

# The RMD PUZZLE



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Put together  
the pieces for  
your clients

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*Annuity*

# A recurring opportunity for client contact courtesy of the tax code

## Solving for a law that triggers mandatory withdrawals at 70 ½ years old

Whether your client is ready for retirement income or not, IRS rules require that they start drawing down their savings from certain types of accounts at 70 ½ years old.

In essence, the tax deferrals that most IRAs, retirement and profit-sharing plans are afforded don't last forever<sup>1</sup>. Of course, navigating rules like these is never easy. It can be a real puzzle.

Known as required minimum distributions (RMDs), the minimum, annual payments will vary in size from person-to-person based on a number of factors<sup>2</sup>. To keep it simple, any year they end with an account balance after they turn 70 ½ years old, they'll be required to take a minimum distribution the following year. That income could be taken from:

- **An existing North American annuity or another company's annuity**
- **Some other qualified savings vehicle**

Not every client will see their obligations under required minimum distribution rules as a positive. They could still be working and face an unplanned tax obligation. Some clients might be well off enough that they don't need the income, even in retirement.

### Help clients see what fits where

You could potentially find new assets, getting your clients into a North American product. With enough notice, you could recommend an accumulation- or legacy-focused product that also can check the RMD box. Maybe your clients are already taking RMDs but don't need the income and want some place to put it. At the very least, you can show your value and help them consider the best possible use for their RMDs.

# Putting the R.M.D. in required minimum distributions

## Into word puzzles?

### Here's a different way to spell out RMD:

**R**eady yourself and your clients for the decisions to come

**M**aster the rules so you can help inform your clients about their options while being cautious not to cross the line into tax advice<sup>3</sup>

**D**etermine how best to help meet your clients' needs, based on their unique situations, using our one-of-a-kind collection of RMD concepts.



1. Because taxes may be due on these required distributions, be sure to refer your clients to their tax advisors for any tax advice.
2. See IRS.gov for the tables, worksheets and resources to calculate the amount for your client's situation.
3. Neither North American, nor any agents acting on its behalf, should be viewed as providing legal, tax or investment advice. Your client should be advised to rely on their own qualified adviser.

# Minimize RMD impact

Clients will eventually have to take RMDs, but you can help take the edge off.





Required Minimum Distributions

# Create an emergency fund

Show your client how she can meet her obligations while keeping her savings goals in sight.

Our NAC RetireChoice® fixed index annuity can help. Using the optional Income Pay Plus guaranteed lifetime withdrawal benefit (GLWB) rider (for an additional charge), you can help your client defer what's not needed in the LPA reserve.

While we're showing NAC RetireChoice in action below, this concept works similarly with the Performance Choice® fixed index annuity series.

**See how the emergency fund could grow over the years in this NAC RetireChoice 10 example:**

## The situation

Your client wants to take the income she has to take, which she'll put to immediate use, but she's more concerned about preserving as much savings as possible for unexpected expenses down the road.

## Assumptions:

- NAC RetireChoice 10 fixed index annuity with Income Pay Plus Optional GLWB Rider at 1.05% additional charge
- \$250,000 premium
- Premium bonus = 2.50%
- Single female, issue age 70
- Elect level LPA option and RMDs begin in contract year 2
- Assumes no excess withdrawals and no withdrawal prior to LPA election
- Assumes 3.00% growth to the accumulation value in all years

Contract year	Age	LPA available	RMD taken	LPA reserve after LPA
1	70	N/A	-	-
2	71	\$15,105	\$ 9,855	\$5,250
3	72	\$15,105	\$10,006	\$10,349
4	73	\$15,105	\$10,161	\$15,293
5	74	\$15,105	\$10,318	\$20,080
6	75	\$15,105	\$10,478	\$24,708
7	76	\$15,105	\$10,640	\$29,173
8	77	\$15,105	\$10,754	\$33,524
9	78	\$15,105	\$10,921	\$37,708
10	79	\$15,105	\$11,033	\$41,780
11	80	\$15,105	\$11,143	\$45,742

*Hypothetical example is for education purposes only. The use of alternate assumptions could produce significantly different results. This is one example of the features and options of the annuity product. LPA Reserve is subject to the LPA Reserve Maximum. Please see product brochure and disclosure for further details and limitations.*

Client only takes her RMD amount and puts the remainder in the LPA reserve, which is available as a lump sum should an unexpected expense arise.

# Don't let RMDs tarnish a legacy

Help your clients see the legacy benefits of using an annuity to meet their RMDs.

With NAC BenefitSolutions® fixed index annuity, you can offer them a combination that addresses their RMD obligations while potentially growing their nest eggs to maximize what's left to the next generation.

While the example shows only guaranteed growth, the accumulation value in NAC BenefitSolutions could grow at a different rate based on interest credits to the fixed and indexed accounts.

## The situation

Your client has no interest in taking RMDs. That money was supposed to be for her grandkids. But since she has no choice, you want to help her preserve as much of her legacy as possible.

## Assumptions:

- NAC BenefitSolutions 10
- \$250,000 premium
- Rider charge = 1.20%
- Single female, issue age 70
- RMDs begin in contract year 2
- Assumes no withdrawals in excess of the RMDs
- Guaranteed scenario assumes no growth to accumulation value in all years

Contract year 11	Guaranteed (Beginning in contract year 11)
Cumulative RMD withdrawals	\$77,010
Remaining benefit base	\$266,734
Rider death benefit <sup>4</sup> (five equal annual payments)	\$53,346 x5

The benefit base will be reduced for any withdrawals taken either before or after lifetime payment amounts begin. If any withdrawals including RMDs are taken, the benefit base will be reduced by the same percentage withdrawn from the accumulation value. Rider death benefit is remaining benefit base, adjusted for any withdrawals, paid as five equal payments.

Hypothetical example is for education purposes only. The use of alternate assumptions could produce significantly different results. This is one example of the features and options of the annuity product. Please see product brochure and disclosure for further details and limitations.

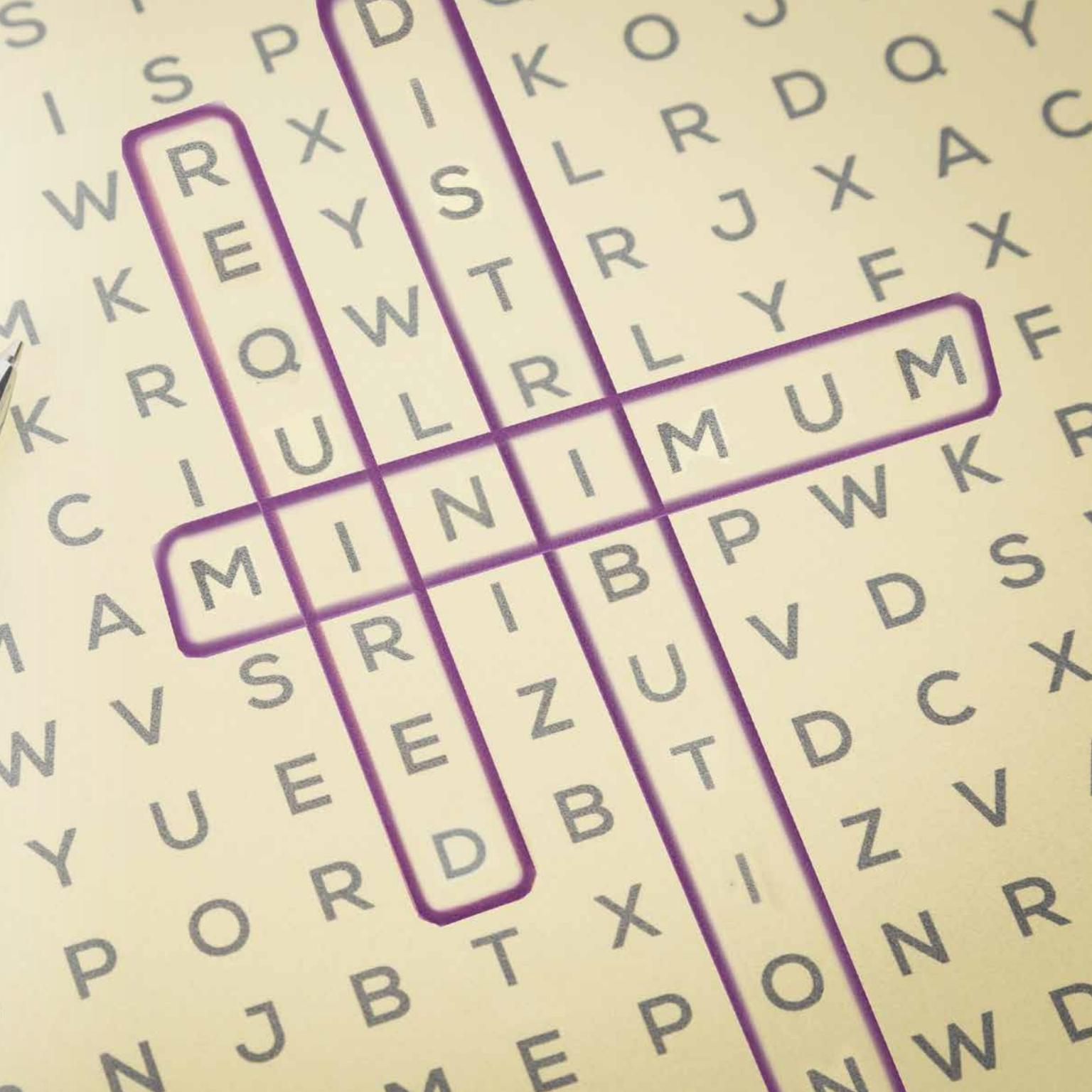
<sup>4</sup> This amount is only applied to the Benefit Base, which is a value used only for determining Lifetime Payment Amounts (LPA) and/or the rider death benefit features. Benefit Base is not the same as the Contract Accumulation Value and may not be used for partial withdrawals, full surrender or as the base contract death benefit.



# Make the most of RMDs

For clients in need  
of income, required  
*minimum* distributions  
may not be enough.





# Generate income beyond their RMDs

If your clients are looking forward to taking their RMDs, what better way to meet the obligations than with our highest potential income product?

NAC IncomeChoice® fixed index annuity with its built-in income rider (no additional charge) could be a perfect fit.<sup>5</sup> Once income is turned on, it couldn't be simpler. Your clients can set their guaranteed lifetime income (level or increasing) and go about living the retirement they planned.

## The situation

Your clients were planning to be drawing income at 70 ½ anyway, and you know they'll need every bit of it to maintain their lifestyle in retirement.

## Assumptions:

- Age 60
- NAC IncomeChoice 10 fixed index annuity
- Annual interest credit 3%

## What NAC IncomeChoice has to offer:



Our highest lifetime income potential



Their choice of a wide variety of index account options



No additional rider charge

**Follow the  
path your  
clients could  
take**

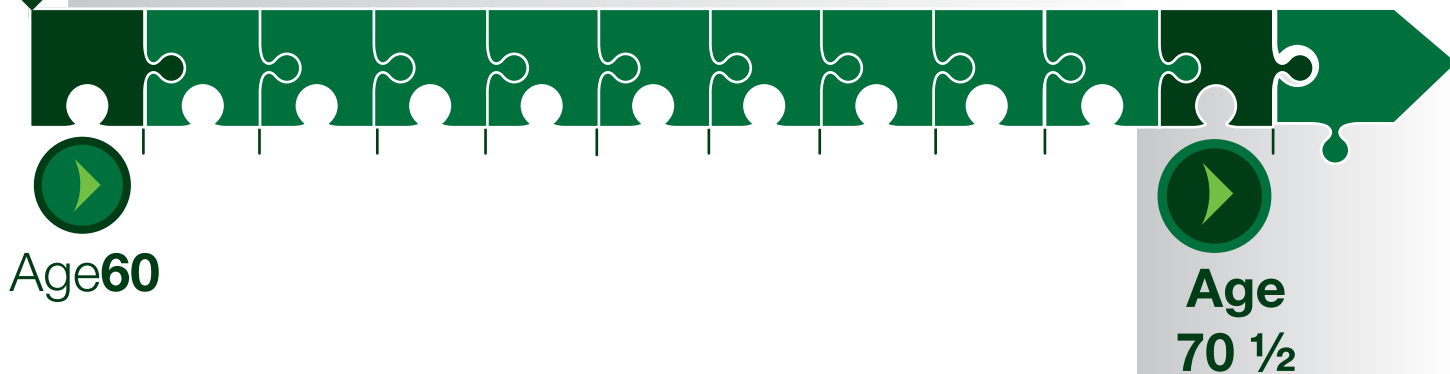
<sup>5</sup> While certain included features may have no explicit cost, a product with a built-in GLWB feature may offer lower credited interest rates, lower Index Cap Rates, lower Participation Rates and/or greater Index Margins than products that don't have these built-in features.

# Benefit by planning ahead

**In our example you can enjoy a decade of NAC IncomeChoice benefits. All the pieces can fit:**

- 5% guaranteed lifetime withdrawal benefit (GLWB) bonus<sup>5</sup>
- 2% guaranteed roll-up plus the stacking power of 150% of the dollar amount of interest credited
- No additional rider charge<sup>5</sup>
- Assumes no withdrawals prior to LPA election

**Buy an annuity**



<sup>5</sup> While certain included features may have no explicit cost, a product with a built-in GLWB feature may offer lower credited interest rates, lower Index Cap Rates, lower Participation Rates and/or greater Index Margins than products that don't have these built-in features.

<sup>6</sup> Products that have bonuses may offer lower credited interest rates, lower index cap rates, lower participation rates, and or greater index margins than products that don't offer a bonus. Over time and under certain scenarios the amount of the bonus may be offset by the lower credited interest rates, lower index cap rates, lower participation rates and/or greater index margins.

Start lifetime payment amounts (LPAs), while also satisfying RMD obligations.

# Redirect RMDs into new annuities tailored to meet your clients' evolving needs

RMDs may exceed the withdrawal amount your clients are comfortable taking. While RMDs are subject to taxes, nothing requires them to spend the money.

If it's not needed, encourage them to consider redirecting the funds into a new non-qualified annuity that will continue to grow tax-deferred until they need the income, if ever. Depending on the age of your client and the size of his nest egg, RMD amounts can vary quite a bit. This concept applies to clients with an RMD of at least \$10,000.

## For RMDs \$10,000 to \$19,999

### Fixed index annuity

Performance Choice is a flexible-premium product, and its Plus versions even offers a premium bonus<sup>7</sup> to your clients – a potential immediate boost to the account value.

### Multi-year guarantee annuity

North American Guarantee Choice II is a simpler product that offers premium protection and guaranteed growth for anywhere from three to 10 years, depending on the state of issue and your client's preference.

Product	Performance Choice fixed index annuity series	North American Guarantee Choice® II multi-year guarantee annuity series
Minimum premium	\$10,000	

## The situation

Your client is currently taking RMDs to satisfy obligations under the law, but he doesn't need the income, and he'd just as soon see it put back into another product to continue to work for him.

## For RMDs \$20,000 and up

For clients with more retirement savings, and thereby larger RMDs, they'd have access to North American Charter Plus. It comes with a premium bonus<sup>7</sup> for all premiums received in the first seven contract years – potentially helping ease the tax hit of the RMDs. For amounts over \$75,000, that bonus will be a little larger.

*May be subject to premium bonus recapture.*

### North American Charter® Plus fixed index annuity series

\$20,000

<sup>7</sup> Premium bonus may vary by annuity product, premium band and surrender charge period selected and may be subject to a premium bonus recapture. Products that have premium bonuses may offer lower credited interest rates, lower Index Cap Rates, lower Participation Rates and/or greater Index Margins than products that don't offer a premium bonus. Over time and under certain scenarios the amount of the premium bonus may be offset by the lower credited interest rates, lower Index Cap Rates, lower Participation Rates and/or greater Index Margins. Premium Bonus Recapture may vary by state. Please see product disclosure and brochure for further details. The premium bonus is not recaptured in the event of death of the Annuitant. No premium bonus recapture will occur on any penalty-free withdrawal amount, Required Minimum Distributions (by current Company practice) or under the Nursing Home Confinement Waiver or on any Rider Charge.



Fixed Index Annuities are not a direct investment in the stock market. They are long term insurance products with guarantees backed by the issuing company. They provide the potential for interest to be credited based in part on the performance of specific indices, without the risk of loss of premium due to market downturns or fluctuation. Although Fixed Index Annuities guarantee no loss of premium due to market downturns, deductions from the Accumulation Value for additional optional benefit riders could under certain scenarios exceed interest credited to the Accumulation Value, which would result in loss of premium. They may not be appropriate for all clients.

These products are issued by North American Company for Life and Health Insurance®, West Des Moines, IA. Product features, riders and index options may not be available in all states. See product brochures, disclosures and state availability chart for further details, limitations and information on appropriate state variations.

The NAC BenefitSolutions® is issued on form AC/NA/NC1006A (contract/certificate).

The NAC IncomeChoice® series is issued on form ICC16-NA1009A/NC/NA1004A (certificate/contract).

The North American Charter® Plus is issued on form NC/NA1007A/ICC16-NA1007A.MVA (certificate/contract).

The NAC RetireChoice® is issued on form LC/LS160A (certificate/contract).

The Performance Choice® is issued on form LC/LS160A (certificate/contract).

The North American Guarantee Choice® II is issued on form NC/NA1000A/ICC15-NA1002A (certificate/contract).

The Income Pay® Plus is an optional guaranteed lifetime withdrawal benefit (GLWB) rider available for an additional charge at the time of application on certain fixed index annuities on form AE575A/ICC15-AE575A (rider) and SP575B /ICC15-SP575S (spec page).

Withdrawals taken prior to age 59½ may be subject to IRS penalties.





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Call the Sales Support team to discuss any  
of these concepts, a case you're working  
on or any other product details.

**866.322.7066**