<b>Exclusion Ratio Taxation</b>				
Year 1	\$16,456	\$8,544	\$2,136	\$14,320
<b>LIFO Taxation</b>				
Year 1	\$16,456	\$16,456	\$4,114	\$12,342

Assumes 4% future value/ interest rate on account value and 25% combined net effective state and federal tax rate on all distributions. Hypothetical results for example only.

# NQ Stretch: Annuity Strategies

## Growth: Deferred Annuity Solutions

- **Indextra**<sup>®</sup> ... FIA issued by Integrity Life Insurance Co.
- **Indextra**<sup>®</sup> **NY** ... FIA issued by National Integrity Life Insurance Co.
- **SmartSelect** ... SPDA issued by Integrity Life & National Integrity Life
- **SPDA Series II** ... SPDA issued by Integrity Life

## Income: Immediate Annuity Solutions (Life or Period Certain)

- **IncomeSource**<sup>®</sup> ... SPIA issued by Integrity Life & National Integrity Life

# Why Work with Western & Southern's Issuers?

## Advantages for Clients, Beneficiaries & YOU ... Now & Later

### 1 Exclusion Ratio = Lower Taxes

#### NOT ALL ISSUERS OFFER THIS

Tax efficiency can translate to a lower 1099 for your clients.

### 2 Move Now or Later

1035 transfers accepted after a client passes. **But why wait?**  
Move funds w/low cost basis with a plan for the bene stretch.

### 3 Comp Now & Later

Full commission now and at later at death when bene stretches.

### 4 Suitable Sales Strategy

Both planning for stretched sales — and actual stretched sales — can generally be considered suitable.

### 5 Lock in 'Legacy' Business

Stretch your reach to the next generation and retain inherited assets.

### 6 Stretch with *Strength*

A+ by A.M. Best<sup>1</sup> | 96 Comdex Rank<sup>2</sup> | 1888 Company Heritage

## 1 MORE ADVANTAGE

You *don't* need to know all the rules. *We do!*

**PLUS**  
WE ILLUSTRATE  
STRETCHES  
*Call for a  
Quote!*

# Your Challenge: Retaining Heirs ... and Assets

## The Facts Are Frightening

- When a client passes, often, so does an advisory relationship:

### Going...

About **\$120 trillion** expected to be inherited by various generations by 2050.<sup>1</sup>

### Going...

Among those *expecting to inherit*, only **27%** say they *would maintain* an existing relationship with the managing advisor.<sup>1</sup>

### Gone

Among those who *have inherited*, just **20%** say they *have maintained* an existing relationship with the managing advisor.<sup>1</sup>

<sup>1</sup> Cerulli Associates, "Many Investors Expect Inheritances, Yet Few Likely to Maintain Benefactor's Advisor," Sept. 3, 2025.

## Company Strength



# The Building Blocks of Strength

Integrity Life Insurance Company ■ National Integrity Life Insurance Company ■ Western-Southern Life Assurance Company

**A+**  
A.M. Best Rating

**NRSRO RATINGS POWER<sup>1</sup>**

**A+** AM BEST (Superior)  
2nd highest of 13 ratings

**AA-** S&P (Very Strong)  
4th highest of 21 ratings

**AA** Fitch (Very Strong)  
3rd highest of 21 ratings

**COMDEX QUALITY<sup>2</sup>**

Comdex is a composite of industry ratings. Western & Southern Financial Group ranks in the upper tier of a 1-100 scale. Compare to your other product providers.

**95**  
Comdex Ranking

**Member of a Mutual Holding Company**

**BENEFIT OF MUTUALITY**

No publicly traded company or private equity owned pressure for short-term results.

**AMERICAN COMPANY**

We're proud of our U.S. roots, of people helping people, centered in Cincinnati.

**U.S.**  
Owned & Operated

**1888**  
Heritage

**HISTORIC STRENGTH**

Years of parent company history.  
Decades of experience.  
Scores of stability.

**RECOGNIZED VALUE**

Western & Southern Financial Group is listed on the **Fortune 500<sup>®</sup>**, which represents two-thirds of U.S. economy with \$14.8 trillion in revenue. We're proud to be part of this prestigious list.

Source: Fortune Magazine, "Fortune 500<sup>®</sup> (70th Edition)", June/July 2024

**Fortune 500<sup>®</sup>**  
Company

**SIGNIFICANTLY HIGHER CAPITAL-TO-ASSET RATIO OF TOP COMPETITORS**

Capitalization is an indicator of financial stability that can help our company weather challenging economic times.

**Avg of 15 Largest Publicly Traded Life Insurers: 3.7%**

**Western & Southern Financial Group: 14.9%**

As of December 31, 2024, total assets were \$80.9 billion; total liabilities were \$48.8 billion, and total equity was \$12.1 billion. The W&S GAAP capital to asset ratio is 14.9%, as compared to the 3.7% average of the 15 largest publicly traded life insurers doing business in the U.S.

### LIFE INSURANCE & ANNUITIES CREATE BALANCE TO SUPPORT OUR STRENGTH

Life policies have **mortality** risk. Annuities have **longevity** risk. We offer both product lines to balance our portfolio and support our strength.



**INVESTMENT AND INSURANCE PRODUCTS ARE:**

- NOT FDIC INSURED - NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY
- NOT A DEPOSIT OR OTHER OBLIGATION OF, OR GUARANTEED BY, THE BANK OR ANY OF ITS AFFILIATES
- SUBJECT TO INVESTMENT RISKS, INCLUDING POSSIBLE LOSS OF THE PRINCIPAL AMOUNT INVESTED

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# Protection Backed by Strength



Distributing annuity and life insurance solutions issued by

Chart is for illustrative purposes only and does not reflect the organization's legal structure.

# Thank You!

# Important Information

**IncomeSource:** Single Premium Immediate Annuity contract series ICC16 ENT-01 1701 and ENT-01 1701 NY. An income annuity is permanent. An owner has no access to the premium, which converts to income payouts. A contract has no cash value, no death benefit and can't be surrendered. Terms such as the payout amounts, timing and rates cannot be changed, unless commutation elected. Payouts end at annuitant death unless certain period or installment refund option elected. Life contingent payout may be less or more than premium based on length of annuitant(s) life. Life and Temporary Life payouts provide no benefit on or after the death of the annuitant(s).

**Indextra:** Single Premium Deferred Annuity Contract with Indexed Interest Options series ICC14 ENT-03 1406. Some product features may be subject to firm approval and availability.

**Indextra NY:** Single Premium Deferred Annuity Contract with Indexed Interest Options series NIL-18 2307. Available only in NY.

**SmartSelect:** Single Premium Deferred Annuity Contract with Market Value Adjustment Feature contract series ICC18 ENT-06 1805 and ENT-06 1805 NY.

**SPDA Series II:** Single Premium Deferred Fixed Annuity Contract series INT 04-03. Not available in NY.

Product and feature availability, as well as benefit provisions, vary by state. Payment of benefits under an annuity contract is the obligation of, and is guaranteed by, the company issuing it. Contract backed by the full financial strength of either Integrity Life or National Integrity Life.

Integrity Life Insurance Company, Cincinnati, OH operates in DC and all states except NY, where National Integrity Life Insurance Company, White Plains, NY operates. W&S Financial Group Distributors, Inc., Cincinnati, OH (doing business in CA as W&S Financial Insurance Services) is an affiliated life insurance agency of the issuer. Issuer has sole financial responsibility for its products. All companies are members of Western & Southern Financial Group (Western & Southern).

# Important Information

An annuity is a long-term financial vehicle designed for retirement. An insurance company accepts premiums and provides future income or a lump-sum amount to the contract owner by contractual agreement. Interest earnings grow tax deferred until received. Distributions from nonqualified annuities and IRAs are subject to ordinary income tax. Distributions from a Roth IRA are tax free after age 59½ if the plan has been established for at least five years. Withdrawals prior to age 59½ may incur a 10% IRS penalty tax in both Traditional IRA and Roth IRA plans and in nonqualified annuities. Distributions to beneficiaries from nonqualified annuities and IRAs are subject to income tax as received. The annuity provides no additional tax deferral if purchased as a retirement plan.

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