



Brought to you by Mark L. Deaton, FICF

# KNIGHTS OF COLUMBUS Financial Beacon

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## A MESSAGE from your agent

### Dear Brother Knight:

Following is an excerpt from the recent message from Supreme Knight Carl A. Anderson.

“There have been times in our country’s past when uninformed or prejudiced people questioned whether Catholics could be good citizens or honest public servants... In fact, from our founding in 1882 until the election of Brother Knight John F. Kennedy in 1960, many still held that Catholics were unfit for public office. Throughout that time, the Knights of Columbus worked to counter such prejudice.

Sadly, it seems that in some quarters this prejudice remains. First, in 2017, a Notre Dame law professor was deemed unfit for a federal judgeship by a U.S. senator who feared that “the dogma lives loudly within you.” Now, two more senators have questioned a brother Knight’s fitness for the federal bench precisely because our Order holds firm to the Church’s teachings on the sanctity of life and marriage.

Such attacks on the basis of our Catholic faith are hardly new. The Knights of Columbus was formed amid a period of anti-Catholic bigotry. We stood against that then, and we do so now.

Let us also remember that, from our founding, we have embodied the truth that a good Catholic is a good citizen who shows civility and dignity even in the face of prejudice.”

Fraternally yours,

**Mark Deaton**

Find the full text of this message at [http://kofc.org/un/en/columbia/supreme\\_knight/fromthesk\\_20190201.html](http://kofc.org/un/en/columbia/supreme_knight/fromthesk_20190201.html)

# Understanding the difference between qualified and non-qualified annuities

Are you clear on the difference between a qualified and non-qualified annuity?

### Any annuity is a form of insurance

Any annuity is a form of insurance. An annuity owner makes premium payments, either over time or in a lump sum, and receives regular income payments beginning immediately or at a future date, depending on how the annuity is structured.

As a member of the Knights of Columbus, you may enter into an annuity contract with Knights of Columbus insurance, which may be a qualified or non-qualified annuity contract. Your spouse, if named as sole beneficiary, may continue to receive regular income payments after your death.

### Qualified annuity

A qualified annuity is funded with pre-tax dollars, usually within a retirement account such as a traditional IRA or an employer retirement plan.

**Funding a qualified annuity.** Your annual contribution to a qualified annuity is limited by IRS rules for retirement accounts that are tax-deferred.

**Income from a qualified annuity.** Generally, you must be 59 ½ years old to begin taking income from a qualified annuity, or you will be subject to an IRS 10% early withdrawal penalty. At age 70 ½ you must follow Required Minimum Distribution (RMD) rules when taking income from a qualified annuity.

### Non-qualified annuity

A non-qualified annuity is funded with after-tax dollars, and is not considered a tax-qualified retirement account for tax purposes. The growth is tax-deferred until withdrawn.

**Funding a non-qualified annuity.** Unlike a qualified annuity, there are no annual contribution limits for a non-qualified annuity.

**Income from a non-qualified annuity.** Since a non-qualified annuity is funded with after-tax dollars, income taken



is taxed only on the earnings, not on the principal, and only when income payments are made. It is the earnings that are considered withdrawn first, for tax purposes.

### Qualified annuities may be protected

Bankruptcy law is federal, and exemptions apply for certain assets related to annuity contracts and life insurance policies. These exemptions are relatively limited, however.<sup>1</sup>

Creditor protection for IRAs and for retirement plans covered under federal ERISA law is much more extensive.<sup>1</sup>

### Do annuities become part of an estate?

Much like a life insurance policy, your Knights of Columbus annuity, qualified or unqualified, will have a named beneficiary, or beneficiaries. In most cases, any death benefit from an annuity will be paid directly to beneficiaries, bypassing probate. Two exceptions would be if a beneficiary is deceased, or if you named your estate as beneficiary.

You will want to seek advice as to your state’s laws governing asset protection for both probate and bankruptcy.

### Structuring an annuity ideal for you

I would like to meet with you to discuss the many options available to you in structuring an annuity to meet your specific needs and goals in retirement, and beyond. ♦

*This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for tax, legal or accounting advice. You should consult with your own qualified tax, legal and accounting advisors before engaging in any transaction.*

<sup>1</sup><https://www.fool.com/knowledge-center/are-annuities-sheltered-from-creditors.aspx>

# Stretching IRAs for future generations

The term “stretch IRA” is not an actual type of IRA, but rather a means of using an IRA to “stretch” the tax-deferred or tax-free status of your IRA savings into the next generation after your death.

A traditional IRA is funded with pre-tax dollars, while a Roth IRA is funded with after-tax dollars. If a beneficiary establishes an Inherited IRA with the assets from the deceased’s traditional IRA, the assets continue to grow tax-deferred; if established with assets from a Roth IRA, the assets continue to grow tax-free.

If the original account holder did not take a Required Minimum Distribution (RMD) for the year of their death, this RMD must be taken from the original account by the end of that year.

A spouse who inherits (an) IRA(s) as a sole beneficiary has the option to transfer the assets to their own IRA(s) or open new IRA account(s) in their name, which will be regulated by the same RMD rules of the original account, but will be based on the inheriting spouse’s life expectancy.

By designating a beneficiary, or beneficiaries, you allow the beneficiary(ies) to choose how to utilize the inheritance of your IRA(s).

For non-spousal beneficiaries (a spouse also has these options), there

are three options for distribution of a traditional or Roth IRA: take a lump sum, or open one of two types of inherited IRA.

**Lump Sum.** As the term suggests, the lump sum option distributes all assets all at once. If the original account was a traditional IRA, the entire distribution will be subject to tax. The inherited asset distribution may put the beneficiary into a higher tax bracket. In the case of a Roth IRA, if the original account is less than five years old, the earnings are taxable.

**Inherited IRA.** The two types of Inherited IRAs differ in the rules for distribution. With either type:

- Distribution is not subject to the 10% early withdrawal penalty;
- If there are multiple beneficiaries, separate accounts must be established by the end of the year after the year of the original account holder’s death or any RMDs will be based on the eldest beneficiaries life expectancy;
- The beneficiary may name their own beneficiary(ies)
- If the original account was a traditional IRA, the entire distribution is subject to tax; if a Roth IRA, the distribution is not subject to tax, assuming all other rules have been followed.

**Life-expectancy method:**

- Distribution must begin by the end of



the year after the year of death of the original account holder;

- The RMD is based on the beneficiary’s life expectancy.

**5-year method:**

- Distribution must occur within five years following the year of the original account holder’s death.

**Supreme Court Ruling on Inherited IRAs**

In 2014, the Supreme Court ruled unanimously that non-spousal inherited IRAs were not considered protected assets in the event of bankruptcy.

If there may be a concern of insolvency for one or more of your heirs, you may wish to consult an attorney regarding a see-through trust, which, although complex, may provide asset protection from creditors. ♦


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- <https://www.investopedia.com/terms/s/seethrough-trust.asp>
- <https://myemail.constantcontact.com/Should-a-Trust-be-the-Beneficiary-of-Your-IRA--Pros-and-Cons.html?soid=1103431944416&aid=6WoCxxvWIDsY>
- <https://www.irahelp.com/slottreport/%E2%80%9Csee-through%E2%80%9D-trusts-%E2%80%93-what-you-need-know>


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### Family benefits & services

Knights of Columbus consistently ranks at the top of the industry in financial stability and ethics. Please call to discuss these services:

- Financial needs analysis
- Life insurance
- Tax deferred fixed-rate annuities
- Long-term care insurance
- Disability income insurance
- Retirement account rollovers
- Estate preservation
- Scholarships
- Family fraternal benefits

Contact me today for information on long-term care insurance



## KNIGHTS OF COLUMBUS Financial Beacon

Knights of Columbus Supreme Office

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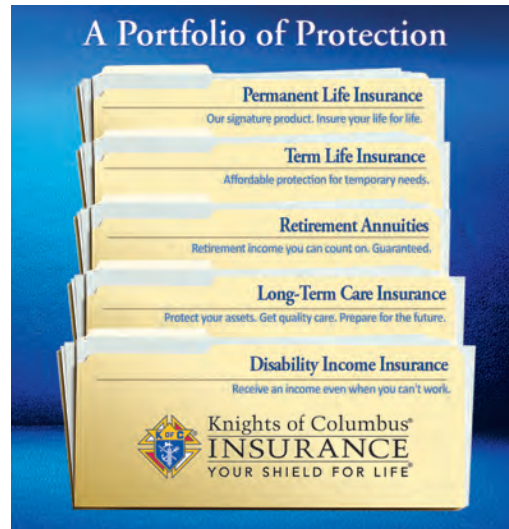


### The document your family will be glad you left behind

In one place, you can assemble all the information your family would need to take care of basic financial matters in your absence. Your complimentary Knights of Columbus Personal Planning Workbook helps you compile details about key contacts (attorneys, insurance agents, etc.), financial accounts, bills, passwords, the location of important documents, and more.



Contact me today for your complimentary Workbook.



Contact me today for information on long-term care insurance

## Three things to have in place to insure for possible disability



If your family relies on your income, you need a plan for the possibility of short- or long-term disability. Rather than rely solely on your savings to cover your risk, consider these three components in combination.

### ❶ Disability income insurance

Knights of Columbus Income Armor is one of many benefits available to you as a Knight. When faced with short- or long-term disability, Income Armor protection will help cover expenses. You can choose from several options to make this an affordable part of your plan.

### ❷ Employment benefits

**Disability insurance through work.** If you do not know if you have disability insurance through work, now is the time to find out. Worker's Compensation insurance only covers injury at work. Ask your employer if there is separate insurance to cover illness and injury away from work.

**Social Security Disability Income (SSDI).** SSDI is intended for those who are unable to work because of a medical condition that is expected to last at least 12 months, among other criteria.

SSDI benefits will not begin until the sixth full month of disability.<sup>1</sup>

If you find yourself unable to work due to disability, you should start the SSDI application process as soon as possible. It will take 30 to 90 days to get a decision letter,<sup>2</sup> and the available appeals process, should your claim be initially denied, can take one to two years, depending on the circumstances.<sup>2</sup>

### ❸ Savings and loans

**Emergency fund savings.** Regardless of the insurance you have, most likely there is an elimination period, which is the number of days a total disability must exist before you can begin to collect any benefits. You will need to cover your living expenses during this period with savings or other funding source(s).

**Taking loans against assets.** You may want to determine the amount, and under what circumstances, you are able to borrow against the value of permanent life insurance policies, retirement accounts, and your home equity. Interest charges will accrue until these loans are repaid.

### Building your plan

Please contact me to tailor an Income Armor disability income insurance policy to support your plan for potential disability. ♦

<sup>1</sup> <https://www.ssa.gov/disability/disability.html>

<sup>2</sup> <https://www.ssdrc.com/disabilityquestionsI-20.html>