

IRS Issues Regulations on Longevity Annuity Contracts

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The IRS released final regulations relating to the use of "qualifying longevity annuity contracts" (QLAC). A QLAC is a special type of annuity contract under a tax-qualified defined contribution plan, such as a 401(k) plan, which provides a lifetime income stream starting no later than age 85. Amounts held in a QLAC are exempt from the required minimum distribution rules of the Internal Revenue Code. Pursuant to the final regulations, only up to the lesser of \$125,000 or 25% of the participant's account balance may be invested in a QLAC. Additionally, a QLAC can have no cash surrender value. The final regulations can be found [here](#).