

72(t) EARLY DISTRIBUTION ANALYSIS

Prepared for: Test
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INTRODUCTION

The 72(t) Early Distribution Illustration helps you explore your options for taking IRA distributions before you reach 59½ without incurring the IRS 10% early distribution penalty. Internal Revenue Code (IRC) Section 72(t)(2)(A)(iv) defines these distributions as "Substantially Equal Periodic Payments". The IRS has approved three ways to calculate your distribution amount: annuitization, amortization and required minimum distribution.

You may choose any of the three methods on which to base your distribution amount. To avoid the 10% penalty once you begin distributions, you must continue to take the required distribution using the same method, at least annually, for the longer of five years, or until age 59½. Once distributions begin, if the series of payments is modified in any way, the 10% early distribution penalty will be imposed retroactively beginning with the first year of distribution. Exception: The five-year rule is waived upon death or disability of the IRA owner. It is also waived for IRA owners who make a one-time change from the amortization or annuitization methods to the required minimum distribution method.

For purposes of this analysis, the distribution amounts are shown as annual figures. However, you may choose to make withdrawals monthly, quarterly or semi-annually.

ANALYSIS

		Distribution Methods		
Rate Table Used	Factor	Amortization (1)	Annuitization (1)	RMD (2)
Single Life	36.20	\$18,234	n/a	\$8,287
Joint Life	41.40	\$17,440	n/a	\$7,246
Uniform Life	48.50	\$16,704	n/a	\$6,186
Mortality Table	16.74	n/a	\$17,922	n/a
Maximum Initial Distribution		\$18,234	\$17,922	\$8,287

(1) Both the Amortization and Annuitization distribution amounts remain level from year to year.

(2) The Required Minimum Distribution is recalculated annually, increasing the required distribution amount.

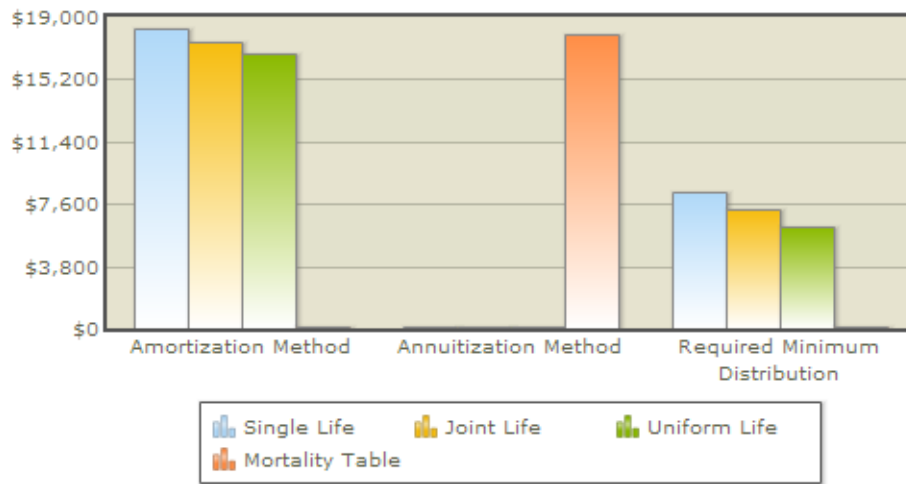
SUMMARY OF INPUT

Account balance	\$300,000	Client's age	50
Beneficiary's age	52	Is the beneficiary your spouse?	Yes
Before-tax hypothetical rate of return on investment	6.00%	Reasonable distribution interest rate	5.06%

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72(t) Early Distribution Alternatives



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