

## Plan on living a long time? You may want to read this



About 80 percent of women will be the sole decision maker for their money at some point; usually later in life. Many fear living so long that they will run out of money and have to depend on family members.

There's an insurance product to cover this risk.

Qualified Longevity Annuity Contracts (QLACs) are one of the products that offer guaranteed future income. These contracts allow money transfers from your qualified retirement accounts (IRA, 401(k), 403(b) etc.) to an insurance company that will provide an income. Since there aren't too many pension plans anymore, these products offer comfort for people who believe that they're going to live a very long time.

After the payments begin, the QLAC provides a steady income as long as you live. That may be a while for today's 70 year old gal since there's a 50% chance that she'll live to age 88.

These contracts are attractive because they can use funds from your retirement account and there won't be required minimum distributions (RMDs) on the premium amount. The premiums from retirement accounts are

limited by law to no more than \$125,000 (lifetime) and the sum must not exceed 25% of your total IRA balances.

Inherited IRA money is specifically excluded.

This contract is an illiquid investment and an irrevocable decision. Money may only be withdrawn from the annuity by receiving payments. If an IRA was used to purchase the contract, the payments received will be taxed in the year they are received.

QLAC payments can begin as early as 13 months from the purchase date of the contract but not later than age 85. If the owner of the contract dies prior to the beginning of the payments, the premium paid is transferred to the beneficiaries.

There are several choices of payout options. The single life annuity is based only the annuitant's life and offers the highest payout. Compare that to the joint annuity with a spouse, life with a cash refund and joint life with a cash refund before deciding.

The feature emphasized in the sales literature is the deferral of the RMD on the amount paid for the QLAC.

Investment performance varies based on a fixed return or the variable sub-accounts that are chosen.

Fees vary and several low-cost custodians work with insurance companies to offer QLACs. Vanguard has a webcast describing the benefits on their website and the speaker emphasizes the need for the client to do their homework before buying these products.

Talk to your trusted tax or investment advisor. This may be a way to subsidize your Social Security, but it also takes away your freedom of choice. It's an irrevocable decision and there are more flexible ways.

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