



Inherited Nonqualified Stretch Annuity

A guide for financial professionals

When a non-spouse beneficiary inherits a nonqualified annuity (an annuity funded with after-tax dollars), they generally have one of three options for receiving the death benefit: as a lump sum, distributions over five years, or distributions over their life expectancy.

Electing to receive the benefit over life expectancy, the **nonqualified stretch annuity option**, the beneficiary would have tax-deferred growth of the inherited annuity while also receiving annual required distributions over his or her life expectancy. The distributions with this option are also not subject to the additional 10% federal tax for distributions taken prior to age 59 1/2.

Historically, a beneficiary who elected the nonqualified stretch annuity option was limited to taking annual distributions directly from the inherited annuity contract. With the post-death **1035 annuity exchange**, a beneficiary can move their inherited annuity contract tax-free to a different annuity that may better suit their needs. Corebridge Financial supports both inbound and outbound exchanges of newly inherited annuity contracts, as well as existing inherited nonqualified contracts that have already elected to stretch and comply with current life expectancy distribution requirements.

This guide is designed to help you understand beneficiary options and introduce you to the benefits of nonqualified stretch annuities and post death 1035 annuity exchanges.

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Beneficiary options

The length of time over which distributions must be withdrawn from an inherited nonqualified annuity depends in part on who (or what) inherits the annuity. The following chart identifies the death benefit options available for each beneficiary type.

Nonqualified death benefit options¹

Withdrawal time period	Spouse	Non-spouse	Trust/Entity
Lump sum	✓	✓	✓
Life annuitization	✓	✓	
Five-year ²	✓	✓	✓
Stretch / Life Expectancy ³	✓	✓	
Continue as own annuity	✓		

¹ Chart reflects options permitted by Federal regulations/law; company policies may vary.

² If death occurs before annuity start date.

³ Not available for non-living beneficiaries (including trusts, charities, and estates).

Distribution methods

Inherited nonqualified annuities are paid out over either a five-year-fixed or life-expectancy period, depending on the classification of the annuity beneficiary.

Five-year Fixed Period	The entire annuity death benefit contract value must be fully distributed within five years of the owner's death. If partial distributions are taken during the five-year period, gains will be paid out first, before any return of cost basis in the contract.
Life Expectancy <ul style="list-style-type: none"> • Life annuitization • Stretch / Life Expectancy 	<p>Life annuitization</p> <p>Annuitizes the death benefit over the beneficiary's life expectancy. Annuity payments must begin within one year from the owner's date of death. Annuity payments are taxed on an exclusion-ratio basis; meaning, each annuity payment will consist of a portion of earnings and a portion of returned principal.</p> <p>Stretch / Life Expectancy</p> <p>Life expectancy payouts are required by taking annual automated withdrawals from the inherited nonqualified stretch annuity (beginning within one year of the owner's date of death). Taxation of withdrawals are based on a last in, first out (LIFO) basis. Said simply, gains will be withdrawn prior to principal. The method for calculating each year's minimum distribution mirrors the IRA owner RMD calculation; however, only the Single Life Table can be used.</p> <p style="text-align: center;">Year-end balance ÷ Single life expectancy factor = RMD amount</p> <p>For a non-spouse beneficiary, the factor is non-recalculated—it is simply reduced by one every year after the first required distribution year. For instance, if a 59-year-old beneficiary has a life expectancy of 28.0 years, the life expectancy for each subsequent year is determined by subtracting 1 for each following year.</p>

Beneficiary options

An Inherited Nonqualified Stretch Annuity Strategy Example

- Dave contributes a total of \$200,000 to his annuity contract during his pre-retirement years.
- As a recent widower, he designates his daughter, Taylor, as primary beneficiary.
- At Dave's passing, the annuity death benefit has a value of \$500,000.
- Taylor, now age 65, elects to stretch the inherited annuity and take scheduled withdrawals over her life expectancy.

Taylor's distributions						
Taylor's age	Taylor's life expectancy	Minimum Required Distribution	Taxable Amount	Adjusted Cost Basis	Account balance (year end)	Cumulative Distributions
Taylor's inheritance					\$500,000	
65	22.9	\$21,834	\$21,834	\$200,000	\$503,166	\$21,834
66	21.9	\$22,976	\$22,976	\$200,000	\$505,349	\$44,810
67	20.9	\$24,179	\$24,179	\$200,000	\$506,437	\$68,989
68	19.9	\$25,449	\$25,449	\$200,000	\$506,309	\$94,438
69	18.9	\$26,789	\$26,789	\$200,000	\$504,836	\$121,227
70	17.9	\$28,203	\$28,203	\$200,000	\$501,875	\$149,430
71	16.9	\$29,697	\$29,697	\$200,000	\$497,272	\$179,127
72	15.9	\$31,275	\$31,275	\$200,000	\$490,860	\$210,402
73	14.9	\$32,944	\$32,944	\$200,000	\$482,460	\$243,346
74	13.9	\$34,709	\$34,709	\$200,000	\$471,873	\$278,055
75	12.9	\$36,579	\$36,579	\$200,000	\$458,888	\$314,634
76	11.9	\$38,562	\$38,562	\$200,000	\$443,270	\$353,196
77	10.9	\$40,667	\$40,667	\$200,000	\$424,767	\$396,863
78	9.9	\$42,906	\$42,906	\$200,000	\$403,099	\$436,769
79	8.9	\$45,292	\$45,292	\$200,000	\$377,962	\$482,061
80	7.9	\$47,843	\$47,843	\$200,000	\$349,017	\$529,904
81	6.9	\$50,582	\$50,582	\$200,000	\$315,886	\$580,486
82	5.9	\$53,540	\$53,540	\$200,000	\$278,140	\$634,026
83	4.9	\$56,763	\$56,763	\$200,000	\$235,284	\$690,789
84	3.9	\$60,329	\$47,048	\$186,719	\$186,719	\$751,118
85	2.9	\$64,386	\$9,336	\$131,669	\$131,669	\$815,504
86	1.9	\$69,299	\$6,583	\$68,953	\$68,953	\$884,804
87	0.9	\$72,400	\$3,448	\$0	\$0	\$957,204
Taylor Total:		\$957,204				\$957,204

Benefits of Taylor electing the stretch strategy

- Annual minimum distributions can be stretched for a total of 23 years.
- The amount of taxable income is minimized each year.
- At age 87, she has distributed a total of \$957,204 from the inherited nonqualified stretch annuity.

IRS Single Life Expectancy Table (For Use by Beneficiaries)

This table illustrates the inherited nonqualified stretch annuity distribution concept. This case study assumes the annuity grows at a hypothetical annual net rate of 5% and that the annual minimum distributions are withdrawn at the end of each calendar year. This is a hypothetical example - no part of the illustration is guaranteed and does not represent performance of an actual investment.

It assumes the beneficiary's annuity contract value is \$500,000, and the beneficiary elects the life expectancy payout option (as automated withdrawals over the beneficiary's life expectancy) in compliance with Internal Revenue Code (IRC) Section 72(s).

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Submitting Inherited Nonqualified Stretch Annuity business to Corebridge Financial (FAQs)

Question	Answer	
Can Corebridge accept Inherited Nonqualified Stretch assets from another carrier to fund a new Corebridge Inherited Nonqualified Stretch annuity contract?	Maybe	<p>Corebridge will accept Inherited Nonqualified Stretch annuity business under the following conditions:</p> <ul style="list-style-type: none"> • The beneficiary has made an election with the original/current annuity provider to pay out over his or her life expectancy (inherited nonqualified stretch). • The beneficiary electing the inherited nonqualified stretch is an individual (trusts or estates are not permitted). • The current annuity provider allows for an outgoing post-death 1035 exchange. <p>Note: Corebridge will not accept inherited nonqualified annuities subject to the five-year rule.</p>
Is the Inherited Nonqualified Stretch account type available on all Corebridge annuity products and are living benefits available?	No on both counts	Inherited Nonqualified Stretch opportunities are generally available for variable and index annuities without a living benefit only; this account type is not available on traditional fixed annuity, immediate annuity or deferred income annuity products.
If a trust is the beneficiary of the annuity contract, is inherited nonqualified stretch an option?	No	<p>A trust, as beneficiary, is generally limited to the lump sum death benefit or the five-year distribution rule.</p> <p>Planning opportunity: If providing a stretch option is a primary goal of the owner, consider the benefits of individual ownership and designating individual beneficiaries.</p>
Is there a time limit for when the nonqualified inherited stretch can be elected?	Yes	Non-spouse beneficiaries have one year from the date of death of the annuity owner to set up a nonqualified inherited stretch annuity. Only natural person beneficiaries (not trusts or charities) can choose the stretch option. Untimely elections will default to the five-year rule.
Can Corebridge establish an automated withdrawal program to calculate and distribute the annual distribution requirement?	Yes	As part of the good-order requirements to issue the contract, the beneficiary must establish a systematic withdrawal program based on his or her life expectancy or elect a specified amount that exceeds the required minimum amount.
Are withdrawal charges waived if the annual required distribution amount is greater than the contract free amount?	Yes	<p>Withdrawal charges and MVA (if applicable) will be waived should the RMD be greater than the contract annual free amount.</p> <p>Additionally, the typical index annuity restriction on first-year withdrawals is waived for these required distributions.</p>
Does the inherited nonqualified stretch strategy restrict individuals to the annual minimum distribution?	No	Beneficiaries must take at least the minimum distribution each year. Unlike annuity payments, this strategy provides beneficiaries the flexibility to withdraw additional amounts at any time.

Submitting Inherited Nonqualified Stretch Annuity business to Corebridge (Checklist)



☑ Confirm that the new annuity application is titled properly on all paperwork submitted

- **Corebridge Inherited Nonqualified Annuity availability:**
 - Available: Variable Annuities and Indexed Annuities without living benefit riders
 - Not Available: Immediate Annuities, Fixed Annuities and Deferred Income Annuities
- **Owner:** Sally Smith (name of original annuity beneficiary) as beneficiary of Sam Smith
- **Annuitant:** Sally Smith (name of original annuity beneficiary)
- **Beneficiary:** Sandra Smith (the name of the beneficiary or beneficiaries of the inherited annuity beneficial owner)
- **Contract Type:** Inherited Nonqualified Annuity

☑ Complete the following required forms:

- Variable Annuity or Index Annuity contract application
 - Corebridge does not accommodate inherited nonqualified annuity business within fixed annuity, immediate annuity, or deferred income annuity products.
 - Living benefit not available for this account type
- Inherited Account Disclosure and Required Minimum Distribution Election form (required to issue the contract and establish automated life expectancy withdrawals)
- Request for Transfer of Assets form
- State Replacement form (if applicable or required by your firm)
- Any other forms required by the surrendering company
 - **For pending death claims**, include current annuity death claim paperwork when submitting Corebridge paperwork (if permitted by the current annuity provider)
 - **For existing inherited nonqualified annuity accounts**, include any current annuity provider required paperwork when submitting Corebridge paperwork

Order entry platforms

Most order entry platforms do not support the Inherited Nonqualified Annuity account type. Paper application is typically required to submit business.

To learn more contact your Corebridge Financial Distributors wholesaler
or call our Sales Desk at 1-888-502-2900

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