

Inherited IRA Analysis for Marianne Scott

For: Simon and Ann Scott's Daughter



Presented By: _____

[Licensed user's name appears here]
Marianne is currently age 15. The analysis illustrates her inheriting either of the IRAs at age 53.

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Comparison Analysis of Cash Flow and Plan Assets

Inherited IRA vs. Inherited Roth IRA

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.

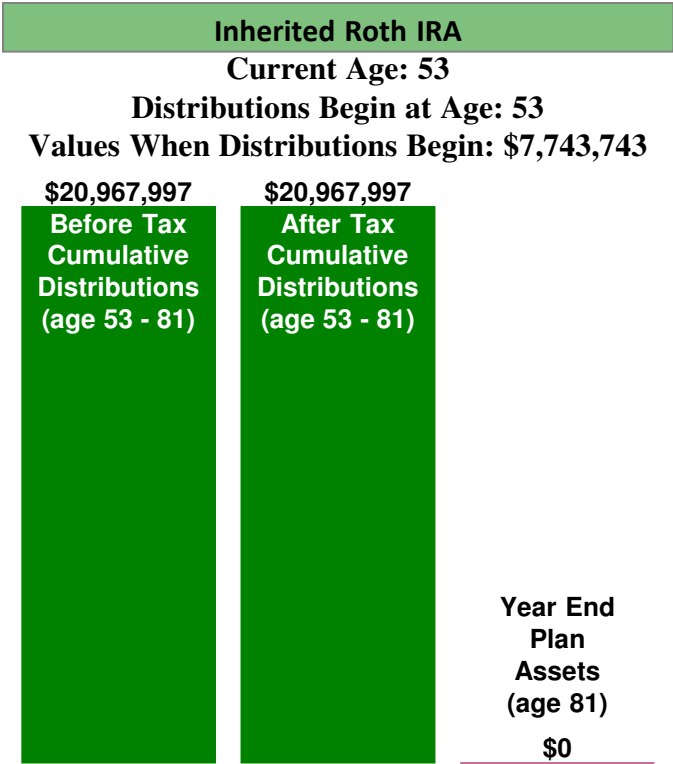
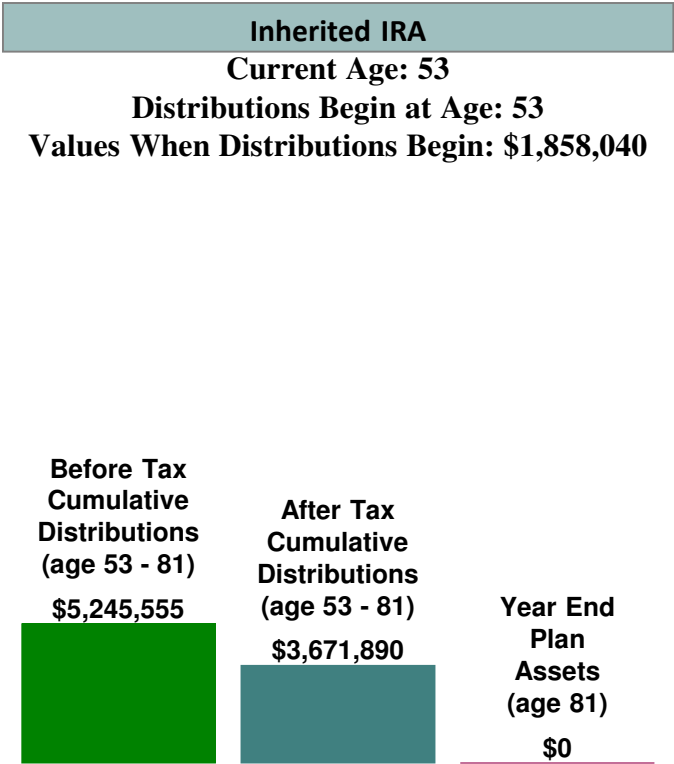
Children

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	279,558	279,558	279,558	7,963,819					
2	54	1,913,339	69,074	69,074	48,352	1,967,716	7,963,819	298,270	298,270	298,270	8,178,662					
3	55	1,967,716	73,697	73,697	51,588	2,020,799	8,178,662	318,236	318,236	318,236	8,386,583					
4	56	2,020,799	78,630	78,630	55,041	2,072,173	8,386,583	339,538	339,538	339,538	8,585,694					
5	57	2,072,173	83,894	83,894	58,726	2,121,370	8,585,694	362,266	362,266	362,266	8,773,884					
6	58	2,121,370	89,509	89,509	62,656	2,167,868	8,773,884	386,515	386,515	386,515	8,948,798					
7	59	2,167,868	95,501	95,501	66,851	2,211,087	8,948,798	412,387	412,387	412,387	9,107,817					
8	60	2,211,087	101,893	101,893	71,325	2,250,378	9,107,817	439,991	439,991	439,991	9,248,029					
9	61	2,250,378	108,714	108,714	76,100	2,285,021	9,248,029	469,443	469,443	469,443	9,366,202					
10	62	2,285,021	115,991	115,991	81,194	2,314,220	9,366,202	500,866	500,866	500,866	9,458,760					
11	63	2,314,220	123,755	123,755	86,629	2,337,089	9,458,760	534,393	534,393	534,393	9,521,741					
12	64	2,337,089	132,039	132,039	92,427	2,352,651	9,521,741	570,164	570,164	570,164	9,550,774					
13	65	2,352,651	140,877	140,877	98,614	2,359,824	9,550,774	608,330	608,330	608,330	9,541,029					
14	66	2,359,824	150,307	150,307	105,215	2,357,417	9,541,029	649,050	649,050	649,050	9,487,185					
15	67	2,357,417	160,368	160,368	112,258	2,344,114	9,487,185	692,495	692,495	692,495	9,383,385					
16	68	2,344,114	171,103	171,103	119,772	2,318,467	9,383,385	738,849	738,849	738,849	9,223,180					
17	69	2,318,467	182,556	182,556	127,789	2,278,883	9,223,180	788,306	788,306	788,306	8,999,483					
18	70	2,278,883	194,776	194,776	136,343	2,223,612	8,999,483	841,073	841,073	841,073	8,704,513					
19	71	2,223,612	207,814	207,814	145,470	2,150,730	8,704,513	897,373	897,373	897,373	8,329,731					
20	72	2,150,730	221,725	221,725	155,208	2,058,128	8,329,731	957,440	957,440	957,440	7,865,774					
21	73	2,058,128	236,566	236,566	165,596	1,943,493	7,865,774	1,021,529	1,021,529	1,021,529	7,302,381					
22	74	1,943,493	252,402	252,402	176,681	1,804,289	7,302,381	1,089,908	1,089,908	1,089,908	6,628,321					
23	75	1,804,289	269,297	269,297	188,508	1,637,740	6,628,321	1,162,863	1,162,863	1,162,863	5,831,302					
24	76	1,637,740	287,323	287,323	201,126	1,440,811	5,831,302	1,240,703	1,240,703	1,240,703	4,897,882					
25	77	1,440,811	306,555	306,555	214,589	1,210,180	4,897,882	1,323,752	1,323,752	1,323,752	3,813,373					
26	78	1,210,180	327,076	327,076	228,953	942,217	3,813,373	1,412,360	1,412,360	1,412,360	2,561,731					
27	79	942,217	348,969	348,969	244,278	632,958	2,561,731	1,506,901	1,506,901	1,506,901	1,125,438					
28	80	632,958	372,328	372,328	260,630	278,076	1,125,438	1,125,438	1,125,438	1,125,438	0					
29	81	278,076	278,076	278,076	194,653	0	0	0	0	0	0					
			5,245,555	5,245,555	3,671,890		20,967,997	20,967,997	20,967,997							

**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	20,967,997

Inherited IRA vs. Inherited Roth IRA

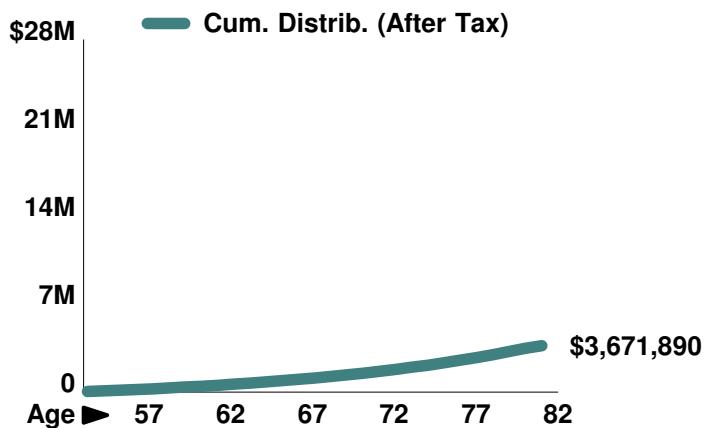
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For: Marianne Scott

Comparison Analysis

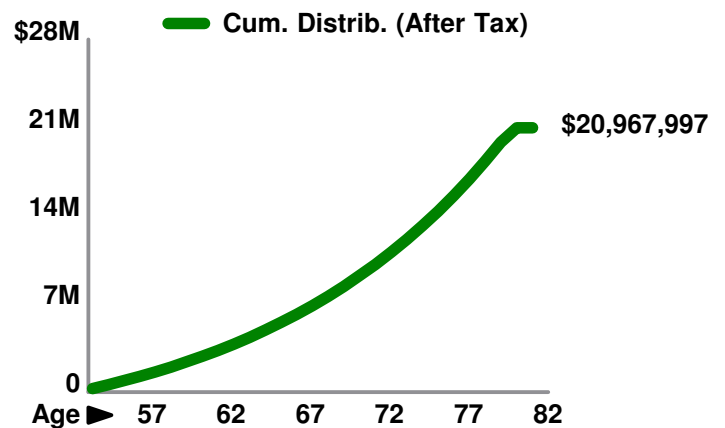
Inherited IRA

Cumulative Distributions
(After Tax)

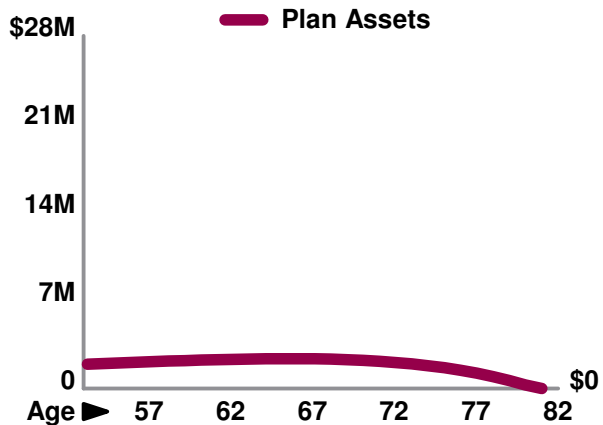


Inherited Roth IRA

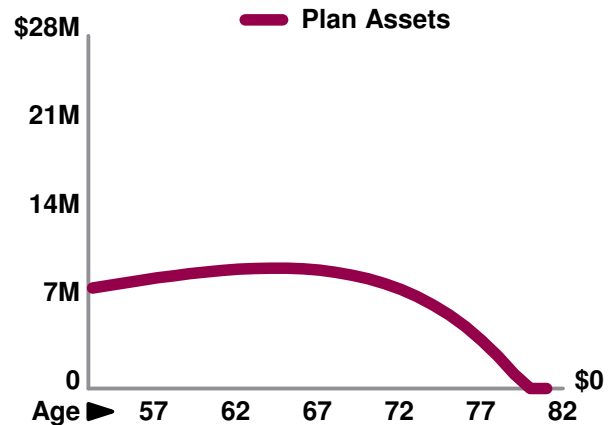
Cumulative Distributions
(After Tax)



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

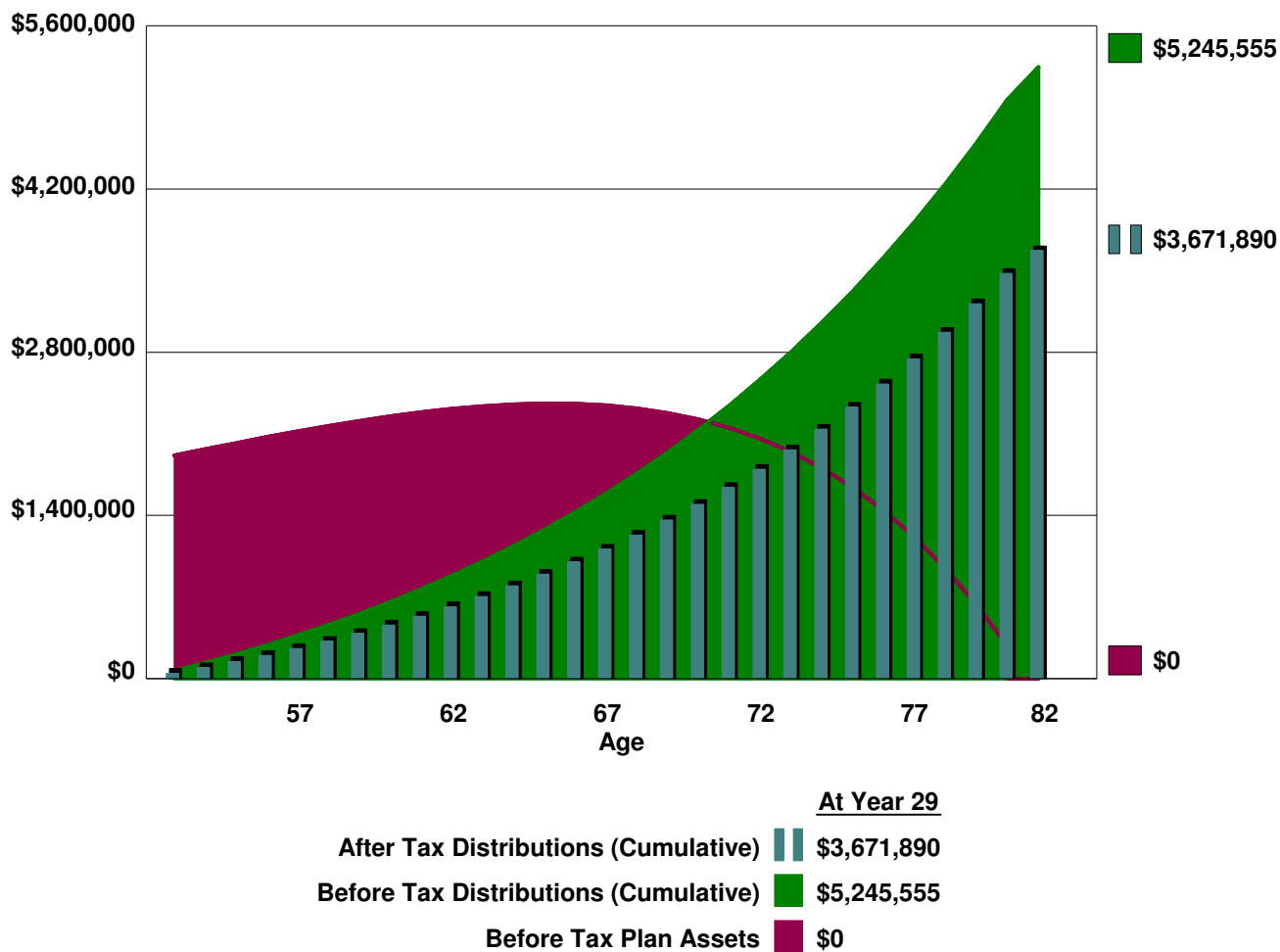
Distributions in excess of any cost basis are subject

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.

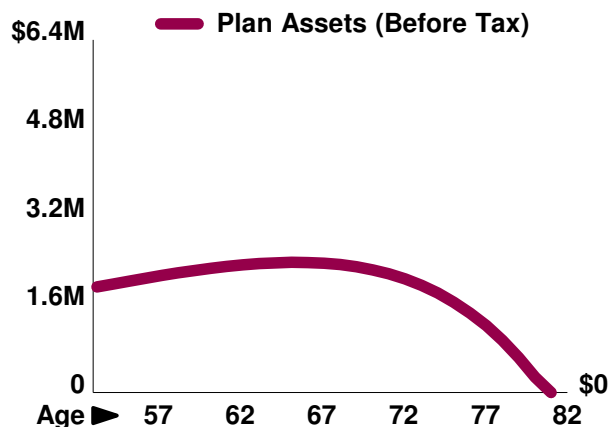
Inherited IRA

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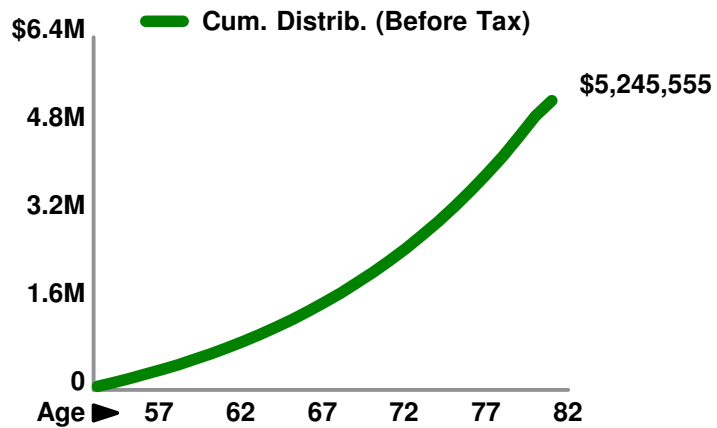
For: Marianne Scott

Distribution

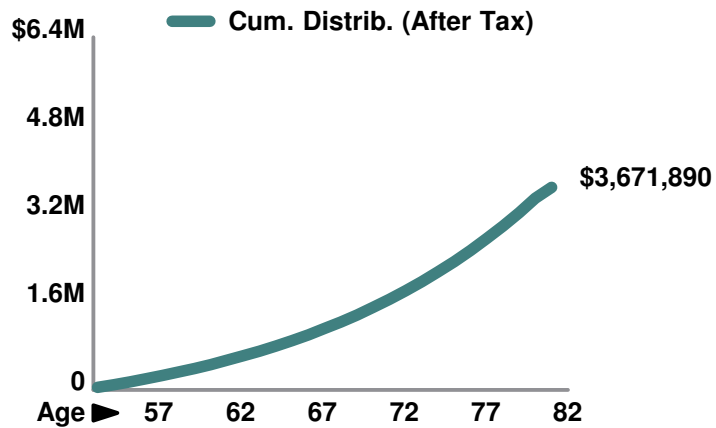
**Plan Assets
(Before Tax)**



**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.

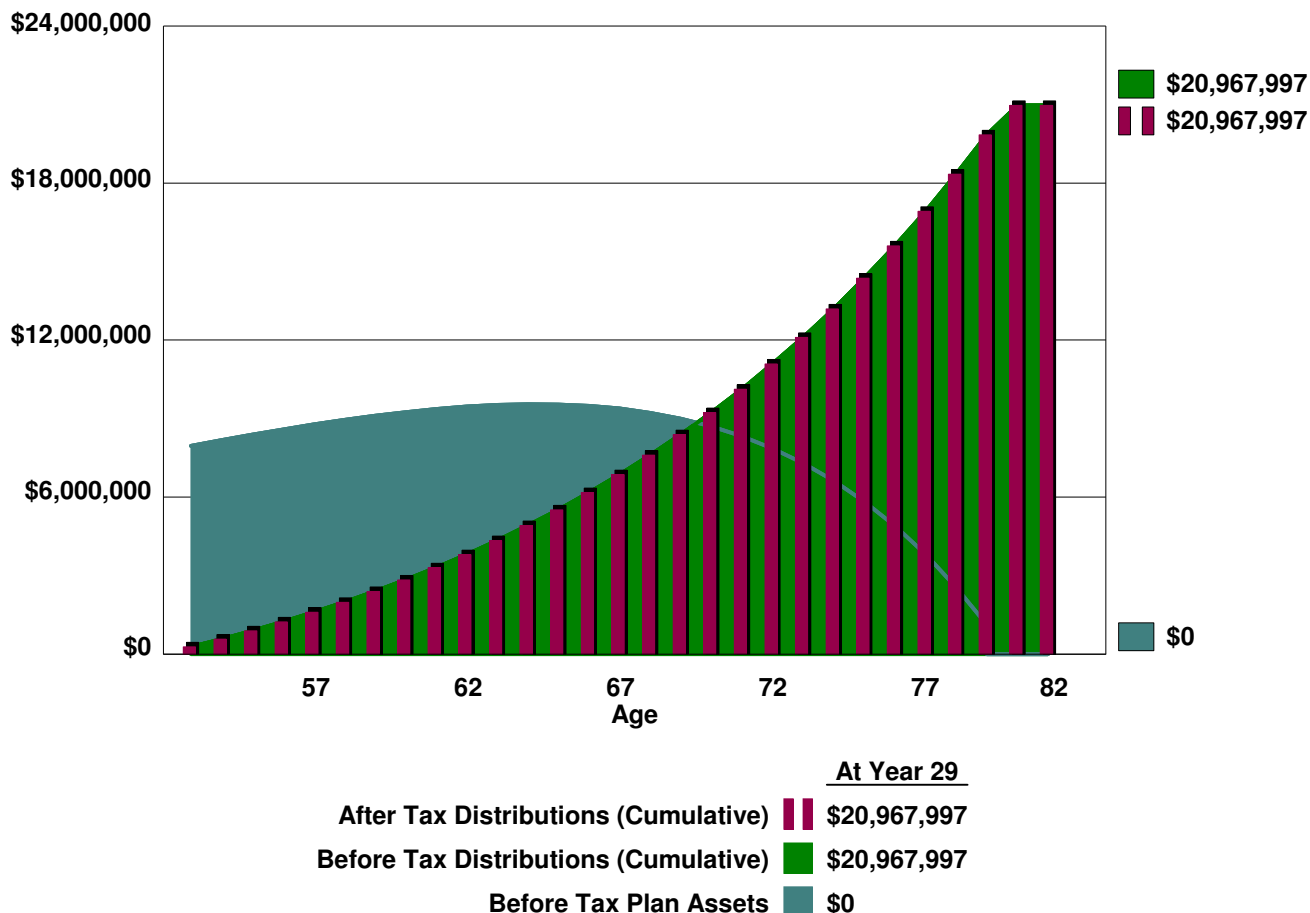
Tax Free Distributions

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	279,558	279,558	279,558	7,963,819	
2	54	7,963,819	298,270	298,270	298,270	8,178,662	
3	55	8,178,662	318,236	318,236	318,236	8,386,583	
4	56	8,386,583	339,538	339,538	339,538	8,585,694	
5	57	8,585,694	362,266	362,266	362,266	8,773,884	
6	58	8,773,884	386,515	386,515	386,515	8,948,798	
7	59	8,948,798	412,387	412,387	412,387	9,107,817	
8	60	9,107,817	439,991	439,991	439,991	9,248,029	
9	61	9,248,029	469,443	469,443	469,443	9,366,202	
10	62	9,366,202	500,866	500,866	500,866	9,458,760	
11	63	9,458,760	534,393	534,393	534,393	9,521,741	
12	64	9,521,741	570,164	570,164	570,164	9,550,774	
13	65	9,550,774	608,330	608,330	608,330	9,541,029	
14	66	9,541,029	649,050	649,050	649,050	9,487,185	
15	67	9,487,185	692,495	692,495	692,495	9,383,385	
16	68	9,383,385	738,849	738,849	738,849	9,223,180	
17	69	9,223,180	788,306	788,306	788,306	8,999,483	
18	70	8,999,483	841,073	841,073	841,073	8,704,513	
19	71	8,704,513	897,373	897,373	897,373	8,329,731	
20	72	8,329,731	957,440	957,440	957,440	7,865,774	
21	73	7,865,774	1,021,529	1,021,529	1,021,529	7,302,381	
22	74	7,302,381	1,089,908	1,089,908	1,089,908	6,628,321	
23	75	6,628,321	1,162,863	1,162,863	1,162,863	5,831,302	
24	76	5,831,302	1,240,703	1,240,703	1,240,703	4,897,882	
25	77	4,897,882	1,323,752	1,323,752	1,323,752	3,813,373	
26	78	3,813,373	1,412,360	1,412,360	1,412,360	2,561,731	
27	79	2,561,731	1,506,901	1,506,901	1,506,901	1,125,438	
28	80	1,125,438	1,125,438	1,125,438	1,125,438	0	
29	81	0	0	0	0	0	
			20,967,997	20,967,997	20,967,997		

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).

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

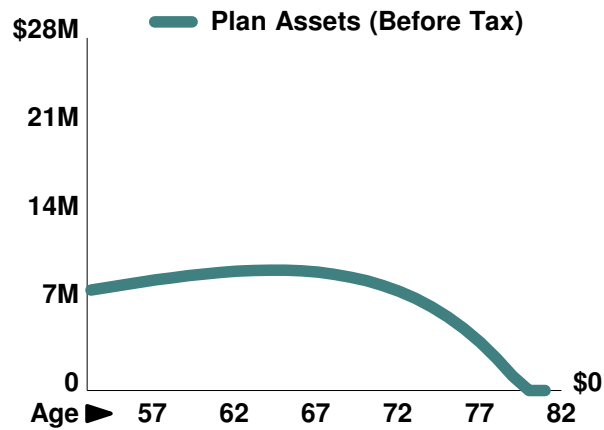
Inherited Roth IRA

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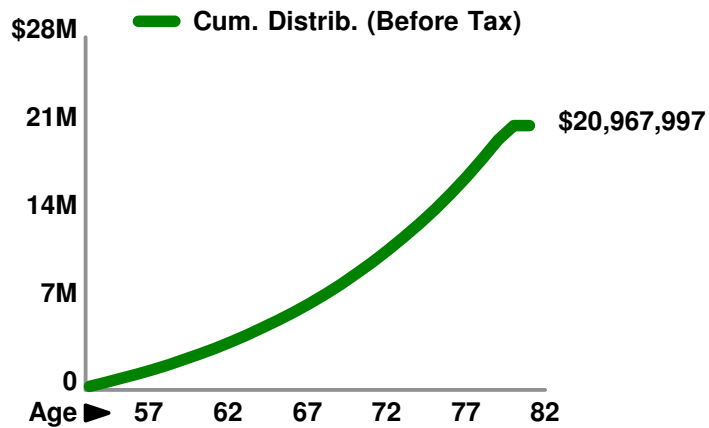
For: Marianne Scott

Distribution

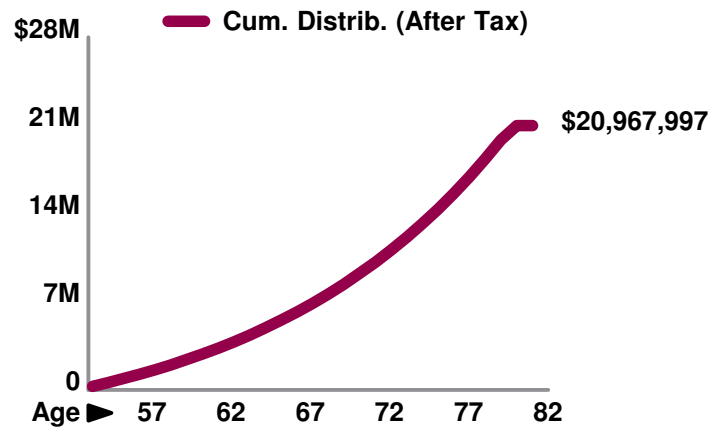
**Plan Assets
(Before Tax)**



**Cumulative Distributions
(Before Tax)**



**Cumulative Distributions
(After Tax)**



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