ED SLOTT'S IRA ADVISOR

March 2012

TAX & ESTATE PLANNING FOR YOUR RETIREMENT SAVINGS

QLACs – Proposed IRA Tax Rules on Qualified Longevity Annuity Contracts

IRS Releases New Proposed Regulations to Create Qualified Longevity Annuity Contracts

REG–115809–11, Released February 3, 2012

On February 3, 2012, IRS released proposed regulations regarding the establishment of "qualified longevity annuity contracts" (QLACs). The new QLAC rules will allow retirement account owners to purchase certain annuity contracts with a portion of their retirement assets that will be able to be excluded from their required minimum distribution (RMD) calculations. Annuity payments, the ***ONLY*** distribution option available from QLACs, will be required to begin by the owner's 85th birthday. The primary purpose behind the creation of QLACs is to help taxpayers in hedging their longevity risk by making it easier for them to purchase certain annuities with their retirement accounts.

*QLACs do **NOT** currently exist and the rules and guidelines discussed in this article are subject to change in the final version of the regulations.*

Longevity Annuities and RMDs… What's the Problem?

Perhaps the biggest obstacle to owning annuities that begin making payments at an advanced age, such as 80 or 85, within IRAs and other retirement accounts has been the required minimum distribution rules. The rules currently require that unless an annuity held within an IRA or other retirement account has already been annuitized, its fair market value must be included in the prior year's December 31st value when calculating RMDs.

WHAT'S INSIDE?