

Stretch Your IRA Distributions

MetLife[®]



if

YOU COULD
CREATE THE
RETIREMENT OF
A LIFETIME

IRA

Reach Out to YOUR FUTURE AND YOUR HEIRS

You worked hard your entire life to accumulate your assets, fulfill your retirement dreams and provide financial protection for your loved ones. As you move forward through your financial lifecycle, it is important to examine your current situation and plan accordingly for future events that will impact your retirement strategy, your IRA assets and your beneficiaries.

If you've been saving money in an Individual Retirement Account or Annuity (IRA) or an employer-sponsored retirement plan, you've made a wise choice in planning for retirement. You have successfully utilized two very powerful financial principles—tax deferral¹ and compounding. But, the planning shouldn't stop there. You should also consider what you would like to do with those assets once you retire, and who should inherit them after your

death. With foresight and discipline, you can continue to use these financial principles during your lifetime and, if done properly, you can pass on those benefits and principles to your children or grandchildren. Therefore, it's best to plan early—and carefully—to help preserve those assets while paying the least amount of taxes. If that sounds good to you, read on to learn about the “STRETCH” strategy.

The Stretch IRA Strategy

THE STRETCH IRA strategy is designed to maximize tax-deferred growth of your IRA assets during your lifetime and provide a legacy for your beneficiaries. If you have other sources of retirement income and do not need the assets in your IRA to cover your expenses, you might want to consider the Stretch IRA strategy. This strategy can “stretch” the time during which your IRA's assets grow tax-deferred.

Required Minimum Distribution

The IRS requires you to begin taking money out of your qualified plan or IRA after you attain the age of 70½. The amount that you must withdraw, required minimum distributions (RMDs),² must be taken annually from your qualified plan or IRA and is taxed as ordinary income. This amount will depend on your age, the value of your qualified plan account or IRA, and in some cases, the age of your beneficiary. It is important to understand that the RMD amount that you must withdraw is a minimum. You can always withdraw more than your RMD amount. If you fail to take the required RMD, a tax penalty may be assessed.

Beneficiary Options

As stated earlier, after age 70½, you must begin taking your required minimum distributions. Upon your death, your beneficiary(ies) will have several options depending on:

1. Whether or not your beneficiary is a spouse or non-spouse
2. Whether you were older or younger than 70½

BY MAKING APPROPRIATE PLANNING DECISIONS YOU CAN:

- Minimize your current taxes by simply taking the required minimum distribution and no more.
- Give your beneficiaries the ability to extend the tax deferred status of your IRA by “stretching” it out over your beneficiaries’ life expectancies.
- Create a legacy by using your IRA to provide income to your surviving spouse, as well as future generations.



1 Tax-qualified accounts, including IRAs, TSAs and employer-sponsored retirement plans already provide the advantages of tax deferral. Variable annuities duplicate this deferral feature; however, variable annuities provide other features such as death benefits, optional living benefits and annuity payout alternatives. Should you elect to move your IRA assets, you should do so for the annuity contract's features and benefits other than tax deferral.

2 Required minimum distributions are calculated based on the Uniform Lifetime Table unless the spouse is the sole beneficiary and is more than 10 years younger than the participant.

Non-Spousal Beneficiary

IF IRA OWNER'S DEATH OCCURS PRIOR TO AGE 70½

- **KEEP IRA IN DECEDENT'S NAME**
- If the beneficiary chooses to keep the IRA in the decedent's name, distributions must begin by 12/31 of the year following the IRA owner's death. These distributions are based on the beneficiary's life expectancy.

IF IRA OWNER'S DEATH OCCURS AFTER AGE 70½

- **KEEP IRA IN DECEDENT'S NAME**
- The beneficiary can choose to keep the IRA in the decedent's name and continue distributions* based on the longer of:
 1. The decedent's life expectancy, or
 2. The beneficiary's life expectancy.

BENEFITS OF KEEPING THE INHERITED IRA IN THE DECEDENT'S NAME:

- Maintains tax deferred status.
- Can provide income to the designated beneficiary. If under age 59½, the beneficiary can receive income and not be subject to the 10% Federal income tax penalty imposed on pre-59½ distributions.
- If the beneficiary is younger than the IRA owner, the RMD amount may be reduced.
- The beneficiary can name a new beneficiary who can continue to receive distributions of any amounts left in the IRA (after the death of the initial beneficiary) over the initial beneficiary's remaining life expectancy (or if applicable, the decedent's life expectancy).

In addition, beneficiaries may elect to receive an immediate lump sum distribution or leave the IRA in the decedent's name and have the balance distributed within five years. However, while the lump sum option provides immediate access to assets, it may also result in significant income tax consequences.** Both spousal and non-spousal beneficiaries also have the option to "disclaim" or elect not to receive the IRA within nine months of the IRA owner's death. If a beneficiary disclaims, it will then pass to contingent beneficiaries.



Spousal Beneficiary

IF IRA OWNER'S DEATH OCCURS PRIOR TO AGE 70½

■ OPTION 1: TREAT AS OWN

Continue the IRA in the name of the surviving spouse and "treat as own." Distributions do not have to be taken until the surviving spouse reaches 70½.*

■ OPTION 2: KEEP IRA IN DECEDENT'S NAME

If the surviving spouse chooses to keep the IRA in the decedent's name, distributions must begin by the later of the year the decedent would have turned 70½ or 12/31 of the year following the IRA owner's death. These distributions are based on the surviving spouse's life expectancy.

IF IRA OWNER'S DEATH OCCURS AFTER AGE 70½

■ OPTION 1: TREAT AS OWN

Continue the IRA in the name of the surviving spouse and "treat as own." Distributions do not have to be taken until the surviving spouse reaches 70½.*

■ OPTION 2: KEEP IRA IN DECEDENT'S NAME

The surviving spouse can choose to keep the IRA in the decedent's name and continue distributions* based on the longer of:

1. The decedent's life expectancy, or
2. The surviving spouse's life expectancy.

TREAT AS OWN BENEFITS

- Maintains tax deferred status.
- If surviving spouse is under age 70½, distributions may not be required until the spouse reaches age 70½.
- If distributions are required, they are based on the surviving spouse's life expectancy. This can potentially reduce the RMD if the surviving spouse is younger than the IRA owner.
- The surviving spouse can name new beneficiaries.

BENEFITS OF KEEPING THE IRA IN THE DECEDENT'S NAME

- Maintains tax deferred status.
- Can provide income to a surviving spouse. If under age 59½, the surviving spouse can even receive income and not be subject to the 10% Federal income tax penalty for premature distributions.
- The surviving spouse can name a new beneficiary who can continue to receive distributions of any amounts left in the IRA (after the death of the surviving spouse) over the surviving spouse's (or if applicable, the decedent's) life expectancy.

In addition, beneficiaries may elect to receive an immediate lump sum distribution or leave the IRA in the decedent's name and have the balance distributed within five years. However, while the lump sum option provides immediate access to assets, it may also result in significant income tax consequences.** Both spousal and non-spousal beneficiaries also have the option to "disclaim" or elect not to receive the IRA within nine months of the IRA owner's death. If a beneficiary disclaims, it will then pass to contingent beneficiaries.

* If the IRA owner had begun RMDs, they must be fulfilled in the calendar year of the owner's death using the decedent's life expectancy.

** Income taxes are due in the year when distributions are received by the beneficiary. Any estate taxes due must generally be paid in cash within nine months after the decedent's death.

How The Stretch IRA Works: HYPOTHETICAL CASE STUDY*

LARRY'S DISTRIBUTIONS¹

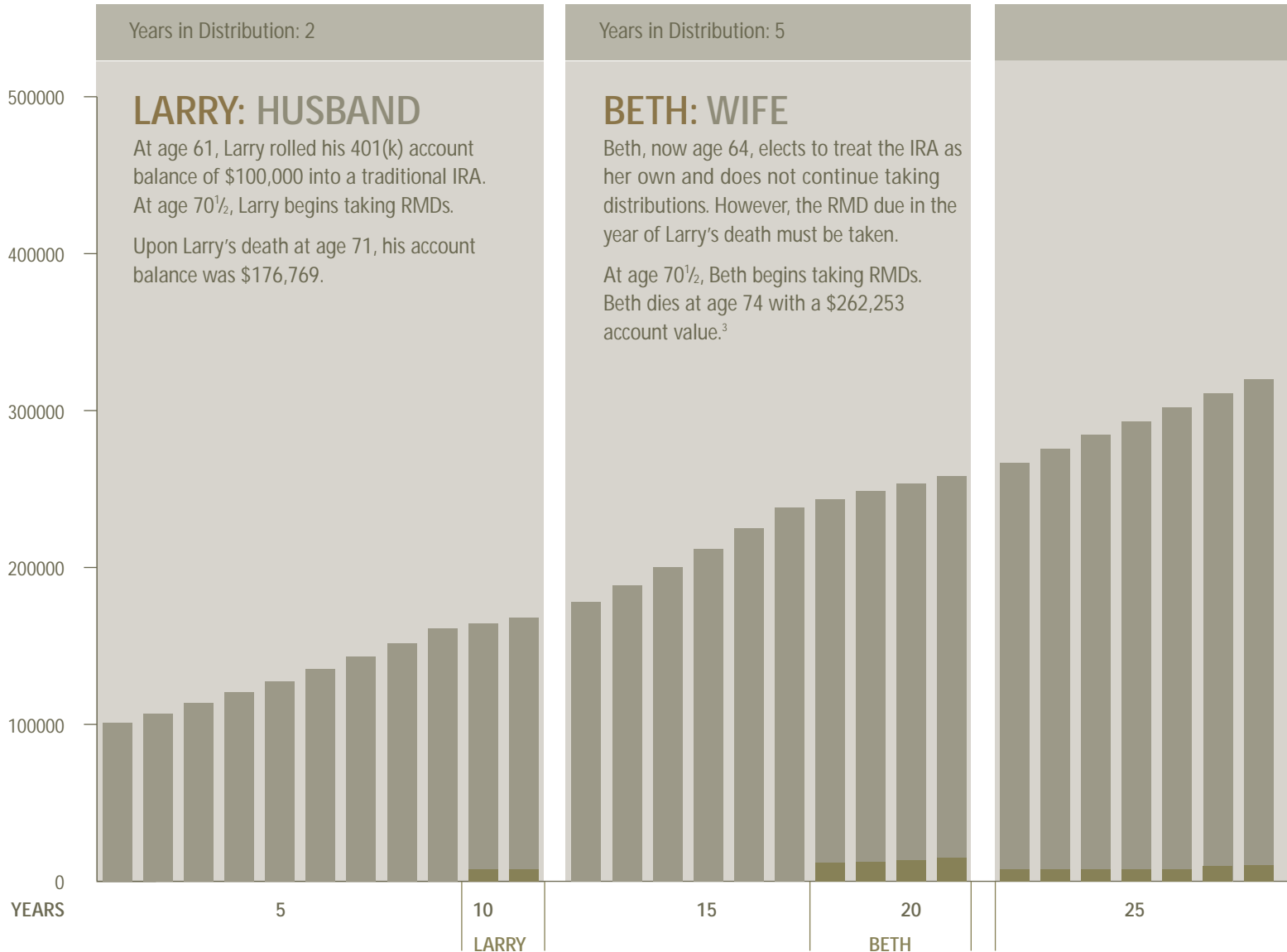
INITIAL INVESTMENT: \$100,000

TOTAL DISTRIBUTIONS RECEIVED: \$12,691²

BETH'S DISTRIBUTIONS

TOTAL DISTRIBUTIONS RECEIVED:

\$48,493²



1 Required Minimum Distributions are calculated based on the Uniform Lifetime Table.

2 Income taxes are due as money is distributed.

3 Estate taxes may be due if estate includes other assets large enough to subject it to tax.

TIM'S DISTRIBUTIONS

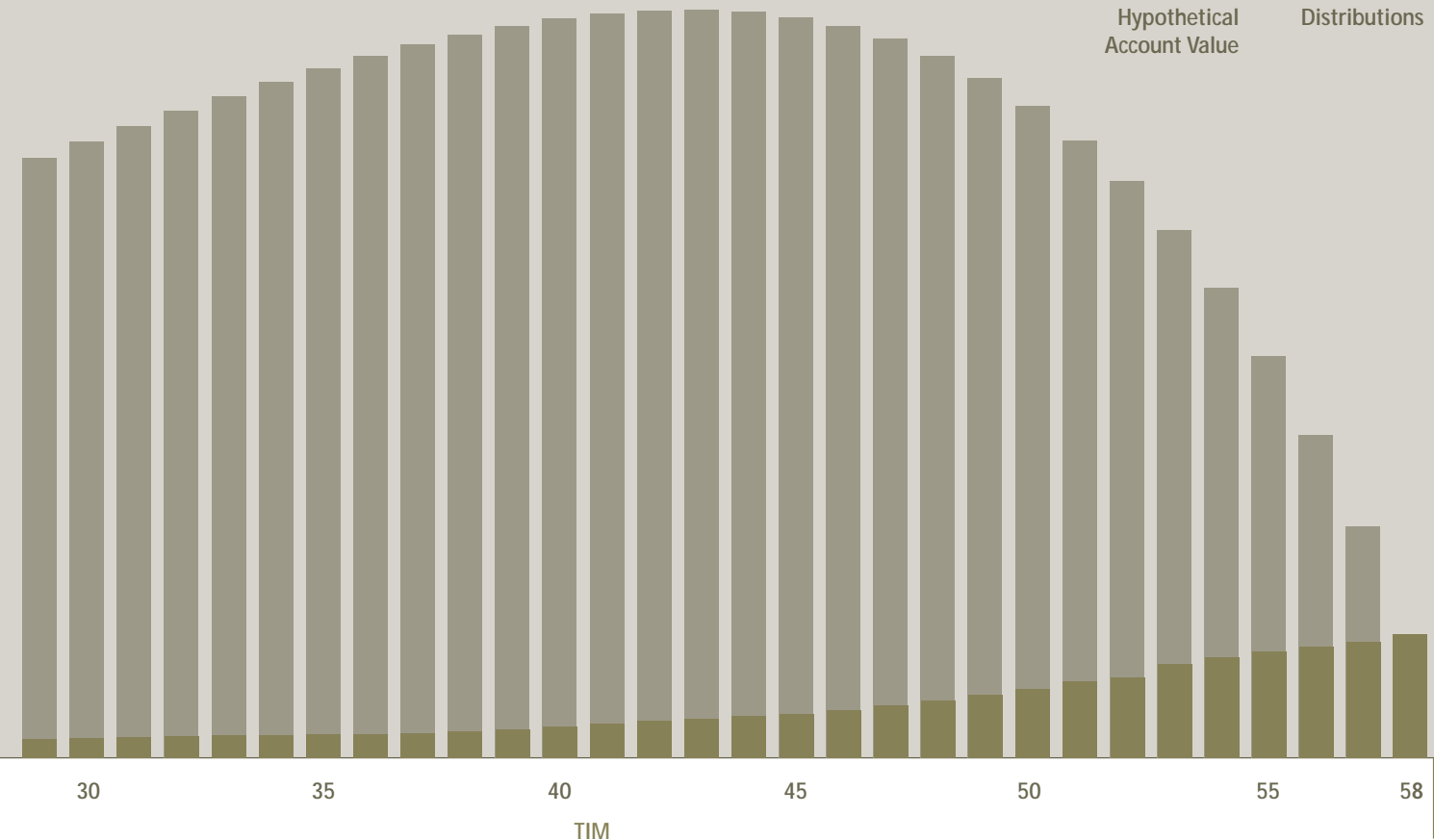
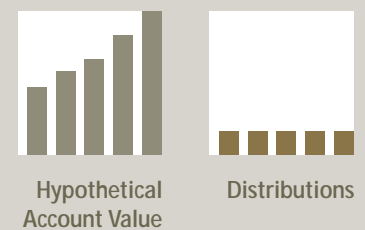
TOTAL DISTRIBUTIONS RECEIVED:

\$1,055,500²

Years in Distribution: Remainder of Tim's Life

TIM: CHILD

Upon Beth's death, Tim, age 45, maintains the account as an inherited IRA. He receives distributions based on his life expectancy and can continue distributions throughout his lifetime. This assumes Tim lives to age 83.³



*ASSUMPTIONS

- Hypothetical account value growth was compounded at 6% annually. These results are for illustrative purposes only and do not reflect the return associated with any actual investment.
- Federal income tax assumes a 30% tax rate. State income taxes may also apply. Taxes paid will be at ordinary income tax rates and will depend on your marginal tax rate then current for the year distributions are received.
- This illustration depicts year-end values, assumes there is no change in the current tax law and does not take into account the impact of inflation or additional expenses.

Additional Beneficiary Designations

In some circumstances, individuals may designate multiple, or non-natural beneficiaries. Listed below are the options associated with those designations under the tax Code. There may be additional limitations based on the funding vehicle the IRA is invested in. Please consult your tax and legal advisors for advice on your particular situation.

What If There Are Multiple Beneficiaries?

If the IRA owner has listed multiple beneficiaries (natural or non-natural), the IRA can generally be split into separate accounts (upon death) based on the owner's beneficiary designations. Beneficiaries can then decide which options to choose based on their relationship (spouse or non-spouse) to the IRA owner. If the beneficiary is a trust, unless there are separate sub-trusts at the time of death for each beneficiary, distribution will be limited to payments based on the life expectancy of the oldest trust beneficiary.

What If There Are No or Non-Natural Beneficiaries Indicated?

If the IRA owner dies prior to age 70½ and there are no beneficiaries named or non-natural beneficiaries (i.e., charities, trusts or an estate) are indicated, the non-natural beneficiaries or the IRA owner's estate can elect to receive a lump sum payment or have the balance completely distributed within five years.

If the IRA owner dies after reaching age 70½ and there are no beneficiaries named or non-natural beneficiaries indicated, the non-natural beneficiary or the IRA owner's estate can take a lump sum payment or continue periodic payments based on the decedent's life expectancy. However, if a trust that meets specific requirements is an IRA beneficiary, then the trust could elect to receive RMD payments based on the life expectancy of the oldest trust beneficiary.



Beneficiaries and Your Estate Plan

The impact of estate taxes and potential legal issues will no doubt be of great importance in your planning process and, as such, you should seek the advice of your tax and legal advisors in addition to the advice you receive from your financial services professional. Working together with these individuals to create a comprehensive estate plan is critical to ensuring that your assets will be distributed to your beneficiaries in a tax-efficient manner and according to your desires. Without an efficient estate plan, your loved ones may end up with a considerable tax liability instead of the legacy you would like to leave them.

As you can see, your loved ones will have a number of options when it comes time to decide the future of your IRA assets.

You should also keep in mind that your IRA assets may be just one of the pieces in your estate planning puzzle.



Fixed and variable annuities also enable you to pass assets intact to loved ones and allow them to continue enjoying tax deferred growth for years to come.

Section 72(s) of the Internal Revenue Code provides that your spouse and non-spousal beneficiaries can inherit your annuity assets as follows:

- Non-spousal beneficiaries may begin taking distributions from the annuity within one year after the owner's death. Distributions are based on the beneficiary's life expectancy and, therefore, continue for the rest of his or her life. If the beneficiary wishes, he or she can forego lifetime distributions in favor of liquidating the annuity within five years.

- Spousal beneficiaries enjoy the same privileges as their non-spousal counterparts, but they gain the additional benefit of actually taking ownership of the annuity contract. As a result, they can name their own beneficiaries who will inherit any assets remaining in the annuity at the new owner's death.

Because annuity payments consist of pre- and post-tax dollars, only a portion of them are taxable to the beneficiary at his or her individual tax rate. Withdrawals are taxable to the extent of gain in the contract.



THE NEXT STEP

Talk to your Financial Services Representative about the Stretch IRA strategy. They can help you to implement this strategy and leave a legacy that reflects your wishes and avoids unnecessary taxation.

In today's complex financial environment, it's important to make the most of what you have worked so hard to accumulate. Contact your Financial Services Representative today.

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Note: All traditional IRAs receive tax deferral under the Internal Revenue Code. Although there are no additional tax benefits by funding your IRA with an annuity, it does provide you (for an added charge) with additional insurance benefits such as an available guaranteed income for life. MetLife insurance and annuities are issued by Metropolitan Life Insurance Company, 200 Park Avenue, New York, NY 10166 and distributed by MetLife Investors Distribution Company (member FINRA), Irvine, CA 92614. Securities, including variable products, offered through MetLife Securities, Inc. (member FINRA/SIPC), New York, NY 10166. Metropolitan Life Insurance Company, MetLife Investors Distribution Company and MetLife Securities, Inc. are affiliates. New England Financial securities products are offered through New England Securities Corp., 501 Boylston Street, Boston, MA 02116.

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