Voya™ Time Savers

72(t/q): Money when your client needs it.

What are 72(t/q) payments?

There are many situations where an individual may need to receive income from their annuities prior to reaching age 59 ½. Internal Revenue Code (IRC) Section 72(t)(2)(A)(iv) for qualified deferred annuities, which include 403(b) and IRAs, and IRC section 72(q)(2)(D) for non-qualified deferred annuity contracts, outline the exceptions to the 10% penalty on premature distributions from their retirement accounts.

Do you have clients in need of income?

Which of your clients have experienced any of the following situations:

- Recent lay off
- Sudden reduction in income
- Contemplating retirement early
- An unforeseen financial emergency

Important note: Not all of these situations are good reasons to exercise this option. Your client could greatly reduce future retirement income by taking distributions early. Exercising the distributions early because of a job loss at age 30 would require payments until 59½ and could possibly deplete the entire account.

How can your clients access their investments without being penalized?

The client can choose to receive substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the contract owner or the joint lives or joint life expectancies of the contract owner and his/her designated beneficiary. These payments can be based on a number of acceptable calculation methods, and can give your clients income for the rest of their life, or generally as short as five years. It is important to remember that once the calculated distributions begin, they must not be revoked or modified for at least five years, or, if later, the date the Owner reaches age 59½.

The reasons allowed for modifying the SEPP payments are: (1) death (2) disability (3) a one time irrevocable election to switch from either the annuity or annuitization method to the life expectancy method. The one time election is often used when someone wants to reduce their payment amount because the person has returned or to work or is concerned that the savings will run out prematurely. Otherwise the Owner will be liable for the 10% federal penalty tax, as well as any interest and penalties on all distributions received under the 72(q) or 72(t) election prior to the date the Owner reaches age 59½. (Unless another statutory exemption applies.)

Plan for your clients' immediate income needs with their future goals in mind.

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Create solutions to meet your clients' needs.

Provide your clients with additional income while minimizing the affects to their overall retirement and legacy planning with the use of:

- Living and death benefits that may help preserve your client's goals.
- Voya Presents 72 (t/q) Calculator
- Annuities for an income now, income later strategy.
- More liquid assets for income now, while using a deferred annuity for future income.

72(t/q) – The basics

Now you know which of your clients may need to take distributions based on Sections 72(t) and 72(q); but how does it work? Payments can come in the form of a life annuity income stream or as withdrawals from a deferred annuity or IRA. Although annuitization may be the right choice in some situations, most of your clients will want to keep the tax-deferred earning power of their annuity or IRA, while still receiving the pre-59½ income they need. However, that income must be structured according to IRS guidelines.

Substantially Equal Periodic Payments – Non-Annuitization

The owner can choose to take income and avoid the 10% Federal penalty tax if they receive substantially equal periodic payments, pursuant to IRS guidelines, from their annuities or IRAs. These withdrawals can be calculated by using one of the following three methods:

1. Required Minimum Distribution Method
2. Fixed Amortization Method
3. Fixed Annuitization Method

The details on non-annuitization distribution methods

The calculated distribution amount will vary depending on the method your client chooses.

Required Minimum Distribution Method (Life Expectancy Method) – the annual payment is determined by dividing the entire interest in the contract (Accumulation Value plus Actuarial Present Value of any additional benefits determined as of 12/31 of the preceding calendar year) by the number from the chosen life expectancy table for the current year. As a result, annual payments fluctuate each year.

Fixed Amortization Method – the annual payment is determined by amortizing the Accumulation Value (determined at the time payments begin) using the chosen life expectancy table and the chosen interest rate. The annual payments are the same in succeeding years.

Fixed Annuitization Method – the annual payment is determined by dividing the Accumulation Value (determined at the time payments begin) by an annuity factor taken from a mortality table published by the IRS, and using the chosen interest rate. The annual payments are the same for each succeeding year. The interest rate chosen in connection with the Fixed Amortization and Fixed Annuitization Methods may be any interest rate that does not exceed 120% of the Federal mid-term rate.

For more information, please contact Voya Sales: **1-800-369-5301, option 2.**

Annuities are issued by Voya Insurance and Annuity Company (VIAC), (Des Moines, IA), member of the Voya™ family of companies.

All guarantees are based on the financial strength and claims paying ability of Voya Insurance and Annuity Company (VIAC), who is solely responsible for all obligations under its policies.

Withdrawals may be subject to Federal/State income tax and, if taken prior to age 59½, an additional 10% Federal penalty tax. IRAs and other qualified plans already provide tax deferral like that provided by the annuity. For an additional cost, the annuity provides additional features and benefits, including death benefits and the ability to receive a lifetime income. If other options are available, you should not purchase a qualified annuity unless you want these additional features and benefits, taking into account their cost. Federal law requires that withdrawals be taken first from interest earnings. All distributions from qualified annuities may be taxable. State premium taxes may reduce the final value of your annuity.

If the contract is an IRA, the 72(t) election may have to be modified when the client attains age 70½ in order to meet minimum distribution requirements imposed by the Internal Revenue Code and to regulators hereafter.

It is possible that the 72(q)(t) payments may deplete the client's Accumulation Value at a rapid rate and that the client's money may not last as long as he/she had originally intended.

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