AMERICAN EQUITY
INVESTMENT LIFE INSURANCE COMPANY®

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Roth conversion strategy

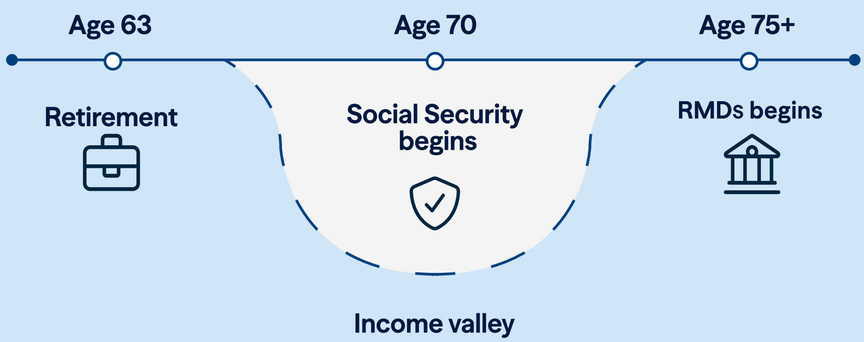
Navigating temporary income valleys

1 The income valley

For many retirees, there is a period between retirement and the start of Social Security benefits and required minimum distributions (RMDs). This temporary **"income valley"** may create an opportunity to exercise greater control over taxable income than will be possible later in retirement.

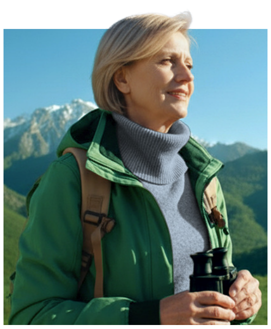
Traditional IRA RMDs begin at the owner's applicable RMD age under federal law (age 75 for the hypothetical assumptions shown).

Retirement income timeline



2 Client profile

Joan Reynolds | Age 63



- Former annual income: **$150,000**
- Traditional IRA: **$500,000**
- Projected IRA at Age 75: **$800,000**
- Delaying Social Security: **until Age 70**

Following company-wide layoffs, Joan transitioned into retirement. During her working years, she earned approximately $150,000 annually and accumulated substantial retirement savings along the way.

Her retirement assets included a traditional IRA valued at approximately $500,000, which was projected to grow to approximately $800,000 by age 75.

Her plan was to rely on severance benefits and personal savings while delaying Social Security benefits until age 70. As a result, she entered a temporary period of reduced taxable income, creating a unique planning opportunity.

3 The opportunity

Stategic Roth Conversion

Traditional IRA
↓
Convert portions
Ages 63 · 64 · 65
↓
Roth IRA
↓
Tax-advantaged growth

Why spread conversions over several years?

- Potentially manage tax impact
- Take advantage of lower-income years
- Gradually reposition assets
- Create future tax-advantaged Roth IRA growth opportunities

During these lower-income years, Joan could strategically convert portions of her traditional IRA into a Roth IRA. One hypothetical approach is to evaluate partial conversions in each of several tax years, such as ages 63, 64, and 65 (determined annually). By spreading conversions over several years, she may be able to manage the tax impact while gradually repositioning assets into a more flexible tax environment.

4 A deeper look into roth conversions

A roth conversion is not about avoiding taxes. It's about choosing when taxes are paid. Rather than allowing future growth in a traditional IRA to be taxed upon distribution, retirees may elect to pay taxes on a portion of the IRA today and allow future growth to occur inside a Roth IRA. (Limitations and Exclusions may apply.)

Potential Benefits

- Eliminate future RMDs on converted assets
- Reduce future taxable income
- Create a more tax-efficient legacy for beneficiaries

5 The role of an annuity

In this scenario, IRA assets could be allocated to either the **American Equity IncomeShield 10 with Bonus Fixed Indexed Annuity (FIA)** or American National's **Palladium® Multi-Year Guarantee products**, depending on the client's goals.

Funding Solutions

American Equity IncomeShield 10 with BONUS FIA

- 14% first-year premium enhancement
- Protection from market downturns
- Tax-deferred growth
- Potential index-linked interest credits

Palladium® MYG

- Competitive guaranteed interest rates
- Principal protection
- Tax-deferred growth
- RMD-friendly distribution flexibility for qualified retirement assets

6 A temporary income valley may create an opportunity

For many retirees, a temporary period of lower taxable income may provide an opportunity for partial Roth conversions. Conversions generally create taxable income in the year converted but may reduce future RMDs and provide the potential for federal income-tax-free qualified Roth IRA distributions.[1]

1) Tax outcomes vary based on individual circumstances and tax law.
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