

Inherited IRA vs. Inherited Roth IRA

For: Charles and Amanda Fuller (for Erin)



Presented By: _____

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Comparison Analysis of Cash Flow and Plan Assets

Inherited IRA vs. Inherited Roth IRA

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For: Erin Fuller

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		
Current Age: 65		
Distributions Begin at Age: 65		
Values When Distributions Begin: \$1,408,698		
Before Tax Cumulative Distributions (age 65 - 85)	After Tax Cumulative Distributions (age 65 - 85)	Year End Plan Assets (age 85)
\$2,912,897	\$1,893,383	\$0

Inherited Roth IRA		
Current Age: 65		
Distributions Begin at Age: 65		
Values When Distributions Begin: \$14,974,465		
\$30,964,102	\$30,964,102	
Before Tax Cumulative Distributions (age 65 - 85)	After Tax Cumulative Distributions (age 65 - 85)	
		Year End Plan Assets (age 85)
		\$0

Inherited IRA vs. Inherited Roth IRA

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Comparison Analysis of Cash Flow and Plan Assets

		Plan Yield 7.00%					Beneficiary's Income Tax Bracket 35.00%					Plan Yield 7.00%				
		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	65	1,408,698	69,738	69,738	45,330	1,432,687	14,974,465	741,310	741,310	741,310	15,229,476					
2	66	1,432,687	74,619	74,619	48,502	1,453,133	15,229,476	793,202	793,202	793,202	15,446,813					
3	67	1,453,133	79,842	79,842	51,897	1,469,421	15,446,813	848,726	848,726	848,726	15,619,953					
4	68	1,469,421	85,431	85,431	55,530	1,480,870	15,619,953	908,137	908,137	908,137	15,741,643					
5	69	1,480,870	91,412	91,412	59,418	1,486,720	15,741,643	971,706	971,706	971,706	15,803,833					
6	70	1,486,720	97,811	97,811	63,577	1,486,132	15,803,833	1,039,726	1,039,726	1,039,726	15,797,594					
7	71	1,486,132	104,657	104,657	68,027	1,478,179	15,797,594	1,112,507	1,112,507	1,112,507	15,713,043					
8	72	1,478,179	111,983	111,983	72,789	1,461,829	15,713,043	1,190,382	1,190,382	1,190,382	15,539,248					
9	73	1,461,829	119,822	119,822	77,884	1,435,948	15,539,248	1,273,709	1,273,709	1,273,709	15,264,126					
10	74	1,435,948	128,210	128,210	83,337	1,399,279	15,264,126	1,362,868	1,362,868	1,362,868	14,874,347					
11	75	1,399,279	137,184	137,184	89,170	1,350,442	14,874,347	1,458,269	1,458,269	1,458,269	14,355,203					
12	76	1,350,442	146,787	146,787	95,412	1,287,911	14,355,203	1,560,348	1,560,348	1,560,348	13,690,495					
13	77	1,287,911	157,062	157,062	102,090	1,210,008	13,690,495	1,669,573	1,669,573	1,669,573	12,862,386					
14	78	1,210,008	168,057	168,057	109,237	1,114,888	12,862,386	1,786,443	1,786,443	1,786,443	11,851,259					
15	79	1,114,888	179,821	179,821	116,884	1,000,522	11,851,259	1,911,493	1,911,493	1,911,493	10,635,550					
16	80	1,000,522	192,408	192,408	125,065	864,682	10,635,550	2,045,298	2,045,298	2,045,298	9,191,570					
17	81	864,682	205,877	205,877	133,820	704,921	9,191,570	2,188,469	2,188,469	2,188,469	7,493,318					
18	82	704,921	220,288	220,288	143,187	518,557	7,493,318	2,341,662	2,341,662	2,341,662	5,512,272					
19	83	518,557	235,708	235,708	153,210	302,649	5,512,272	2,505,578	2,505,578	2,505,578	3,217,162					
20	84	302,649	252,207	252,207	163,935	53,973	3,217,162	2,680,968	2,680,968	2,680,968	573,728					
21	85	53,973	53,973	53,973	35,082	0	573,728	573,728	573,728	573,728	0					
			2,912,897	2,912,897	1,893,383		30,964,102	30,964,102	30,964,102							

**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	1,893,383	30,964,102

Inherited IRA vs. Inherited Roth IRA

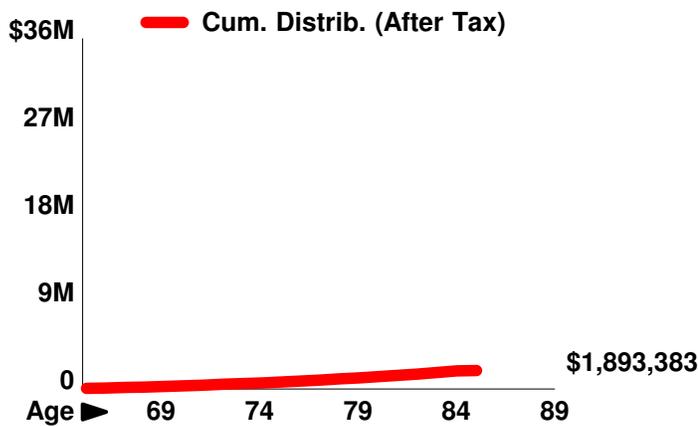
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Comparison Analysis

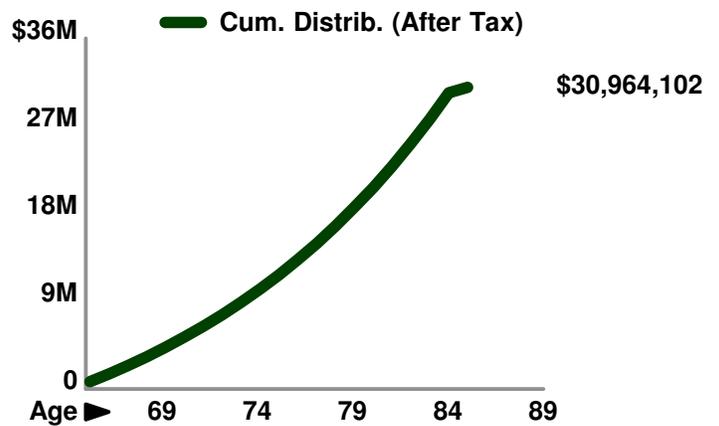
Inherited IRA

Cumulative Distributions
(After Tax)

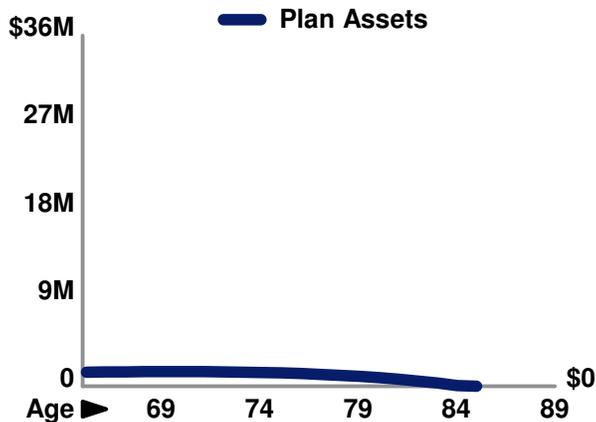


Inherited Roth IRA

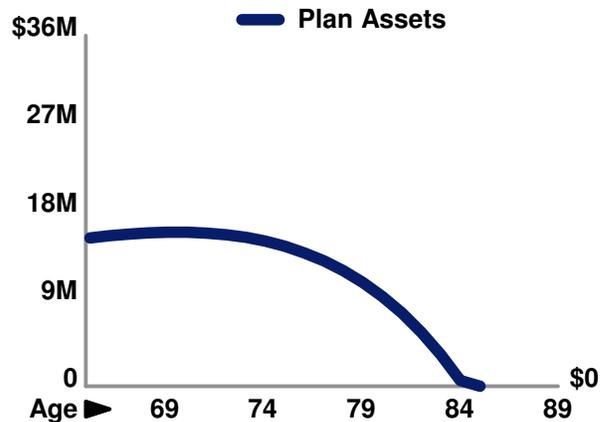
Cumulative Distributions
(After Tax)



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

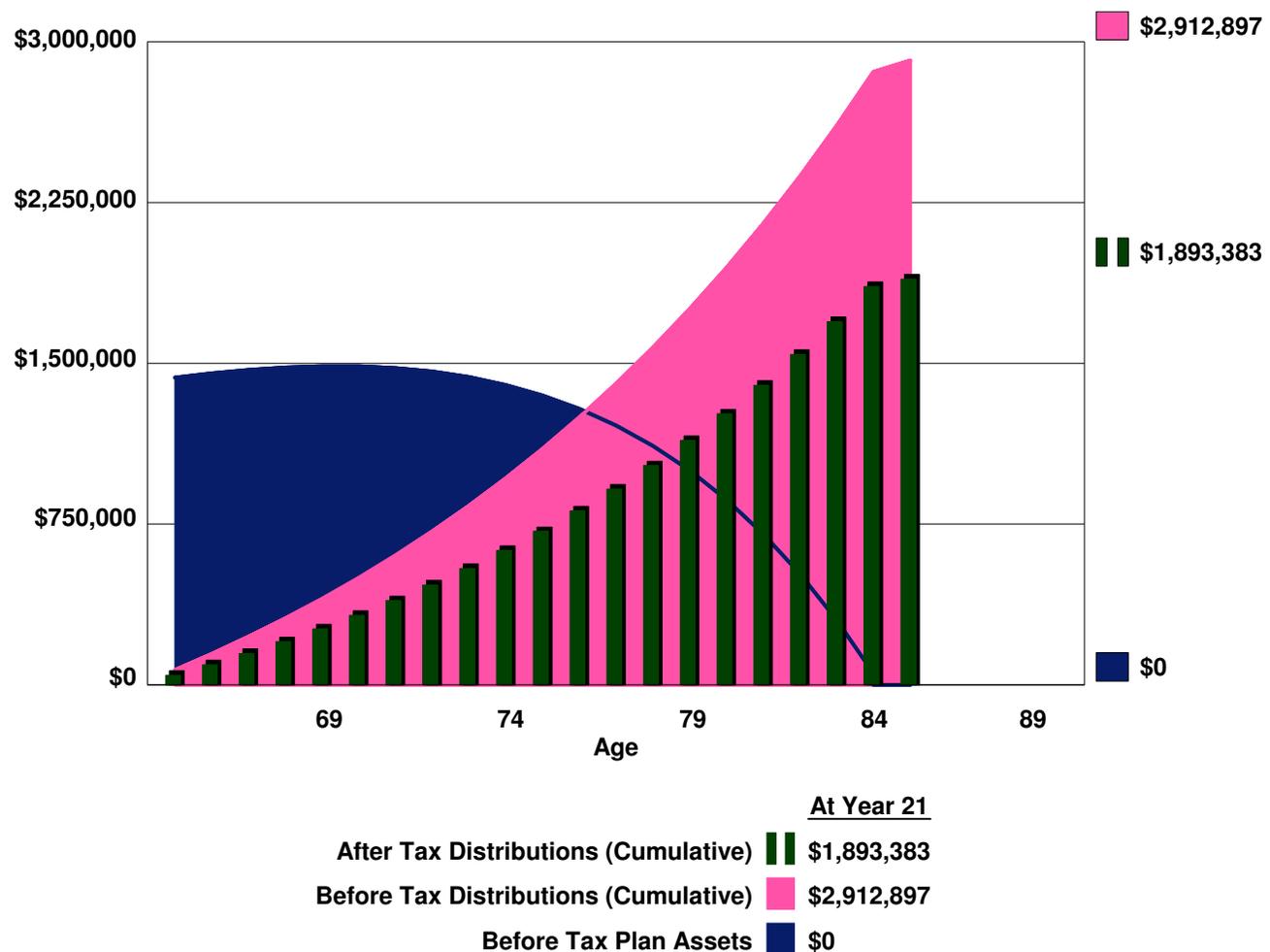
Distributions in excess of any cost basis are subject

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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Distribution

Current Value
1,408,698

Plan Yield
7.00%

Beneficiary's Income Tax Bracket
35.00%

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	1,408,698	69,738	69,738	69,738	24,408	45,330	1,432,687
2	66	1,432,687	74,619	74,619	74,619	26,117	48,502	1,453,133
3	67	1,453,133	79,842	79,842	79,842	27,945	51,897	1,469,421
4	68	1,469,421	85,431	85,431	85,431	29,901	55,530	1,480,870
5	69	1,480,870	91,412	91,412	91,412	31,994	59,418	1,486,720
6	70	1,486,720	97,811	97,811	97,811	34,234	63,577	1,486,132
7	71	1,486,132	104,657	104,657	104,657	36,630	68,027	1,478,179
8	72	1,478,179	111,983	111,983	111,983	39,194	72,789	1,461,829
9	73	1,461,829	119,822	119,822	119,822	41,938	77,884	1,435,948
10	74	1,435,948	128,210	128,210	128,210	44,874	83,337	1,399,279
11	75	1,399,279	137,184	137,184	137,184	48,014	89,170	1,350,442
12	76	1,350,442	146,787	146,787	146,787	51,375	95,412	1,287,911
13	77	1,287,911	157,062	157,062	157,062	54,972	102,090	1,210,008
14	78	1,210,008	168,057	168,057	168,057	58,820	109,237	1,114,888
15	79	1,114,888	179,821	179,821	179,821	62,937	116,884	1,000,522
16	80	1,000,522	192,408	192,408	192,408	67,343	125,065	864,682
17	81	864,682	205,877	205,877	205,877	72,057	133,820	704,921
18	82	704,921	220,288	220,288	220,288	77,101	143,187	518,557
19	83	518,557	235,708	235,708	235,708	82,498	153,210	302,649
20	84	302,649	252,207	252,207	252,207	88,272	163,935	53,973
21	85	53,973	53,973	53,973	53,973	18,890	35,082	0
			2,912,897	2,912,897	2,912,897	1,019,514	1,893,383	

Inherited IRA Plan assets were assumed inherited with a value of \$1,408,698.

*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.

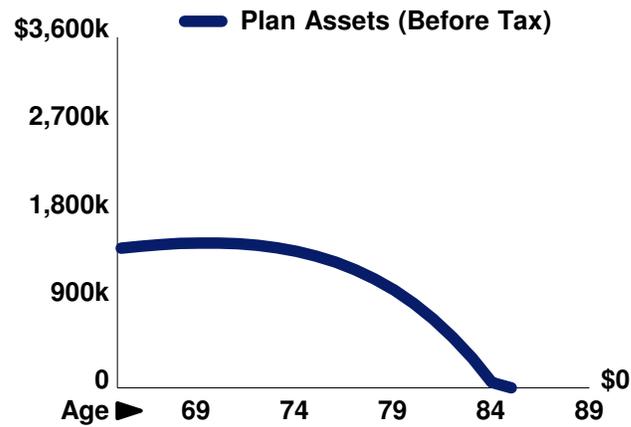
Inherited IRA

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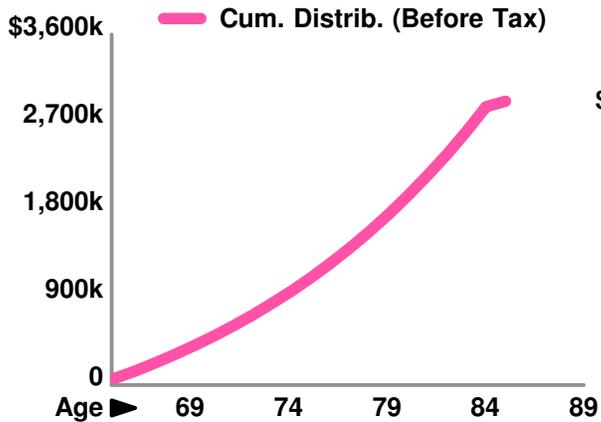
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Distribution

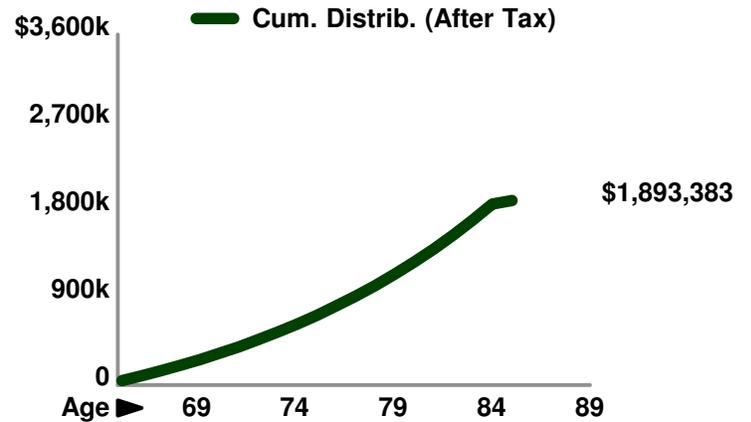
Plan Assets
(Before Tax)



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:

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

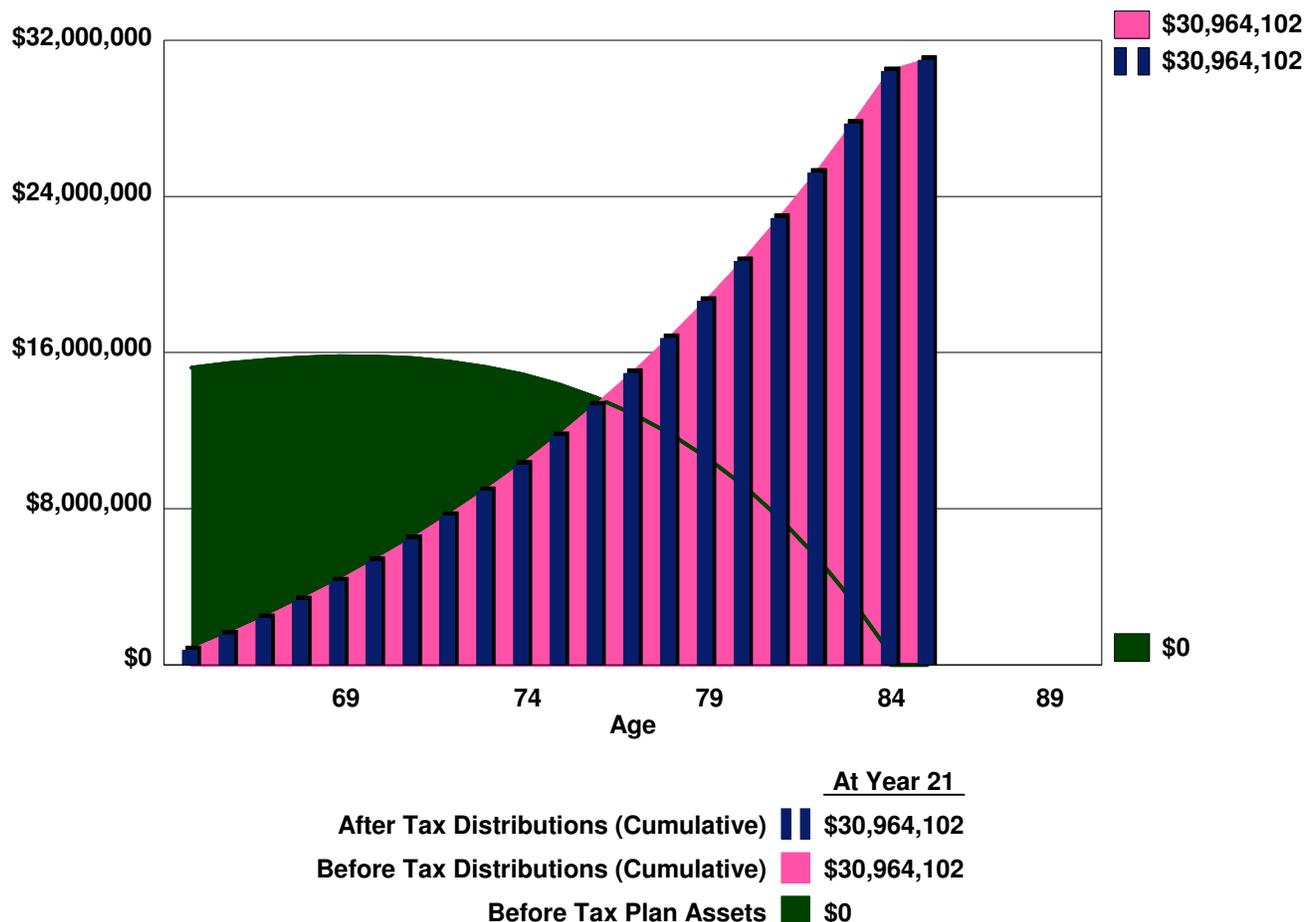
Tax Free Distributions

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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For: Erin Fuller

Distribution

Current Value
14,974,465

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	14,974,465	741,310	741,310	741,310	15,229,476
2	66	15,229,476	793,202	793,202	793,202	15,446,813
3	67	15,446,813	848,726	848,726	848,726	15,619,953
4	68	15,619,953	908,137	908,137	908,137	15,741,643
5	69	15,741,643	971,706	971,706	971,706	15,803,833
6	70	15,803,833	1,039,726	1,039,726	1,039,726	15,797,594
7	71	15,797,594	1,112,507	1,112,507	1,112,507	15,713,043
8	72	15,713,043	1,190,382	1,190,382	1,190,382	15,539,248
9	73	15,539,248	1,273,709	1,273,709	1,273,709	15,264,126
10	74	15,264,126	1,362,868	1,362,868	1,362,868	14,874,347
11	75	14,874,347	1,458,269	1,458,269	1,458,269	14,355,203
12	76	14,355,203	1,560,348	1,560,348	1,560,348	13,690,495
13	77	13,690,495	1,669,573	1,669,573	1,669,573	12,862,386
14	78	12,862,386	1,786,443	1,786,443	1,786,443	11,851,259
15	79	11,851,259	1,911,493	1,911,493	1,911,493	10,635,550
16	80	10,635,550	2,045,298	2,045,298	2,045,298	9,191,570
17	81	9,191,570	2,188,469	2,188,469	2,188,469	7,493,318
18	82	7,493,318	2,341,662	2,341,662	2,341,662	5,512,272
19	83	5,512,272	2,505,578	2,505,578	2,505,578	3,217,162
20	84	3,217,162	2,680,968	2,680,968	2,680,968	573,728
21	85	573,728	573,728	573,728	573,728	0
			30,964,102	30,964,102	30,964,102	

*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.

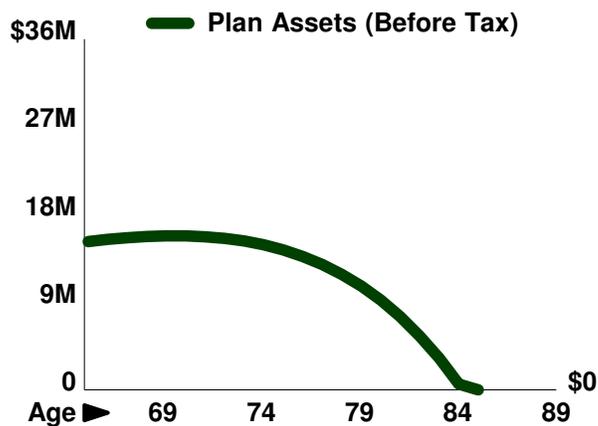
Inherited Roth IRA

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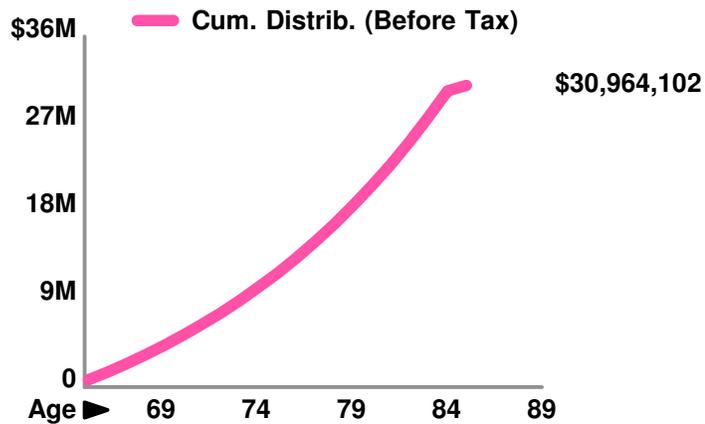
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Distribution

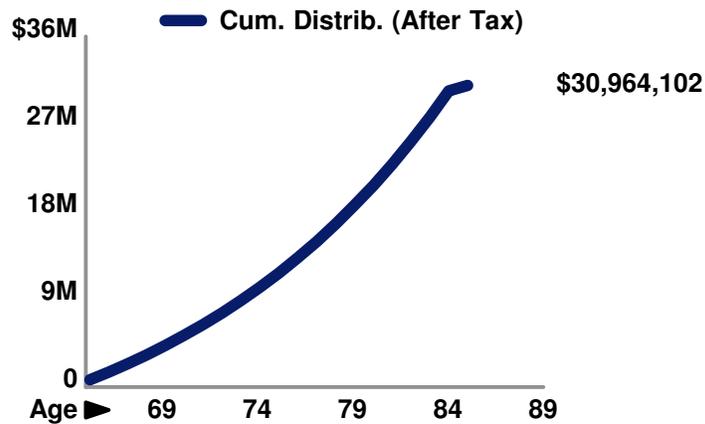
Plan Assets
(Before Tax)



Cumulative Distributions
(Before Tax)



Cumulative Distributions
(After Tax)



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