USING IRA ASSETS TO ADDRESS YOUR WEALTH TRANSFER GOALS

Trusteed IRAs from U.S. Trust

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Working together, Merrill Lynch and U.S. Trust bring you the capabilities of a premier global investment firm and one of the nation’s leading trust organizations.

Your Merrill Lynch advisor can work with you on an approach designed to provide the specific services you need in the way that works for you. The result is a relationship supported by the investment insights of Merrill Lynch and the deep fiduciary experience of U.S. Trust—a relationship dedicated to helping you address your unique goals and priorities.
Beyond retirement security

HOW TRUSTEED IRAS CAN HELP YOU LEAVE A LASTING LEGACY

A substantial balance in an IRA or other qualified plan can do more than offer financial security for you at retirement. If properly structured and managed, your retirement assets may help you leave a legacy that can have a lasting effect on your family.

This guide outlines the benefits of Trusteed IRAs and explains how you can use them to help meet family and financial objectives that are important to you.

BENEFITS OF A TRUSTEED IRA

Assets in a custodial IRA that are left to a spouse, children or other beneficiaries can be withdrawn and used at any time, making it difficult to ensure the assets are distributed and used as you intend.

A Trusteed IRA can enable you to:

- Preserve and pass on the potential tax benefits of your IRA
- Provide for professional management now, in the event of your incapacity and upon your death
- Protect the assets from spendthrifts and the effects of a child's divorce or a spouse's remarriage
- Control who will inherit the assets and how quickly they can withdraw them

These features can make your IRA and retirement plan assets an important element in your overall wealth transfer plan.
Why choose a Trusteed IRA?

A Trusteed IRA can be especially valuable if you:

- Want the ability to control who receives your IRA assets, in what amounts and when
- Are concerned about IRA management in the event of incapacity
- Want to extend the potential tax deferral of a traditional IRA or any tax-free earnings accumulation of a Roth IRA to benefit children, grandchildren or other heirs
- Have remarried and want to provide for a current spouse and children from a previous marriage
- Want to preserve the continuity of IRA management during your lifetime and after your death
- Are concerned about the financial discipline or sophistication of heirs

**TRUSTEED IRAS FROM U.S. TRUST**

Trusteed IRAs from U.S. Trust combine the potential tax advantages of traditional or Roth IRAs with protection and control features of a trust in a single account. Trusteed IRAs are IRS-approved, providing flexibility and security that can be difficult to achieve any other way. And they are professionally managed and invested on a fiduciary basis.
A valuable estate planning tool

A Trusteed IRA from U.S. Trust may be a helpful alternative if you have a substantial IRA, or are thinking about rolling over 401(k) or other qualified retirement plan assets¹ into an IRA. Trusteed IRAs from U.S. Trust combine the potential tax advantages of an IRA with the flexibility and control of a trust, all in a single account. The result is a valuable planning tool that can provide tax-deferred or tax-free asset accumulation, along with the ability to control how, when and in what amounts your IRA assets are distributed to your heirs.

**DESIGNATE FUTURE BENEFICIARIES AND LEVEL OF SUPPORT**

With a custodial IRA you can designate beneficiaries, but those beneficiaries have unlimited access to the IRA and select who will inherit any unused assets. A Trusteed IRA allows you to direct how generous U.S. Trust, as trustee, should be in making discretionary distributions and even allows you to establish different levels of support for different beneficiaries. It also enables you to control who will inherit any assets that remain unused.

**“STRETCH” YOUR IRA BENEFITS²**

Restricting withdrawals to the required minimums allows you and your future beneficiaries to maximize the potential benefits of tax-deferred or tax-free accumulation. Trusteed IRAs allow you to preserve and pass these potential tax benefits on to your beneficiaries.

**PLAN FOR THE UNEXPECTED**

If you become incapacitated, you may be unable to make investment decisions or take required minimum distributions (RMDs). With a Trusteed IRA, you can give U.S. Trust authority to invest your IRA assets, make RMDs, pay bills and address other needs.

**PROVIDE FOR YOUR SPOUSE AND CHILDREN**

Trusteed IRAs allow you to arrange for your spouse to receive income for life, and also give U.S. Trust, as trustee, discretion to use the IRA principal for your spouse’s benefit. Upon your spouse’s death, the IRA can be split into separate accounts for your children and/or grandchildren.

**MAKE ARRANGEMENTS FOR A SPOUSE WHO IS NOT A U.S. CITIZEN**

Trusteed IRAs can be structured to avoid estate taxes on assets passed to a non-U.S. citizen surviving spouse until the principal is distributed.

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¹ You have choices for what to do with your employer-sponsored retirement plan accounts. Depending on your financial circumstances, needs and goals, you may choose to roll over to an IRA or convert to a Roth IRA, roll over an employer-sponsored plan from a prior employer to an employer-sponsored plan at your new employer, take a distribution, or leave the account where it is. Each choice may offer different investment options and services, fees and expenses, withdrawal options, required minimum distributions, tax treatment, and provide different protection from creditors and legal judgments. These are complex choices and should be considered with care.

² The “stretch” IRA is not a type of IRA, but rather a technique to extend the assets of an IRA beyond your lifetime, possibly to multiple generations. The stretch IRA strategy is designed for individuals who will not need to use assets during retirement. It is helpful to consult your tax and financial advisor(s) to assist you in determining whether a stretch IRA strategy can help you to enhance your retirement and estate plans.
## Using IRA assets to help meet your estate planning goals

Before Trusteed IRAs, the most common way to meet specific goals for your IRA, 401(k) or other qualified plan assets was to establish a trust and designate it as beneficiary of your custodial IRA or qualified retirement plan. Trusteed IRAs from U.S. Trust provide a simpler option—all in a single account.

### MY GOAL IS TO:

<table>
<thead>
<tr>
<th>Goal</th>
<th>TRUSTEED IRA SOLUTION FROM U.S. TRUST:</th>
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<tbody>
<tr>
<td>Help provide financial security and professional management of my IRA in the event of my incapacity or that of my heirs</td>
<td>In the event of your incapacity, U.S. Trust can continue to provide professional investment management, pay bills, make any RMDs and provide for your loved ones, all within the Trusteed IRA. We can also work with an agent under a properly drafted power of attorney. If you have neither, your IRA assets can only be accessed through a court’s involvement.</td>
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<tr>
<td>Use a “stretch” IRA strategy to extend the potential tax advantages for beneficiaries</td>
<td>U.S. Trust can make the stretch under the terms you specify, so IRA assets have the opportunity for continued tax-deferred or tax-free growth, depending on the type of IRA. For IRAs outside a trust, your heirs may withdraw the entire IRA — defeating your plan to provide them with an income stream for life and extend potential tax-advantaged growth.</td>
</tr>
<tr>
<td>Control who receives IRA assets, in what amounts and when</td>
<td>Trusteed IRAs allow you to customize who receives your IRA assets, in what amounts and when. This can help you care for heirs you want to support in the way you specify. It allows much more flexibility, customization and control than a custodial IRA.</td>
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<tr>
<td>Transfer IRA assets at death efficiently</td>
<td>Trusteed IRAs simplify integrating your IRA into your estate plan. By combining an IRA and a trust into a single account, they can eliminate the cost and complexity of separate IRA and trust accounts often used when planning for IRAs.</td>
</tr>
<tr>
<td>Find a trustee to integrate my IRA with a trust I have already created</td>
<td>U.S. Trust can work with attorney-drafted trust documents to implement estate planning with IRAs.</td>
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<tr>
<td>Reduce estate taxes</td>
<td>Selections on the beneficiary designation forms may enable you to reduce federal estate tax while providing for your intended beneficiaries in the manner you direct.</td>
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<tr>
<td>Retain the existing tax benefits of my qualified plan and pass them on to heirs</td>
<td>Trusteed IRAs accept rollovers from 401(k), 403(b) and other qualified plans, as well as IRAs, Keoghs, SEPs and other retirement vehicles.</td>
</tr>
<tr>
<td>Help ensure that at the death of my beneficiaries, remaining assets pass as I intend</td>
<td>Trusteed IRAs allow you to direct how and to whom remaining assets pass at the death of a beneficiary.</td>
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1 See footnote on page 5.
Roth vs. traditional: Choosing the Trusteed IRA that is right for you

To help you address your specific goals, U.S. Trust offers both Trusteed traditional and Trusteed Roth IRAs.

WHAT ARE THE ADVANTAGES OF A TRUSTEED ROTH IRA?

A Trusteed Roth IRA offers:

- Federal (and possibly state) income-tax-free accumulation of earnings
- The opportunity for funds to stay in the account potentially accumulating earnings on a tax-free basis because RMDs need not be made during the original owner’s lifetime
- The potential to help minimize estate taxes

SHOULD YOU CONSIDER A TRUSTEED ROTH IRA?

In general, a conversion to a Trusteed Roth IRA could be beneficial if you:

- Don’t expect to need the IRA assets to fund your retirement and could benefit from income-tax-free accumulation of earnings
- Wish to leave assets to children and other heirs income tax free
- Have the resources to pay income taxes on the conversion from non-IRA assets
- Wish to reduce the taxable value of your estate
- Expect the value of IRA assets to appreciate substantially in the future
- May be in the same or a higher tax bracket when you retire

WHAT ARE THE TAX CONSEQUENCES OF CONVERTING?

Income tax. Typically, Roth IRA conversions require you to pay income tax on any of the rollover-eligible pre-tax assets converted, with the tax due in the year of conversion. You should always consult a tax professional prior to taking any distributions from your retirement savings or converting funds to a U.S. Trust Trusteed Roth IRA.

Estate tax. As with a traditional IRA, the value of a Roth IRA will be included in your gross estate for federal estate-tax purposes. However, the amount of income tax paid on the conversion will reduce the size of your gross estate, which could result in federal estate-tax savings if your estate is large enough to be subject to estate tax.

For a withdrawal from a Roth IRA to be federal income tax free, it must be considered qualified. There is a five-year holding period when determining whether earnings can be withdrawn tax-free as part of a qualified distribution from a Roth IRA. This period begins January 1 of the tax year of the first contribution or the year of conversion to any Roth IRA. The distribution must be made after the five-year holding period, and the individual must have reached age 59½, be deceased, disabled or use the funds for a first-time home purchase (lifetime limit of $10,000). There is a 10% additional federal tax (in addition to ordinary income tax) for nonqualified withdrawals of earnings taken before age 59½, unless an exception defined by the Internal Revenue Code applies. A special provision applies for converted assets. If a nonqualified withdrawal is made within five years of the conversion, the earnings withdrawn will be subject to income tax, and the entire withdrawal may be subject to a 10% additional federal tax unless an exception applies.
Creating a Trusteed IRA

PERSONALIZED SERVICE AND SPECIALIZED KNOWLEDGE

You can establish a Trusteed IRA as easily as opening a rollover IRA. Your Merrill Lynch advisor can:

- Explain the features of Trusteed IRAs
- Help you evaluate options
- Draw on the experience and knowledge of a trust specialist at Merrill Lynch as well as trust professionals from U.S. Trust to address your needs

A Trusteed IRA can also receive rollover distributions from your 401(k) or other qualified retirement plans¹ when you retire or change jobs.

DELIVERING THE TRUST SOLUTIONS YOU NEED

Your Merrill Lynch advisor works closely with experienced, knowledgeable and dedicated professionals from U.S. Trust to deliver trust and estate services that address your specific goals. The result is a fully integrated and holistic approach to helping you address your trust and wealth management needs.

In addition to Trusteed IRAs, your advisor can help you access the full range of personal and charitable trust solutions available through U.S. Trust.

¹ See footnote on page 5.
Our strengths, your legacy

To find out how you can take advantage of Trusteed IRAs, contact your Merrill Lynch advisor, who will work with a team of trust specialists. They will bring together the resources of Merrill Lynch and U.S. Trust to help you address your long-term goals for your IRA, 401(k) or other qualified plan assets.