

# Comparison of Inherited IRA vs. Inherited Roth IRA

For: Lexie Demas



Presented By: \_\_\_\_\_

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**Comparison Analysis of Cash Flow and Plan Assets**

## 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.

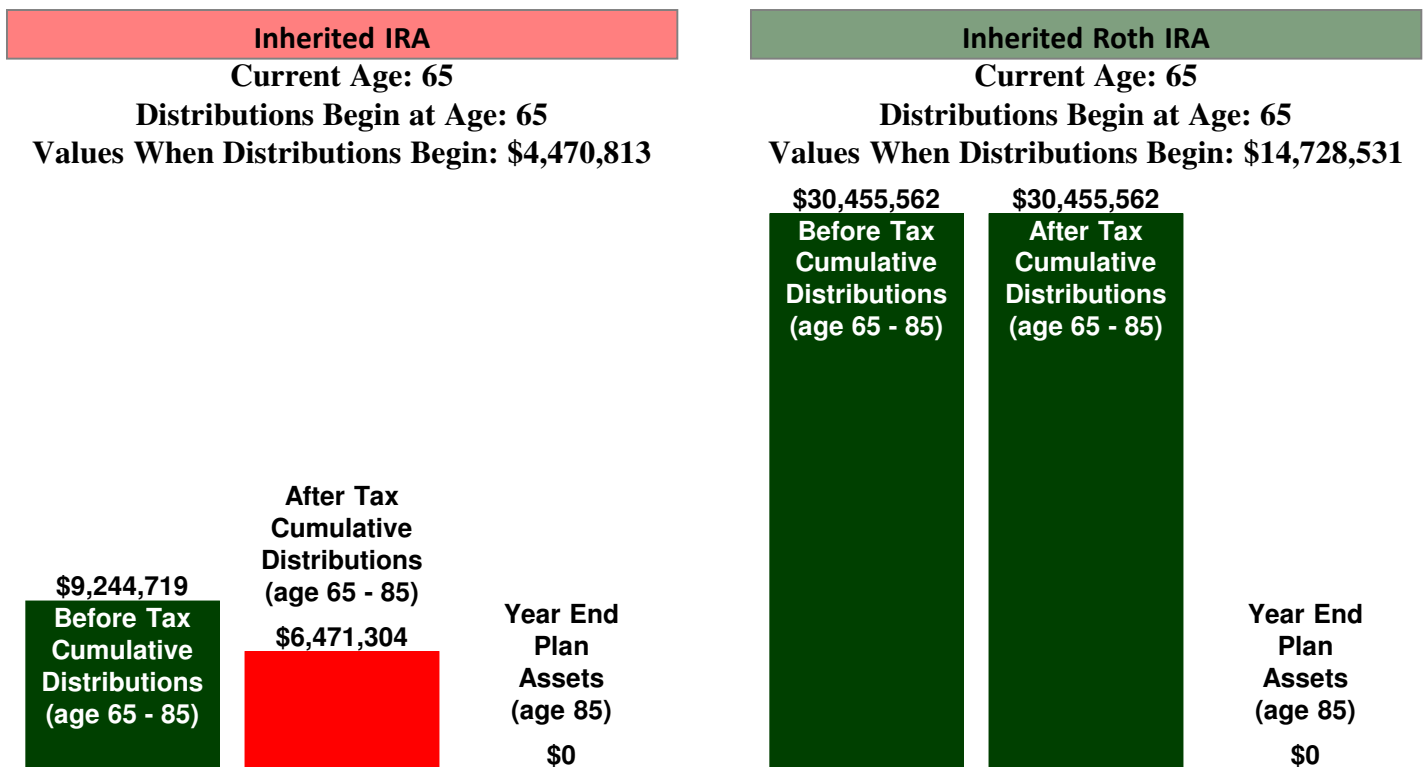
### Children

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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## Comparison Analysis of Cash Flow and Plan Assets

		Inherited IRA					Inherited Roth IRA				
		(1)	(2)*	(3)	(4)	(5)	(6)	(7)*	(8)	(9)**	(10)
		Beginning of Year Balance in Plan Assets	Before Tax IRS Required Minimum Distribution	Before Tax Scheduled Distribution	After Tax Scheduled Distribution	Year End Plan Assets	Beginning of Year Balance in Plan Assets	Before Tax IRS Required Minimum Distribution	Before Tax Scheduled Distribution	After Tax Scheduled Distribution	Year End Plan Assets
Year	Age										
1	65	4,470,813	221,327	221,327	154,929	4,546,950	14,728,531	729,135	729,135	729,135	14,979,354
2	66	4,546,950	236,820	236,820	165,774	4,611,839	14,979,354	780,175	780,175	780,175	15,193,121
3	67	4,611,839	253,398	253,398	177,379	4,663,532	15,193,121	834,787	834,787	834,787	15,363,418
4	68	4,663,532	271,136	271,136	189,795	4,699,864	15,363,418	893,222	893,222	893,222	15,483,109
5	69	4,699,864	290,115	290,115	203,081	4,718,431	15,483,109	955,747	955,747	955,747	15,544,278
6	70	4,718,431	310,423	310,423	217,296	4,716,569	15,544,278	1,022,650	1,022,650	1,022,650	15,538,142
7	71	4,716,569	332,153	332,153	232,507	4,691,325	15,538,142	1,094,235	1,094,235	1,094,235	15,454,980
8	72	4,691,325	355,403	355,403	248,782	4,639,436	15,454,980	1,170,832	1,170,832	1,170,832	15,284,038
9	73	4,639,436	380,282	380,282	266,197	4,557,295	15,284,038	1,252,790	1,252,790	1,252,790	15,013,436
10	74	4,557,295	406,901	406,901	284,831	4,440,922	15,013,436	1,340,485	1,340,485	1,340,485	14,630,057
11	75	4,440,922	435,384	435,384	304,769	4,285,925	14,630,057	1,434,319	1,434,319	1,434,319	14,119,440
12	76	4,285,925	465,861	465,861	326,103	4,087,469	14,119,440	1,534,722	1,534,722	1,534,722	13,465,648
13	77	4,087,469	498,472	498,472	348,930	3,840,227	13,465,648	1,642,152	1,642,152	1,642,152	12,651,141
14	78	3,840,227	533,365	533,365	373,356	3,538,342	12,651,141	1,757,103	1,757,103	1,757,103	11,656,621
15	79	3,538,342	570,700	570,700	399,490	3,175,377	11,656,621	1,880,100	1,880,100	1,880,100	10,460,877
16	80	3,175,377	610,649	610,649	427,454	2,744,259	10,460,877	2,011,707	2,011,707	2,011,707	9,040,612
17	81	2,744,259	653,395	653,395	457,377	2,237,224	9,040,612	2,152,527	2,152,527	2,152,527	7,370,251
18	82	2,237,224	699,133	699,133	489,393	1,645,758	7,370,251	2,303,203	2,303,203	2,303,203	5,421,741
19	83	1,645,758	748,072	748,072	523,650	960,524	5,421,741	2,464,428	2,464,428	2,464,428	3,164,325
20	84	960,524	800,436	800,436	560,305	171,294	3,164,325	2,636,938	2,636,938	2,636,938	564,305
21	85	171,294	171,294	171,294	119,906	0	564,305	564,305	564,305	564,305	0
			9,244,719	9,244,719	6,471,304			30,455,562	30,455,562	30,455,562	

\*\*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.

21 Year Summary		
	Inherited IRA	Inherited Roth IRA
Plan Assets	0	0
Cum. After Tax Distributions	6,471,304	30,455,562

# Inherited IRA vs. Inherited Roth IRA

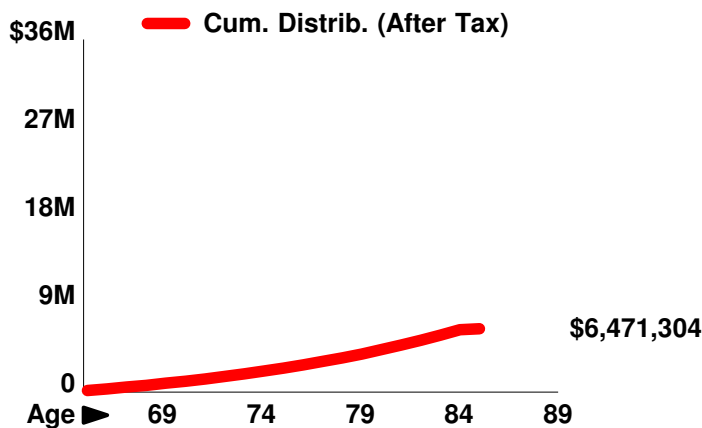
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For: Lexie Demas

## Comparison Analysis

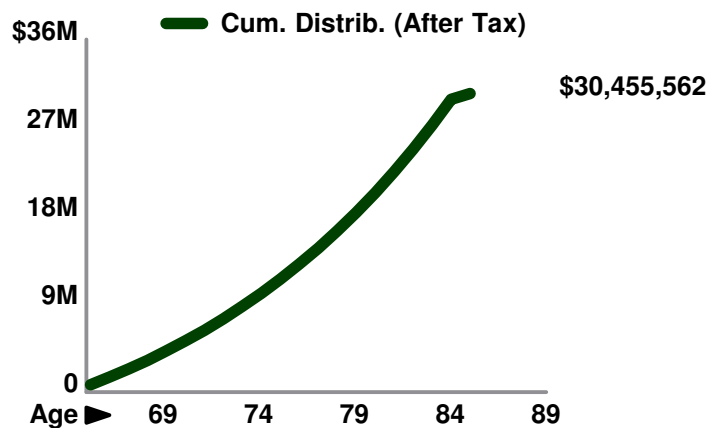
### Inherited IRA

Cumulative Distributions  
(After Tax)

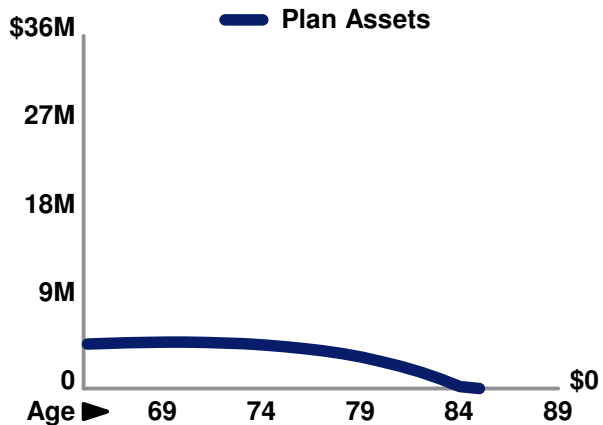


### Inherited Roth IRA

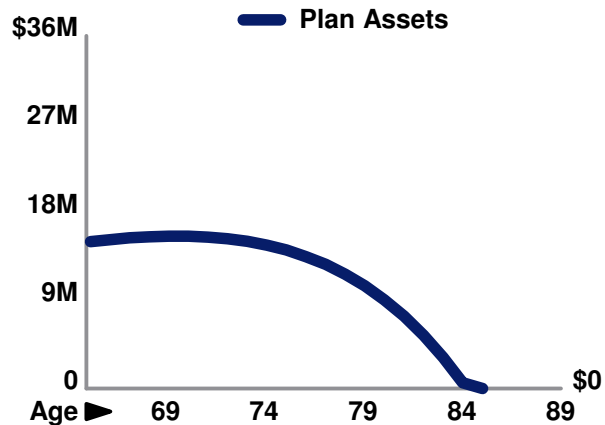
Cumulative Distributions  
(After Tax)



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

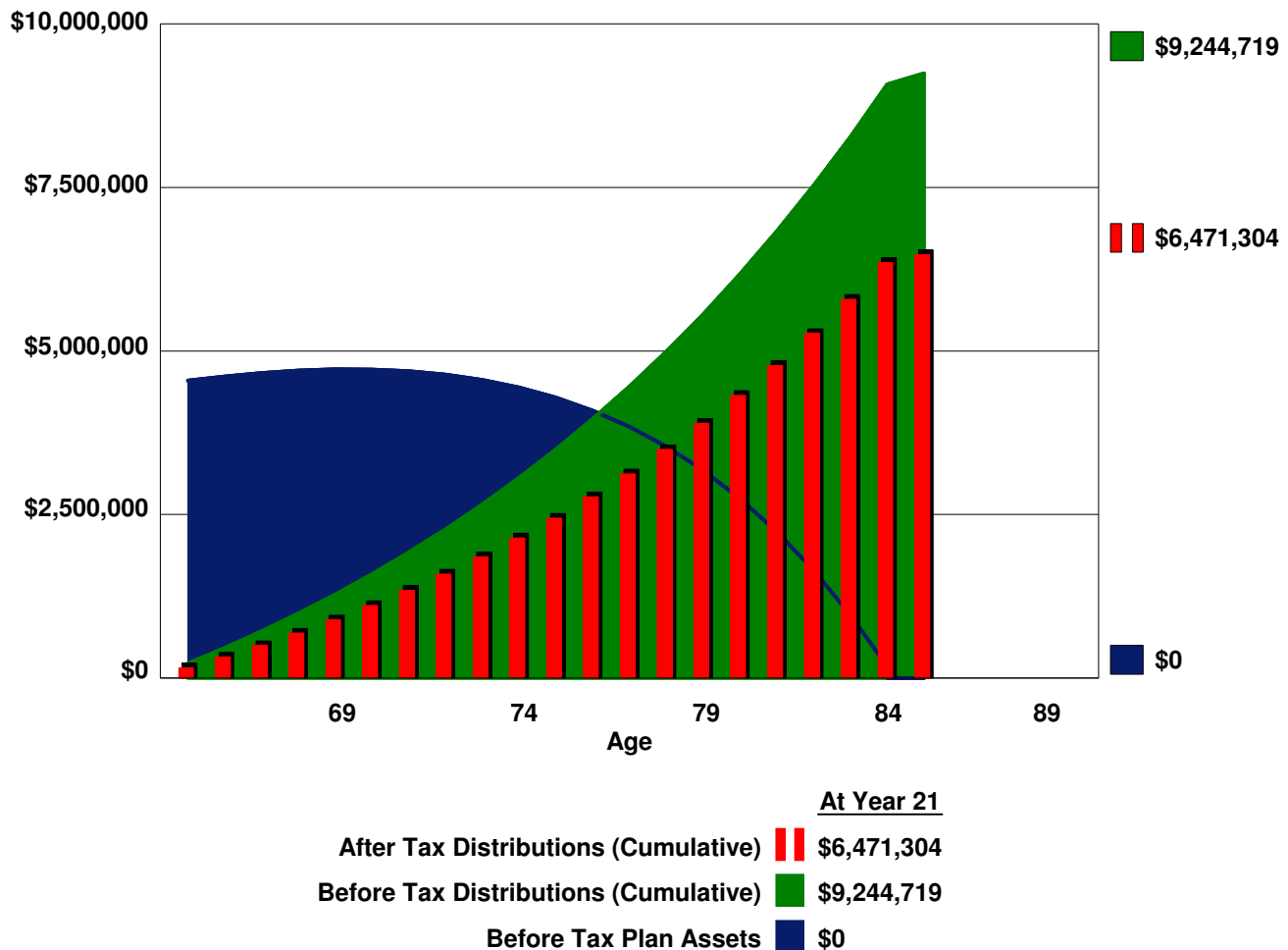
Distributions in excess of any cost basis are subject

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: Lexie Demas

## Distribution

Current Value  
4,470,813

Plan Yield  
7.00%

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	65	4,470,813	221,327	221,327	221,327	66,398	154,929	4,546,950
2	66	4,546,950	236,820	236,820	236,820	71,046	165,774	4,611,839
3	67	4,611,839	253,398	253,398	253,398	76,019	177,379	4,663,532
4	68	4,663,532	271,136	271,136	271,136	81,341	189,795	4,699,864
5	69	4,699,864	290,115	290,115	290,115	87,035	203,081	4,718,431
6	70	4,718,431	310,423	310,423	310,423	93,127	217,296	4,716,569
7	71	4,716,569	332,153	332,153	332,153	99,646	232,507	4,691,325
8	72	4,691,325	355,403	355,403	355,403	106,621	248,782	4,639,436
9	73	4,639,436	380,282	380,282	380,282	114,085	266,197	4,557,295
10	74	4,557,295	406,901	406,901	406,901	122,070	284,831	4,440,922
11	75	4,440,922	435,384	435,384	435,384	130,615	304,769	4,285,925
12	76	4,285,925	465,861	465,861	465,861	139,758	326,103	4,087,469
13	77	4,087,469	498,472	498,472	498,472	149,542	348,930	3,840,227
14	78	3,840,227	533,365	533,365	533,365	160,010	373,356	3,538,342
15	79	3,538,342	570,700	570,700	570,700	171,210	399,490	3,175,377
16	80	3,175,377	610,649	610,649	610,649	183,195	427,454	2,744,259
17	81	2,744,259	653,395	653,395	653,395	196,019	457,377	2,237,224
18	82	2,237,224	699,133	699,133	699,133	209,740	489,393	1,645,758
19	83	1,645,758	748,072	748,072	748,072	224,422	523,650	960,524
20	84	960,524	800,436	800,436	800,436	240,131	560,305	171,294
21	85	171,294	171,294	171,294	171,294	51,388	119,906	0
			9,244,719	9,244,719	9,244,719	2,773,418	6,471,304	

Inherited IRA Plan assets were assumed inherited with a value of \$4,470,813.

\*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.

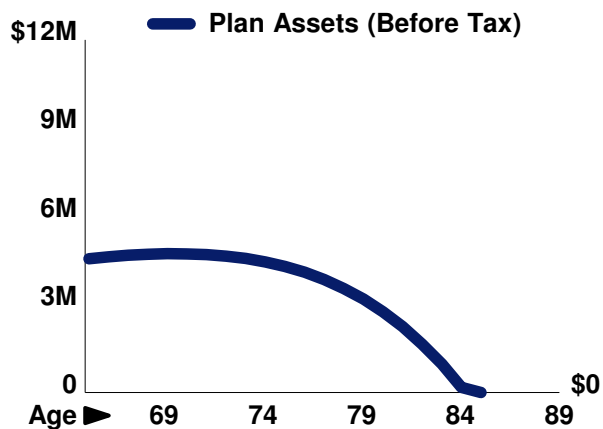
# Inherited IRA

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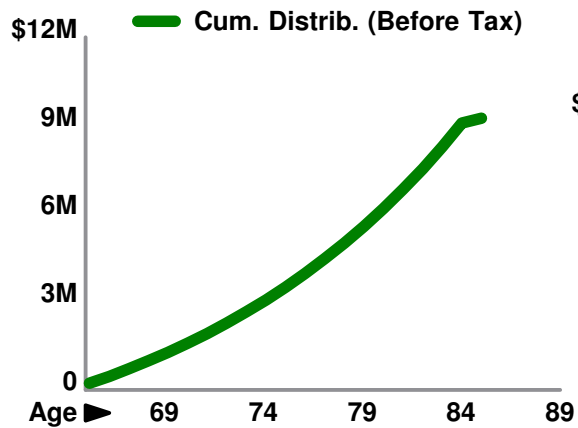
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## Distribution

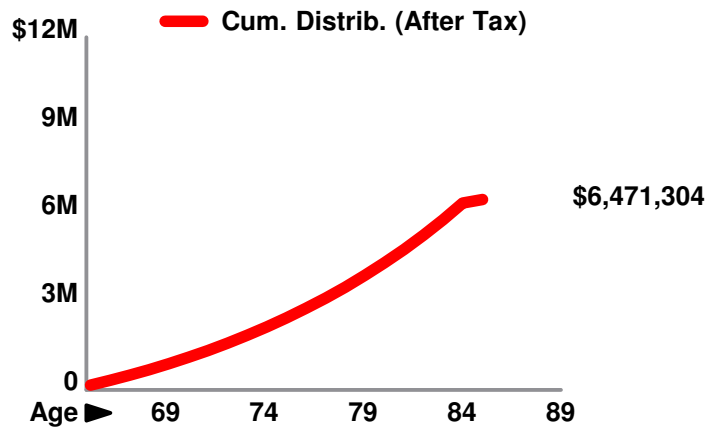
Plan Assets  
(Before Tax)



Cumulative Distributions  
(Before Tax)



Cumulative Distributions  
(After Tax)



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

**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.

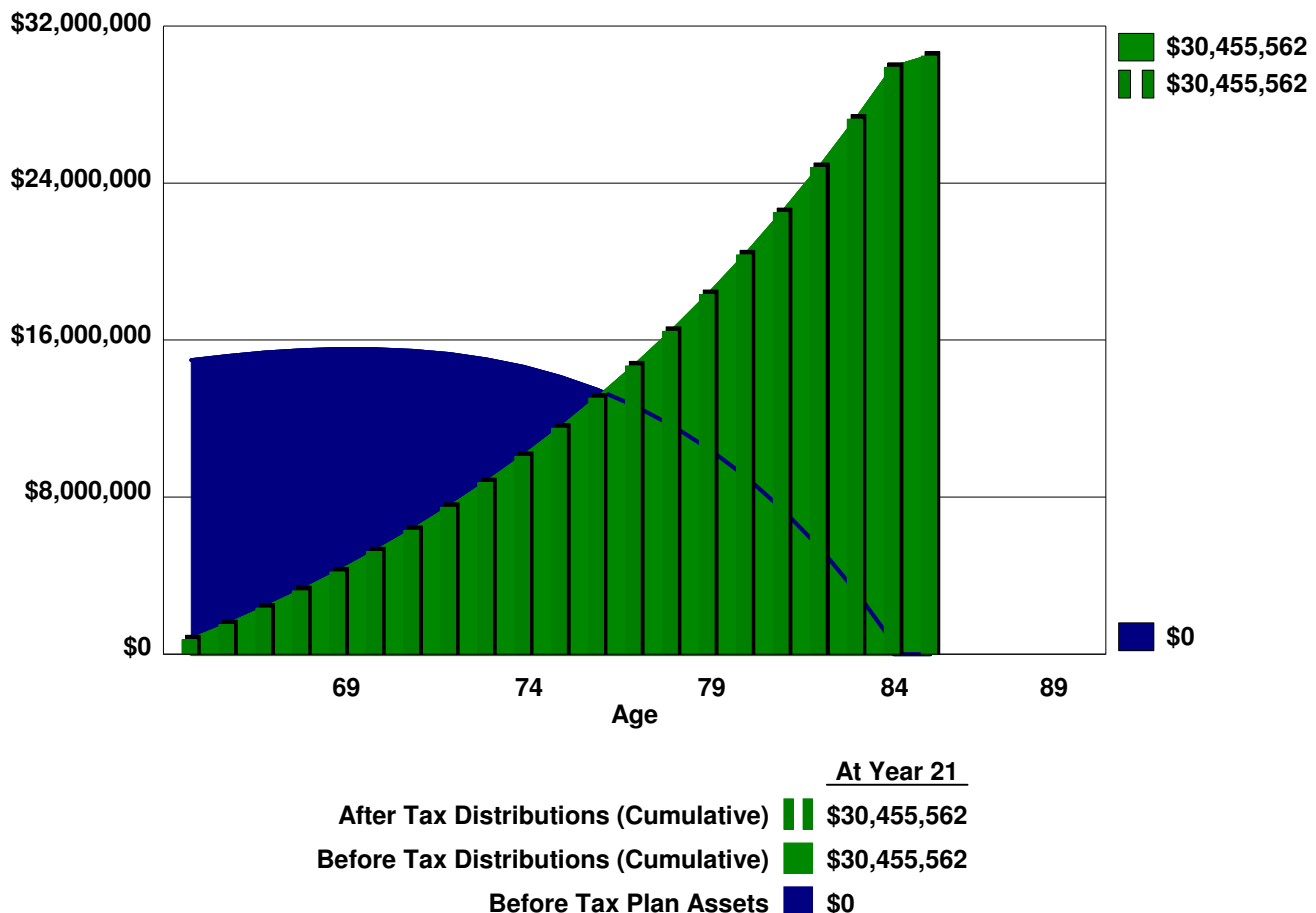
### Tax Free Distributions

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

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## Distribution

Current Value  
14,728,531

Plan  
Yield  
7.00%

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	65	14,728,531	729,135	729,135	729,135	14,979,354
2	66	14,979,354	780,175	780,175	780,175	15,193,121
3	67	15,193,121	834,787	834,787	834,787	15,363,418
4	68	15,363,418	893,222	893,222	893,222	15,483,109
5	69	15,483,109	955,747	955,747	955,747	15,544,278
6	70	15,544,278	1,022,650	1,022,650	1,022,650	15,538,142
7	71	15,538,142	1,094,235	1,094,235	1,094,235	15,454,980
8	72	15,454,980	1,170,832	1,170,832	1,170,832	15,284,038
9	73	15,284,038	1,252,790	1,252,790	1,252,790	15,013,436
10	74	15,013,436	1,340,485	1,340,485	1,340,485	14,630,057
11	75	14,630,057	1,434,319	1,434,319	1,434,319	14,119,440
12	76	14,119,440	1,534,722	1,534,722	1,534,722	13,465,648
13	77	13,465,648	1,642,152	1,642,152	1,642,152	12,651,141
14	78	12,651,141	1,757,103	1,757,103	1,757,103	11,656,621
15	79	11,656,621	1,880,100	1,880,100	1,880,100	10,460,877
16	80	10,460,877	2,011,707	2,011,707	2,011,707	9,040,612
17	81	9,040,612	2,152,527	2,152,527	2,152,527	7,370,251
18	82	7,370,251	2,303,203	2,303,203	2,303,203	5,421,741
19	83	5,421,741	2,464,428	2,464,428	2,464,428	3,164,325
20	84	3,164,325	2,636,938	2,636,938	2,636,938	564,305
21	85	564,305	564,305	564,305	564,305	0
			30,455,562	30,455,562	30,455,562	

\*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.

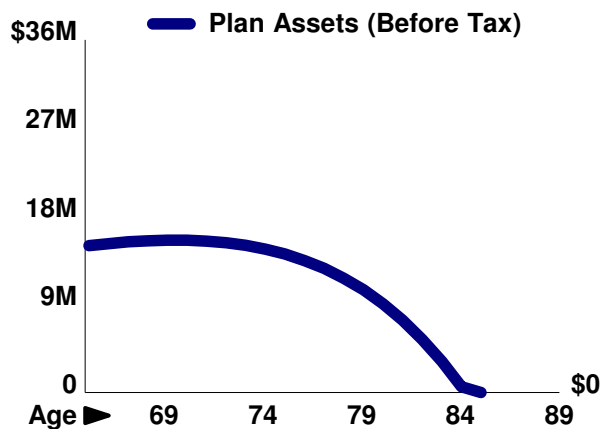
# Inherited Roth IRA

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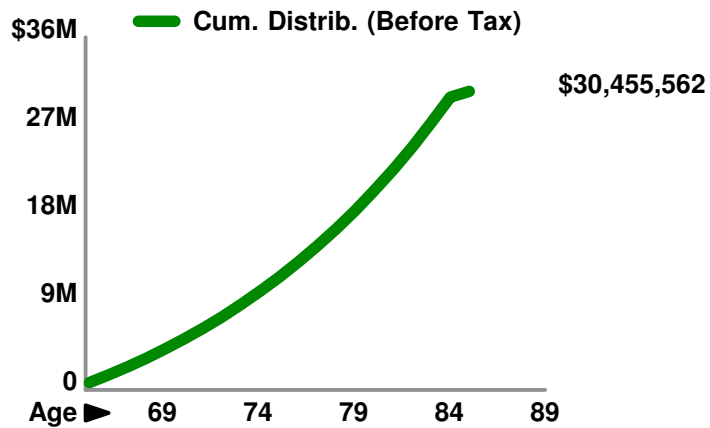
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## Distribution

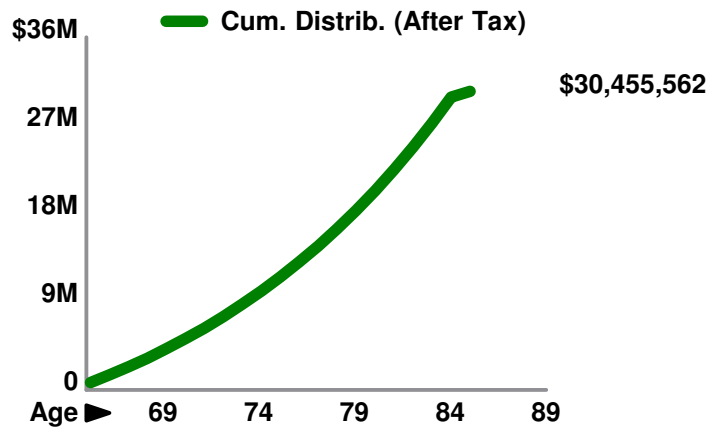
Plan Assets  
(Before Tax)



Cumulative Distributions  
(Before Tax)



Cumulative Distributions  
(After Tax)



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