A QUALIFIED LONGEVITY ANNUITY CONTRACT SOLUTION

New Treasury Department Regulations

Recent regulations for longevity annuity contracts provide guidance around required minimum distribution (RMD) rules applicable to clients who have tax-qualified plans or IRAs that hold a qualified longevity annuity contract (QLAC).[1] Premiums paid into a QLAC are not included in the calculation of RMDs. In other words, assets held in a QLAC are not required to be distributed at age 70½ but instead can be deferred to a later date.

Longevity annuity contracts are specifically designed to provide income in later years. For those who have access to other assets, the new regulations allow individuals to defer receiving income from a portion of qualified assets to a later date when those dollars may be needed most.

OVERVIEW

Deferred income annuity contracts are eligible to be considered QLACs as long as the following criteria are met:

- Contributions (premiums) per individual are limited to the lesser of $125,000 or 25% of all qualified assets[2]
- Distributions under a QLAC must begin no later than the first day of the month following the owner reaching age 85
- The annuity contract has no liquidity or commutation feature
- A return of premium death benefit can be provided
- The annuity contract is a fixed-rate deferred income annuity contract
- Annuity income options can be single or joint life, either life income or life income with cash refund; guaranteed period or period certain options are not allowed
- Individuals must be notified at time of purchase that the deferred income annuity is intended to be a QLAC
- Carriers will be required to file information annually with the IRS regarding QLAC values and status

Individuals will be responsible for ensuring QLAC premium limits are met. Premiums applied to a QLAC in excess of the premium limit could potentially make the entire contract a non-QLAC, resulting in the inclusion of the contract's value when calculating RMDs.[3]

AVAILABLE FEBRUARY 2, 2015

The Principal Deferred Income Annuity℠ has been enhanced to meet QLAC requirements and is **available for purchase beginning February 2.** Please see product materials for information specific to the Principal Deferred Income Annuity.

The Principal Financial Group® is committed to helping you meet your retirement income goals.

[1] Plans defined under Internal Revenue Code sections 401(a), 403(a), 403(b), eligible government plans under section 457(b) and IRAs (including individual retirement annuities or accounts) under section 408.

[2] The dollar limit applies across all qualified retirement plans and IRAs (excluding Roth IRAs) collectively. The percentage limit applies to each qualified plan separately and to IRAs on an aggregate basis. There are restrictions on how premium limit rules can be applied. It is the client's responsibility to ensure QLAC premium limitations are met. Roth IRAs cannot be treated as a QLAC.

[3] Regulations also provide for the removal/refund of excess premium from a contract in order to maintain its QLAC status.

WE'LL GIVE YOU AN EDGE®

Not FDIC or NCUA Insured

May Lose Value • Not a Deposit • No Bank or Credit Union Guarantee
Not Insured by any Federal Government Agency

Withdrawals before age 59½ are subject to a 10% IRS penalty.

While this communication may be used to promote or market a transaction or an idea, it is intended to provide general information about the subject matter covered and is provided with the understanding that none of the member companies of The Principal® are rendering legal, accounting or tax advice. It is not a marketed opinion and may not be used to avoid penalties under the Internal Revenue Code. You should consult with appropriate counsel or other advisors on all matters pertaining to legal, tax or accounting obligations and requirements.

Guarantees are based on the claims-paying ability of Principal Life Insurance Company.

Annuities are issued by Principal Life Insurance Company, a member of the Principal Financial Group®, Des Moines, IA 50392.

ICC14 SF 949, SF 949, ICC14 SF 957, SF 957