W&S Financial Group Distributors
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Inheriting a Nonqualified Deferred Annuity? Consider Your Course of Action

As a non-spousal beneficiary of a nonqualified (NQ) deferred annuity, you may have several payout options. These options will generally be explained in a letter from the insurance company that issued the annuity.

Payout Options: Consider the Pros and Cons

Consider some of the advantages and disadvantages of these common payout options:

Payout Option	Advantages	Disadvantages
Lump Sum	Immediate access to cash	All gain includable in income in one year; no continued growth or tax deferral
5-Year Deferral	Ability to spread any tax over five years; may access cash as needed	All gain must be includable in income within the five-year deferral period
Annuitization	Each payments is part gain and part return of basis; may elect guaranteed lifetime income	Lack of flexibility and liquidity
NQ Stretch	Allows most flexibility; can stretch payments and taxes over lifetime but can take more as needed[1]	Treatment of each payment as part gain and part return of basis cannot be assumed

What's a Nonqualified Annuity?

A nonqualified annuity is one that was funded with after-tax dollars. The owner paid taxes on the money before it went into the annuity. When you as the beneficiary now take money out, only the annuity's earnings are taxable as ordinary income.

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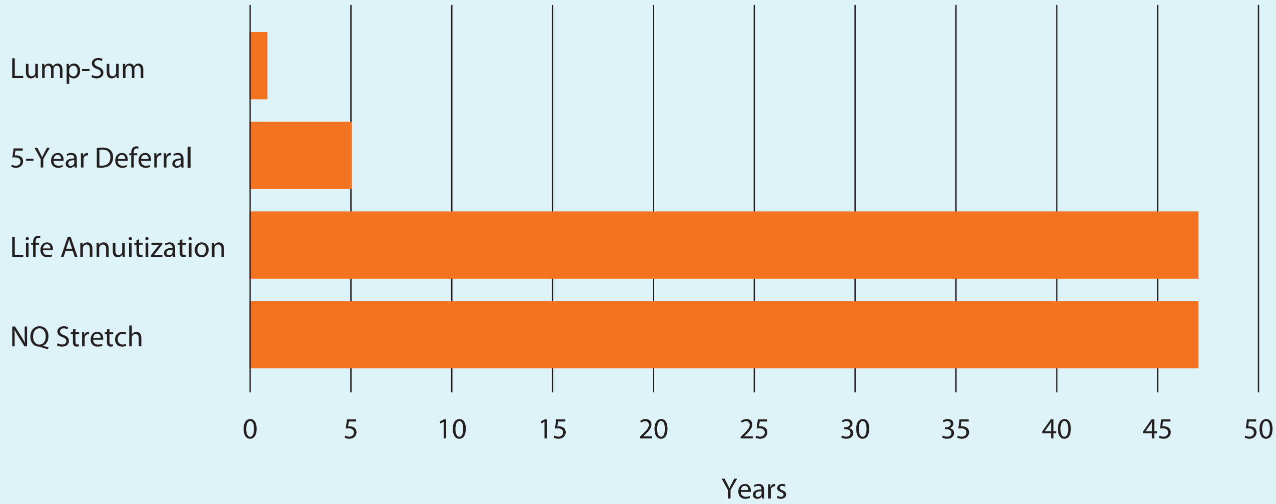
Issuers: Integrity Life Insurance Company | National Integrity Life Insurance Company | Western-Southern Life Assurance Company

Tax Treatment: Consider the Difference

Two Forces: Time and Tax-Deferral

Death Benefit Options: Potential Tax-Deferral Durations



When it comes to tax deferral, time can be a force multiplier. Consider, for example, the options available to a 39-year-old beneficiary. Life annuitization and NQ stretch options both could potentially spread out income – and taxes – over such a beneficiary's life expectancy of 46.7 years.[2] Note, however, that the NQ stretch option offers greater flexibility than annuitization. Non-spouse beneficiaries not only can stretch over their lifetime, but they also can take more income as needed.

Next Step: Consider Your Needs and Options

No one payout method is best in all cases. A person's particular tax situation and financial needs must be considered, and the death benefit payout options compared, before taking action. Any final decision may depend on the amount of gain in the contract. Generally, annuity contract values grow tax-deferred. Any amounts received in excess of the premiums paid must be included in gross income. The NQ stretch option allows the annuity proceeds to continue to grow tax deferred until received, which can extend over many years. Over that time, only minimum distributions and thus minimum taxes are required.

For more information, visit WSFinancialPartners.com or contact your financial professional.

1 Taking more than the required amount will result in less tax-efficient distributions.
2 Table 1 (Single Life Expectancy; For Use by Beneficiaries); https://www.irs.gov/publications/p590b#en_US_2019_publink1000231236; accessed 3/29/24.

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