

# Inherited IRA vs. Inherited Roth IRA

Presented By: [Licensed user's name appears here]

For: Tommy Barker

## Preface

### Parents

The two advantages of parents utilizing a Roth IRA instead of an IRA are 1) tax free distributions from plan values and 2) the absence of government-directed required minimum distributions. There is one tax disadvantage -- contributions to a Roth are not deductible. If an IRA is currently in force, it can be converted to a Roth, but only with payment of income taxes on the converted amount, a condition that causes some to avoid such conversions.

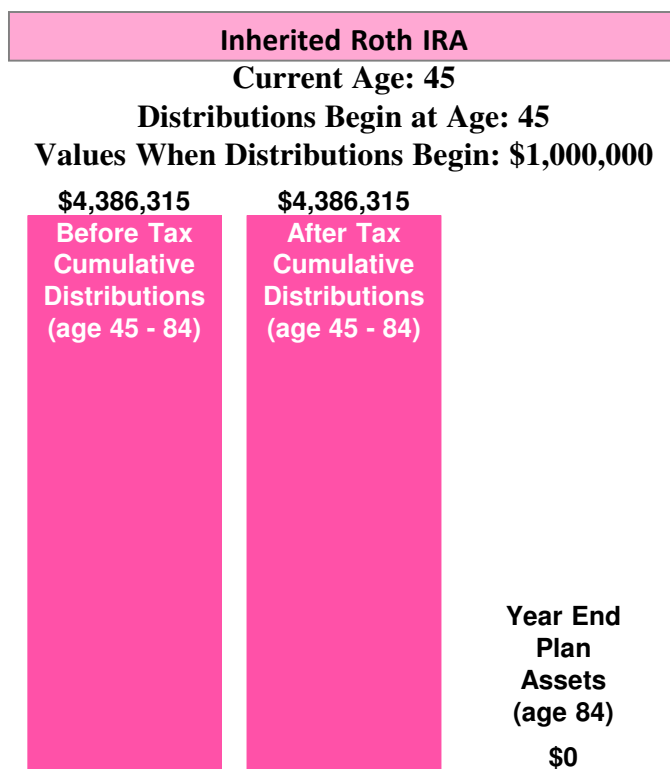
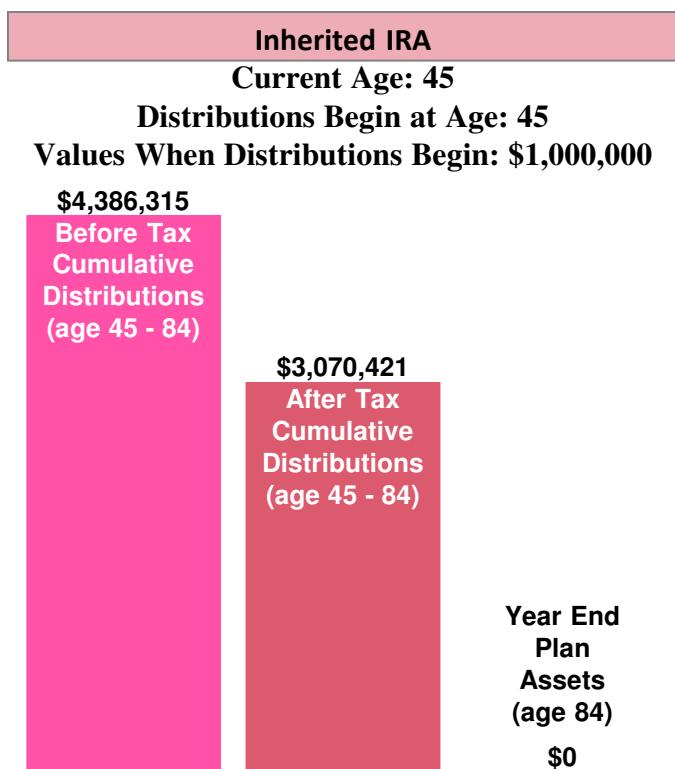
### Children

An extraordinary third advantage of the Roth goes to the children who inherit it. An inherited IRA and an inherited Roth IRA are both subject to required minimum distributions; however, distributions from an inherited Roth are tax free producing significantly higher cash flow for the heirs.

### Conclusion

Due to the Roth's absence of required minimum distributions for the parents, the inherited Roth IRA will typically have a greater beginning account value than an inherited IRA. This, coupled with tax free distributions from the inherited Roth, can produce a major difference in wealth for heirs. From an inter-generational perspective, a Roth for the parents transformed into an inherited Roth for the children is a winner by a substantial margin for all participants.

Below is a summary of the distribution results from this analysis.



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## Comparison Analysis of Cash Flow and Plan Assets

		Inherited IRA					Inherited Roth IRA				
		Plan Yield 7.50%			Beneficiary's Income Tax Bracket 30.00%		Plan Yield 7.50%				
Year	Age	(1) Beginning of Year Balance in Plan Assets	(2)* Before Tax IRS Required Minimum Distribution	(3) Before Tax Scheduled Distribution	(4) After Tax Scheduled Distribution	(5) Year End Plan Assets	(6) Beginning of Year Balance in Plan Assets	(7)* Before Tax IRS Required Minimum Distribution	(8) Before Tax Scheduled Distribution	(9)** After Tax Scheduled Distribution	(10) Year End Plan Assets
1	45	1,000,000	28,653	28,653	20,057	1,044,198	1,000,000	28,653	28,653	28,653	1,044,198
2	46	1,044,198	30,802	30,802	21,561	1,089,401	1,044,198	30,802	30,802	30,802	1,089,401
3	47	1,089,401	33,112	33,112	23,178	1,135,510	1,089,401	33,112	33,112	33,112	1,135,510
4	48	1,135,510	35,596	35,596	24,917	1,182,408	1,135,510	35,596	35,596	35,596	1,182,408
5	49	1,182,408	38,266	38,266	26,786	1,229,953	1,182,408	38,266	38,266	38,266	1,229,953
6	50	1,229,953	41,136	41,136	28,795	1,277,978	1,229,953	41,136	41,136	41,136	1,277,978
7	51	1,277,978	44,221	44,221	30,955	1,326,289	1,277,978	44,221	44,221	44,221	1,326,289
8	52	1,326,289	47,537	47,537	33,276	1,374,658	1,326,289	47,537	47,537	47,537	1,374,658
9	53	1,374,658	51,103	51,103	35,772	1,422,822	1,374,658	51,103	51,103	51,103	1,422,822
10	54	1,422,822	54,935	54,935	38,455	1,470,478	1,422,822	54,935	54,935	54,935	1,470,478
11	55	1,470,478	59,055	59,055	41,339	1,517,280	1,470,478	59,055	59,055	59,055	1,517,280
12	56	1,517,280	63,485	63,485	44,440	1,562,829	1,517,280	63,485	63,485	63,485	1,562,829
13	57	1,562,829	68,246	68,246	47,772	1,606,677	1,562,829	68,246	68,246	68,246	1,606,677
14	58	1,606,677	73,364	73,364	51,355	1,648,312	1,606,677	73,364	73,364	73,364	1,648,312
15	59	1,648,312	78,867	78,867	55,207	1,687,153	1,648,312	78,867	78,867	78,867	1,687,153
16	60	1,687,153	84,782	84,782	59,347	1,722,549	1,687,153	84,782	84,782	84,782	1,722,549
17	61	1,722,549	91,140	91,140	63,798	1,753,765	1,722,549	91,140	91,140	91,140	1,753,765
18	62	1,753,765	97,976	97,976	68,583	1,779,973	1,753,765	97,976	97,976	97,976	1,779,973
19	63	1,779,973	105,324	105,324	73,727	1,800,247	1,779,973	105,324	105,324	105,324	1,800,247
20	64	1,800,247	113,223	113,223	79,256	1,813,551	1,800,247	113,223	113,223	113,223	1,813,551
21	65	1,813,551	121,715	121,715	85,201	1,818,724	1,813,551	121,715	121,715	121,715	1,818,724
22	66	1,818,724	130,843	130,843	91,590	1,814,472	1,818,724	130,843	130,843	130,843	1,814,472
23	67	1,814,472	140,657	140,657	98,460	1,799,351	1,814,472	140,657	140,657	140,657	1,799,351
24	68	1,799,351	151,206	151,206	105,844	1,771,756	1,799,351	151,206	151,206	151,206	1,771,756
25	69	1,771,756	162,546	162,546	113,782	1,729,901	1,771,756	162,546	162,546	162,546	1,729,901
26	70	1,729,901	174,737	174,737	122,316	1,671,801	1,729,901	174,737	174,737	174,737	1,671,801
27	71	1,671,801	187,843	187,843	131,490	1,595,255	1,671,801	187,843	187,843	187,843	1,595,255
28	72	1,595,255	201,931	201,931	141,352	1,497,823	1,595,255	201,931	201,931	201,931	1,497,823
29	73	1,497,823	217,076	217,076	151,953	1,376,803	1,497,823	217,076	217,076	217,076	1,376,803
30	74	1,376,803	233,356	233,356	163,349	1,229,206	1,376,803	233,356	233,356	233,356	1,229,206
			2,962,733	2,962,733	2,073,913		2,962,733	2,962,733	2,962,733	2,962,733	

\*\*Beneficiary's income tax bracket is irrelevant with this Roth IRA.

\*Columns (2) and (7) are estimates of required minimum distributions based on asset value and beneficiary's life expectancy (reduced by one each year thereafter).

Plan results are hypothetical only. Actual results will vary due to changes in contributions and withdrawals, income tax brackets, and investment performance.

### 30 Year Summary

	Inherited IRA	Inherited Roth IRA
Plan Assets	1,229,206	1,229,206
Cum. After Tax Distributions	2,073,913	2,962,733

# Inherited IRA vs. Inherited Roth IRA

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For: Tommy Barker

## Comparison Analysis of Cash Flow and Plan Assets

Plan Yield  
7.50%

Beneficiary's  
Income Tax Bracket  
30.00%

Plan Yield  
7.50%

		Inherited IRA					Inherited Roth IRA				
Year	Age	(1) Beginning of Year Balance in Plan Assets	(2)* Before Tax IRS Required Minimum Distribution	(3) Before Tax Scheduled Distribution	(4) After Tax Scheduled Distribution	(5) Year End Plan Assets	(6) Beginning of Year Balance in Plan Assets	(7)* Before Tax IRS Required Minimum Distribution	(8) Before Tax Scheduled Distribution	(9)** After Tax Scheduled Distribution	(10) Year End Plan Assets
31	75	1,229,206	250,858	250,858	175,601	1,051,724	1,229,206	250,858	250,858	250,858	1,051,724
32	76	1,051,724	269,673	269,673	188,771	840,705	1,051,724	269,673	269,673	269,673	840,705
33	77	840,705	289,898	289,898	202,929	592,117	840,705	289,898	289,898	289,898	592,117
34	78	592,117	311,641	311,641	218,149	301,512	592,117	311,641	311,641	311,641	301,512
35	79	301,512	301,512	301,512	211,058	0	301,512	301,512	301,512	301,512	0
36	80	0	0	0	0	0	0	0	0	0	0
37	81	0	0	0	0	0	0	0	0	0	0
38	82	0	0	0	0	0	0	0	0	0	0
39	83	0	0	0	0	0	0	0	0	0	0
40	84	0	0	0	0	0	0	0	0	0	0
			4,386,315	4,386,315	3,070,421		4,386,315	4,386,315	4,386,315		

\*\*Beneficiary's income tax bracket is irrelevant with this Roth IRA.

\*Columns (2) and (7) are estimates of required minimum distributions based on asset value and beneficiary's life expectancy (reduced by one each year thereafter).

Plan results are hypothetical only. Actual results will vary due to changes in contributions and withdrawals, income tax brackets, and investment performance.

### 40 Year Summary

	Inherited IRA	Inherited Roth IRA
Plan Assets	0	0
Cum. After Tax Distributions	3,070,421	4,386,315

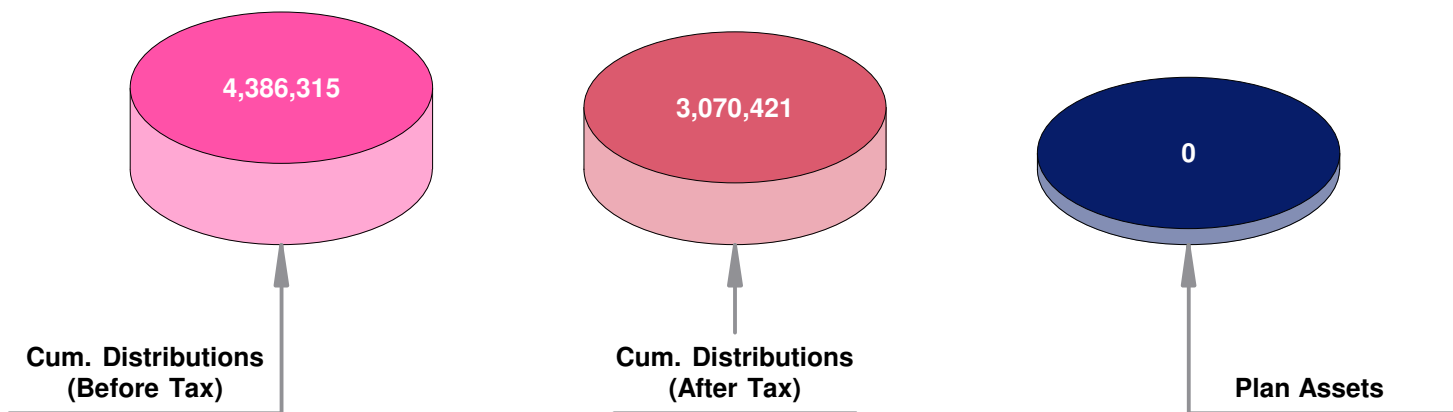
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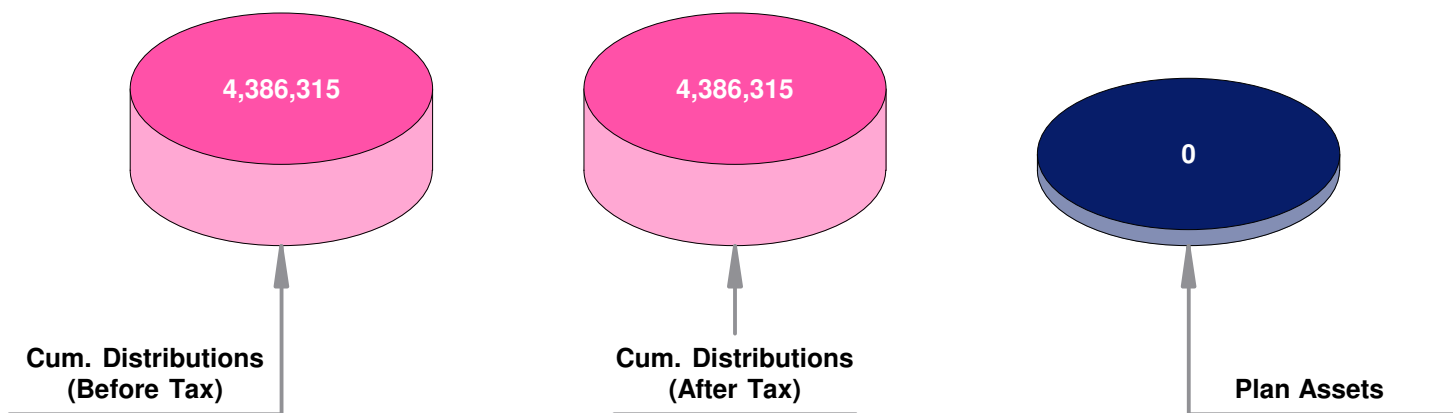
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## Summary Analysis at age 84

### Inherited IRA



### Inherited Roth IRA



Note: All projections are based on client furnished data and assumptions.

# Inherited IRA vs. Inherited Roth IRA

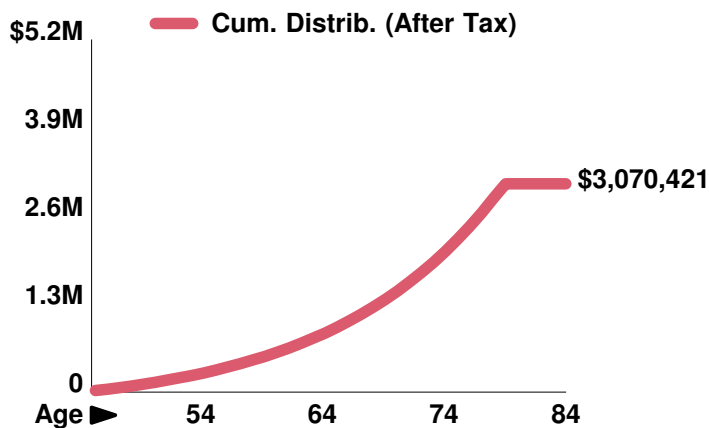
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## Comparison Analysis

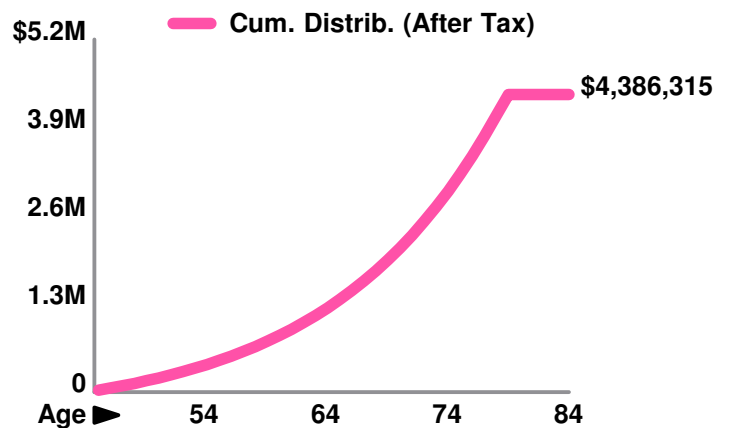
### Inherited IRA

Cumulative Distributions  
(After Tax)

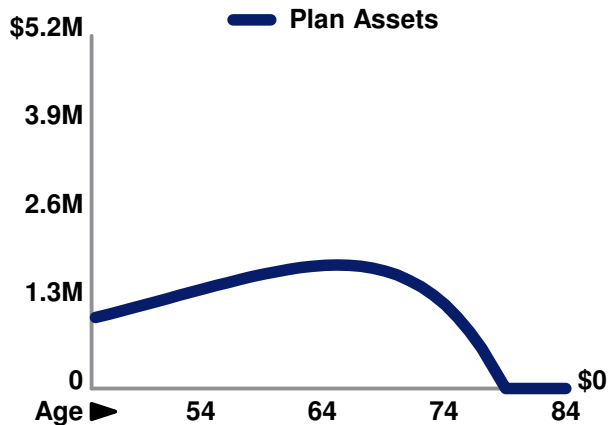


### Inherited Roth IRA

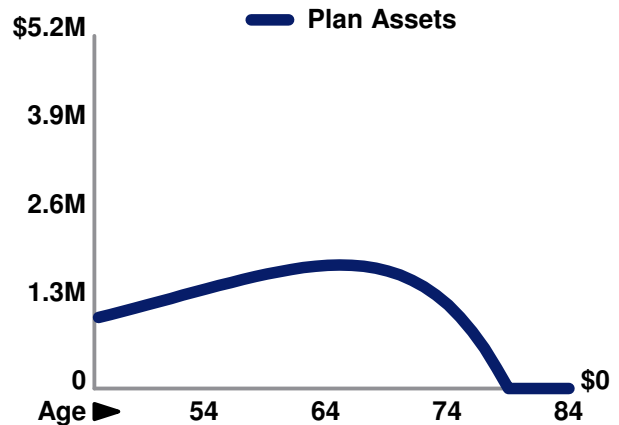
Cumulative Distributions  
(After Tax)



Plan Assets



Plan Assets



Note: All projections are based on client furnished data and assumptions.