



# QLAC Client Case Study

## How can a Qualifying Longevity Annuity Contract IRA<sup>1</sup> reduce required minimum distributions?

IRS regulations allow a deferred income annuity (DIA) to be offered as a Qualifying Longevity Annuity Contract (QLAC). The **Brighthouse Guaranteed Income Builder<sup>SM</sup>** deferred income annuity can now be purchased as a QLAC IRA, allowing income payments to begin at an advanced age while avoiding payment of some required minimum distributions (RMDs) on the value of your QLAC until as late as age 85 — instead of 70½.

**Hypothetical Example. For Illustrative Purposes Only.**

### Meet Max

Age 68 and Retired

#### Some facts about Max:

- Has traditional IRAs with a value totaling \$500,000 as of 12/31 from the prior calendar year
- Has additional retirement income sources including Social Security and a pension, and would like to tap into other IRA income sources in 12 years
- Wants to ensure he has enough guaranteed lifetime income later in retirement as he expects his cost of living will increase over time
- Would prefer to avoid having to receive some of his RMDs beginning at age 70½
- Wants to delay paying taxes\* on money that isn't needed in early retirement

<sup>1</sup> An annuity in an IRA does not provide tax deferral and the annuity should not be purchased for such purpose.

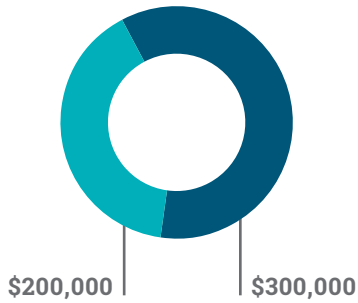
\* Any discussion of taxes is for general informational purposes only, does not purport to be complete or cover every situation, and should not be construed as legal, tax or accounting advice. You should confer with qualified legal, tax and accounting advisors as appropriate.

# Max's IRA Assets in Action:

Consider Max's current situation with traditional IRAs totaling \$500,000. The hypothetical example offers a glimpse into Max's required RMDs for a 10-year window beginning at age 70½.

## Max's Current Traditional IRA Assets

● IRA #1 ● IRA #2



### Max's RMD obligation<sup>2</sup> with his current traditional IRAs over a hypothetical 10-year period:

Age 70½: \$19,359

Age 80: \$24,493

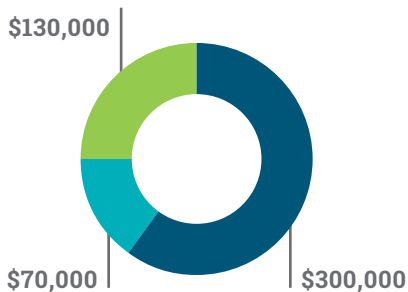
### Max's cumulative RMDs subject to taxation for this period:

\$241,610

Now, what if Max purchases a DIA, such as the Brighthouse Guaranteed Income Builder, as a QLAC IRA? Rolling over part of his \$500,000 in traditional IRAs to purchase the maximum allowable QLAC – \$130,000<sup>2</sup> – Max can avoid the payment of some RMDs under his IRAs and the obligation of the associated taxes while scheduling guaranteed lifetime income for later in retirement:

## Max's Traditional IRA Assets with a QLAC

● IRA #1 ● IRA #2 ● Guaranteed Income Builder – with QLAC



### Max's RMD obligation<sup>3</sup> with his QLAC of \$130,000 over a hypothetical 10-year period:

Age 70½: \$14,326

Age 80: \$18,125

### Max's cumulative RMDs subject to taxation for this period:

\$178,792

(+\$62,819 in RMDs deferred)

Besides Max's RMD savings, his \$130,000 purchase payment has secured him annual income as part of his Guaranteed Income Builder-QLAC contract.<sup>4</sup> If Max defers income until he's age 80, he'll have \$27,424.80<sup>5</sup> in annual income for life.

<sup>2</sup> An individual's purchase limit for QLACs is the lesser of \$130,000 (total of all QLAC purchases) and 25% of the value of all IRA assets (excluding Roth IRAs, but including IRA QLACs) as of December 31<sup>st</sup> of the prior year.

<sup>3</sup> Required Minimum Distributions based on the Uniform Lifetime table, Brighthouse Financial Federal Tax Quick Reference Guide, 2017. Assumes IRA account growth at 3% annually. Inflation and discount are not applied and all amounts are in current dollars. These examples are hypothetical and for illustrative purposes only.

<sup>4</sup> A QLAC does not make available any commutation benefit, cash surrender right, or other similar feature. Adhering to the purchase limit is your responsibility.

<sup>5</sup> Future income payments are based on the annuity purchase rate available on the day you make a purchase payment into the Guaranteed Income Builder. Guaranteed Income Builder income payments in the example were based on a single purchase payment, Lifetime Income with Cash Refund option for a male age 68 and the hypothetical annuity purchase rate developed on 1/10/18 and is not to be construed as a guarantee or estimate of amounts to be paid in the future. In MA and MT, unisex annuity purchase rates are used to determine income payments.

# Brighthouse Guaranteed Income Builder<sup>SM</sup> helps prepare for a long and comfortable retirement

If you're concerned about having enough guaranteed income in retirement and don't need a portion of IRA savings in early retirement, a strategy such as a QLAC for reducing RMDs can make sense. Contact a financial professional for more information.

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The Guaranteed Income Builder can help cover retirement income needs by providing:



## Income for Life

From the day the deferred income annuity is purchased and the income start date is chosen, you'll know exactly how much you, or you and your spouse, will receive each year as long as you live.



## Income for Living

Supplement other retirement income sources with guaranteed income that can help cover everyday expenses throughout retirement.



## Income for Changing Needs

Tailor income payments by selecting the options and innovative features that can meet changing needs.

This product is a long-term investment designed for retirement purposes. Product availability and features may vary by state or firm.

**The Brighthouse Guaranteed Income Builder<sup>SM</sup> deferred income annuity, like all annuities, is an insurance product and not insured by the FDIC, the NCUSIF or any other government agency, nor is it guaranteed by, or the obligation of, the financial institution that sells it. All contract guarantees and annuity payout rates are subject to the claims-paying ability and financial strength of the issuing insurance company. They are not backed by the broker/dealer from which this annuity is purchased, by the insurance agency from which this annuity is purchased or any affiliates of those entities and none makes any representations or guarantees regarding the claims-paying ability and financial strength of the issuing insurance company. Similarly, the issuing insurance company does not back the financial strength of the broker/dealer or any of its affiliates. In applying the information provided in this material, you should consider your other assets, income and investments – such as the equity in your home, your social security benefits, any IRAs, savings accounts, and other plans that may provide retirement income, as those other assets may not be included in this discussion, model, or estimate.**

Like most annuity contracts, Brighthouse Financial contracts contain charges, limitations, exclusions, holding periods, termination provisions and terms for keeping them in force.

Distributions of taxable amounts are subject to ordinary income tax and, if made before age 59½, may be subject to a 10% federal income tax penalty. Some broker/dealers and financial professionals may refer to the 10% federal income tax penalty as an “additional tax” or “additional income tax,” or use the terms interchangeably when discussing withdrawals taken prior to age 59½. Distributions of taxable amounts from a non-qualified annuity may also be subject to the 3.8% Unearned Income Medicare Contribution tax that is generally imposed on interest, dividends and annuity income if your modified adjusted gross income exceeds the applicable threshold amount.

**Any discussion of taxes is for general informational purposes only, does not purport to be complete or cover every situation, and should not be construed as legal, tax or accounting advice. Clients should confer with their qualified legal, tax and accounting advisors as appropriate.**

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