Courtesy Of:
Donadio
Financial Services
51424 Van Dyke Avenue
Shelby Township, MI 48316
Ph: 586.737.2000

Estate planning

Stretch your IRA across generations

The assets in your Individual Retirement Account (IRA) could help you create a source of income for several generations of your family. To create this legacy, follow the Stretch IRA strategy.

Six steps

1. Consolidate/roll your retirement assets into an IRA.
2. Name your spouse as your primary beneficiary.
3. After your death, your spouse rolls over the remaining assets into his or her own IRA.
4. Your spouse names a daughter or son as beneficiary.
5. After your spouse's death, your daughter or son receives minimum distributions from the IRA and names his or her child as beneficiary.
6. Distributions continue until the beneficiary IRA is exhausted.

Leave a legacy, minimize taxes

Designed for individuals who will not need all the money in their IRAs for their own retirement needs, the Stretch IRA strategy allows your beneficiary to take distributions over his or her own life expectancy.

The named beneficiaries, who are usually younger than the original IRA owner, may be able to take distributions based on their own life expectancies. This can potentially lower annual income tax liability and allows assets to grow tax deferred in the IRA. The younger the beneficiary, the longer the IRA assets can remain invested tax deferred. (Take a look at the chart on page 2 to see how it could work over three generations.)

Using this strategy, you withdraw from your IRA only the required minimum distributions (RMDs) you must take after reaching age $70^1/_2$. If your beneficiaries take the proper steps, they can stretch the value of your IRA over many years. As the owner of the account, you may want to make sure your beneficiaries are aware of the potential advantages of the Stretch IRA concept.

How the Stretch IRA works

When your retirement plan assets are distributed to you, the first step is to transfer them into a Rollover IRA and name your spouse as beneficiary. When you pass away, your spouse has the right to roll over the remaining assets into an IRA in his or her own name and name a new beneficiary, such as your son or daughter. When your spouse passes away, your son, daughter, or other beneficiary could take payments over his or her own life expectancy and name another beneficiary. Take a look at the following example to see how it might work.

(continued on page 2)

Key points

The Stretch IRA strategy

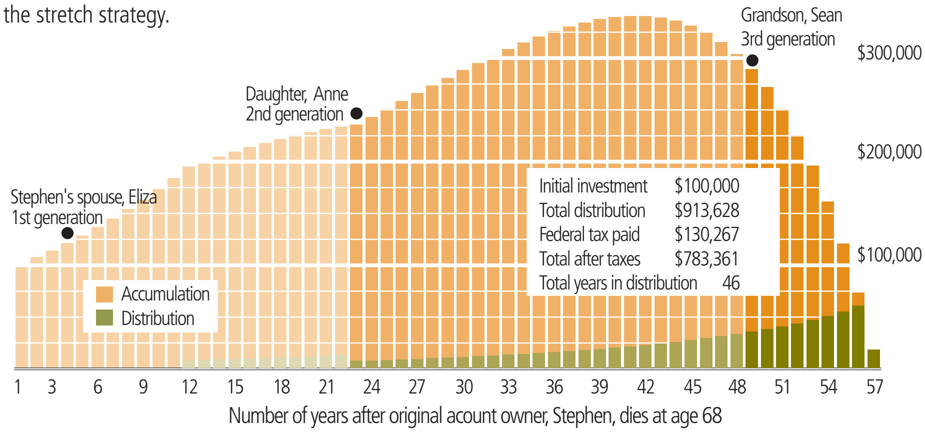
- helps investors stretch their retirement distributions across generations
- allows the beneficiary to take distributions over his or her own life expectancy and minimize the income taxes due
- keeps more money in a tax-deferred account for potential continued compounded growth

(continued from page 1)

The Stretch IRA at work

One IRA — three generations of income®

Stephen retires at age 65. He has accumulated $100,000 in assets. He establishes a rollover IRA, and he and his heirs follow the stretch strategy.



Three generations benefit over nearly six decades

Assumptions:

- 6% annual return on account, compounded quarterly
- based on 2007 income tax rates for a single taxpayer
- does not include standard deduction or personal exemptions

Stephen retires at age 65. He has accumulated $100,000 in retirement plan assets. He establishes a rollover IRA and names his wife, Eliza, as his beneficiary.

At Stephen's death at age 68, Eliza rolls the IRA into an IRA of her own. Starting at age 70½ and continuing until her death at age 80, she receives RMDs from the IRA that are based on her life expectancy (from the Uniform Distribution Table*). Eliza's beneficiary, her daughter Anne, maintains the account as a beneficiary IRA and receives RMDs from the IRA based on her own single life expectancy. Anne passes away at age 77, at which point her beneficiary, her son Sean, is able to receive RMDs from the IRA over the remainder of Anne's single life expectancy.

(Hypothetical results are for illustrative purposes only and are not intended to represent the future performance of any MFS® investment product. Investments in mutual funds will fluctuate, and shares may be worth more or less than their original value. Keep in mind this illustration is based on a 57-year time period and 2007 tax laws. There is no assurance that these tax laws will remain in effect for the entire period.)

*Distributions based on the Uniform Distribution Table are based on the joint life expectancy of the IRA owner and a hypothetical beneficiary exactly 10 years younger.

Is a Stretch IRA right for you?

The stretch strategy may or may not be a good idea for you. It is important to note that the Stretch IRA is designed for investors who will not need all the money for their own retirement needs. As a starting point, you should talk with your investment professional or tax advisor.

For more information about IRA planning, ask your investment professional for the MFS Heritage Planning infosheet *Choosing beneficiaries for your IRA* and the MFS brochure about Stretch IRA and distribution options *Ready, set, retire*.

Resources

Slesnick, Twila and Suttle, John C. *IRAs, 401(k)s, and Other Retirement Plans: Taking Your Money Out*. (Nolo Press, 6th edition, 2004)

Contact your investment professional for more information, or visit **mfs.com**.