

THE KUGLER SYSTEM

RETIREMENT PLANNING TECHNIQUE BOOK

TABLE OF CONTENTS

Disclosure Page	
Introduction.....	Intro-1
Dual Use of Technique Book / Assumptions Used in Text.....	Intro-3
Review of Important Concepts.....	Intro-4
Chapter I: The Advantages of Tax Sheltered Assets.....	1
Tax Deductible IRA vs. After-Tax Savings for Retirement (Example 1).....	2
Tax Deductible IRA vs. Non-Deductible Tax Deferred Annuity (Example 2).....	4
Tax Deductible IRA with After-Tax Investment of IRA Tax Savings (Example 3).....	6
Tax Deductible IRA vs. Non-Deductible Roth IRA (Example 4).....	8
The Roth IRA vs. a Tax Deductible IRA and Supplemental Investment of Tax Savings (Example 5).....	10
The Roth IRA versus a Tax Deductible IRA with Benefits Payable via the Uniform Distribution Table (Example 6).....	12
The Advantages of Starting Retirement Contributions Early (Example 7).....	14
The Roth Advantage of No Required Lifetime Distributions (Example 8).....	16
Participating in Both a Qualified Retirement Plan and a Roth IRA (Example 9).....	18
The Cumulative Results of Maximum Contributions to Several Retirement Plans (Example 10).....	20
Additional Individual Contributions at Age 50 (Example 11).....	22
Credit for Low and Middle Income Taxpayers for Contributions to Qualified Retirement Plans and IRAs (Example 12).....	24
Chapter II: Distributions from a Qualified Plan or Individual Retirement Account Prior to Age 59½.....	27
Review of General Distribution Concepts.....	28
Options Upon Separation From Employment (Example 13).....	30

TABLE OF CONTENTS

Page 2

Separation from Employment and the Potential 20% Mandatory Withholding Requirement (Example 14)	32
In-service Distributions (Example 15).....	34
Loans from Qualified Plans – Deemed Distributions (Example 16).....	36
Excess 401(k) Contributions and Deferrals (Example 17).....	38
Structuring Pre Age 59½ Withdrawals Under IRC Section 72(t) and IRS Notice 89-25 (Example 18)	40
Systematic Withdrawals From an IRA Prior to Age 59½ (Example 19).....	42
The Advantages of Splitting Your IRA and Taking Systematic Withdrawals Prior to Age 59½ (Example 20)	44
The Difference Between Distributions From a Profit Sharing Plan and an IRA for the 10% Penalty Prior to Age 59½ (Example 21).....	46
Taking Distributions Prior to 59½ and a Subsequent Desire to Terminate Distributions (Example 22)	48
Distributions Prior to 59½ and a Subsequent Desire to Increase Distributions (Example 23)	50
Change of Distribution Prior to 59½ Due to Divorce – Qualified Domestic Relations Orders (QDRO’s) (Example 24)	52
Termination of Employment During a Year in Which Account Values Have Either Substantially Increased or Decreased in a Non-Self Directed Defined Contribution Plan (Example 25)	54
Chapter III: Distributions on or after attaining age 59½ or at Early Retirement	57
Severance of Employment after age 55 and Subsequent Withdrawals From the Qualified Plan (Example 26)	58
Distributions Between Age 59½ and 70½ (Example 27).....	60
Electing Special Ten Year Averaging or Rollover to an Individual Retirement Account (Example 28).....	62
Voluntary Contributions – Cost Basis (Example 29)	64
Transfer From One IRA to Another – Rules and Restrictions (Example 30).....	66
Distributions From Tax Sheltered Annuities (403(b) Plans) Before Age 70½ (Example 31).....	68

TABLE OF CONTENTS

Page 3

Chapter IV: Distribution Options at Normal Retirement Age From a Qualified Plan.....	71
Selecting a Lump Sum or Annuity Option (Example 32).....	72
Distributions in a Defined Benefit Plan Where a Lump Sum is not Available (Example 33).....	74
Forgoing the Joint and Survivor Annuity from Your Qualified Plan when the Non-Participant Spouse is in Poor Health (Example 34).....	76
Structuring the Retirement Assets to Provide for Children of the Married Plan Participant (Example 35).....	78
Options for a Plan Participant with Creditor Problems (Example 36)	80
Chapter V: Required Beginning Date and Distribution Options	83
Introduction.....	84
Required Beginning Date (RBD) (Example 37).....	86
Minimum Required Distributions (MRDs) (Example 38)	88
Required Beginning Date – Taking Distribution At Age 70½ Rather Than Deferring Until April 1 st of the Following Year (Example 39).....	90
Required Beginning Date – No Distribution at Age 70½ - Two Distributions the Following Year (Example 40).....	92
Minimum Required Lifetime Distributions at Age 70½ (Example 41).....	94
Minimum Required Lifetime Distributions at Age 70½ with Younger Spouse as Sole Beneficiary (Example 42).....	96
Minimum Required Lifetime Distributions at Age 70½ with Non-Spouse Beneficiary (Example 43).....	98
Distributions at Age 70½ From A Qualified Plan and Several Individual Retirement Accounts (Example 44)	100
Required Beginning Date for Plan Participant with a 242(b) Election (Example 45)	102
Failure to Commence Distributions at the Required Beginning Date (Example 46).....	104
Doing A Spousal IRA Rollover Years After the Death of the IRA Owner (Example 47).....	106

TABLE OF CONTENTS

Page 4

Post Death IRA Rollovers by Subsequent Surviving Spouse (Example 48).....	108
Establishing a Qualified Plan For An Individual Over 70½ (Example 49).....	110
Chapter VI: Designated Beneficiary	113
What is the Significance of a Designated Beneficiary?	114
Waiver of Spousal Rights to Qualified Retirement Benefits (Example 50).....	116
Designated Beneficiary at the Required Beginning Date (Example 51).....	118
Changing Beneficiaries after the Required Beginning Date (Example 52).....	120
Flexibility with Designating Different Distributions for Different Accounts (Example 53)	122
Chapter VII: Death with Assets Remaining in Qualified Retirement Plans or IRA's Payable to Individuals.....	125
Death Before the Required Beginning Date (RBD) with Younger Spouse as Beneficiary (Example 54).....	126
Death of IRA Owner with Pre Age 59½ Spouse as Beneficiary (Example 55).....	128
Death Before the Required Beginning Date (RBD) with Older Spouse as Beneficiary (Example 56).....	130
Death After the Required Beginning Date (RBD) with Spouse as Beneficiary (Example 57)	132
Death After the Required Beginning Date (RBD) with Younger Spouse as Beneficiary (Example 58).....	134
The Use and Advantage of the Uniform Distribution Period Table to the Surviving Spouse and Heir (Example 59)	136
Death of IRA Owner with Non-Spouse Designated Beneficiary (Example 60)	138
Death After the Required Beginning Date with Older Non-Spouse Designated Beneficiary (Example 61)	140
Death Before the Required Beginning Date with Multiple Designated Beneficiaries - <u>Distribute</u> (Example 62).....	142

TABLE OF CONTENTS

Page 5

Death After the Required Beginning Date with Multiple Designated Beneficiaries - <u>Divide</u> (Example 63)	144
Post Death Distribution Planning by Designated Beneficiary – Distribute, Disclaim and/or Divide (Example 64)	146
Death Before the Required Beginning Date with No Qualifying Designated Beneficiary (Example 65)	148
Death After the Required Beginning Date with No Qualifying Designated Beneficiary (Example 66)	150
Chapter VIII: Estate Planning With Pension Assets – Death With Assets Payable to Trusts	153
Introduction.....	154
Benefits Payable to a Surviving Spouse Via a Traditional QTIP Trust (Example 67)	156
Benefits Payable to Surviving Spouse Via a Conduit QTIP Trust (Example 68).....	158
The Conduit IRA QTIP Trust vs. a Traditional IRA QTIP Trust (Example 69).....	160
The Use and Advantage of a Spouse Redetermined Life Expectancy (Example 70).....	162
The Significance of How Benefits are Payable to a Surviving Spouse (Example 71).....	164
How Benefits are Payable to the Surviving Spouse Determines the Duration of the Subsequent Payout to the Non-Spousal Beneficiary (Example 72).....	166
Using a Qualified Retirement Plan to Fund a Qualified Domestic Trust (QDOT) (Example 73).....	168
Benefits Payable to a Surviving Spouse Via A Disclaimer (Credit Shelter) Trust (Example 74)	170
Benefits Payable to a Credit Shelter Trust for the Surviving Spouse and Children (Example 75).....	172
The Conduit IRA Bypass Trust vs. a Traditional IRA Bypass Trust (Example 76).....	174
Benefits Payable to Non-Spouse Beneficiaries (Credit Shelter or Other Trusts) (Example 77).....	176
Benefits Payable to Grandchildren Trusts Utilizing the Maximum Generation Skipping Transfer (GST) Tax Exemption (Example 78)	178
Paying Estate Taxes on Qualified Retirement Plans and IRAs (Example 79).....	180
Life Insurance to Pay Estate Tax on the Qualified Plan Death Benefit (Example 80).....	182

TABLE OF CONTENTS

Page 6

Funding your Pecuniary (Dollar Amounts) Bequests with your IRA or Qualified Plan (Example 81)	184
Should I Fund my Credit Shelter Trust with a Roth IRA or a Traditional IRA? (Example 82)	186
Death Bed Planning via IRA Conversion to a Roth IRA (Example 83)	188
The Advantage of Using Qualified Plan Assets or IRAs to Fund Charitable Bequests (Example 84).....	190
Testamentary Charitable Remainder Trust (Funded with Qualified Retirement Proceeds) (Example 85).....	192
Obtaining an Income Tax Deduction for the Estate Tax When an IRA is Paid to a CRAT for the Benefit of a Non-Spouse Beneficiary (Example 86)	194
Chapter IX: Stretch Out or Elongated Payments	197
Elongated Distribution Planning Techniques (Example 87).....	198
Analysis Of Stretch Out IRAs Under Different Spousal Beneficiary Options (Death After RBD) (Example 88)	200
Analysis Of Stretch Out IRAs Under Different Spousal Beneficiary Options (Death Before RBD) (Example 89).....	206
Chapter X: Conversion to a Roth IRA.....	213
Conversion to a Roth IRA Using the IRA Assets to Pay the Tax (Example 90)	214
Conversion to a Roth IRA at a Younger Age (Example 91)	216
Re-Characterization From an IRA to a Roth IRA and Back to an IRA Again (Example 92).....	218
Chapter XI: Life Insurance as Part of a Qualified Retirement Plan.....	221
Life Insurance in a Defined Contribution Plan (Example 93).....	222
Tax Aspects of Life Insurance in a Defined Contribution Plan (Example 94).....	224
Life Insurance in a Defined Benefit Pension Plan (Example 95).....	226
Distribution Options with a Life Insurance Policy as Part of your Qualified Retirement Plan (Example 96).....	228
Utilizing a Qualified Retirement Plan to Enhance your Estate Distribution (Example 97)	230

TABLE OF CONTENTS

Page 7

The Purchase of Survivorship Life Insurance in a Qualified Profit Sharing Plan for Subsequent Transfer to an Irrevocable Life Insurance Trust (Example 98).....	232
IRA Rollover To A Qualified Retirement Plan and Subsequent Purchase of Survivorship Life Insurance (Example 99)	234
Using a Qualified Retirement Plan or IRA Death Proceeds to Fund a Charitable Remainder Trust with a Wealth Replacement Option (Example 100)	236
Using Life Insurance as a Wealth Replacement Option for a Gift at Death of Qualified Plan or IRA Owner (Example 101)	238
Section 412(i) Defined Benefit Plan (Example 102)	240
Chapter XII: Miscellaneous Concepts	243
Locate and Read IRA Documents and Beneficiary Designation Forms (Example 103)	244
Distribution of Employer Securities (Example 104)	246
Pledging, Assigning or Alienating Qualified Retirement Plan Assets (Example 105)	248
Pledging, Assigning or Alienating Qualified Retirement Plan Benefits for a Qualified Domestic Relations Order (QDRO) (Example 106)	250
Excess Nonqualified Deferred Compensation Programs (Example 107)	252
Appendices	255
Introduction.....	256
A. Lifetime Minimum Required Distributions – Uniform Table	257
B. Joint Life Expectancy Table - Used when surviving spouse is sole beneficiary and more than ten years younger.....	258
C. Single Life Expectancy Table – IRS Regulation 1.72-9 Table V.....	259
D. Equal Periodic Payments Under Code Section 72(t).....	261
E. Defined Benefit Distribution Table	262
F. Ten Year Averaging Table	263
G. Typical Beneficiary Mistakes.....	264
H. Considerations Regarding Conversions to a Roth IRA.....	266