ESTATE PLANNING

Six steps

1. You roll your retirement assets into an IRA.
2. You 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.

This material should be used as helpful hints only. Each person's situation is different. Your team of professionals should be consulted for more information before you make any decisions.

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.

As you begin to consider what kind of legacy you would like to leave your loved ones, be sure to seek insight from your team of professionals, including an estate planning specialist and tax attorney.

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 each beneficiary to take distributions for the remainder of his or her life.

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 potentially 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 70½. If your beneficiaries take the proper steps, they could 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, if your spouse survives you, he or she 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. The example on page 2 shows how it might work.

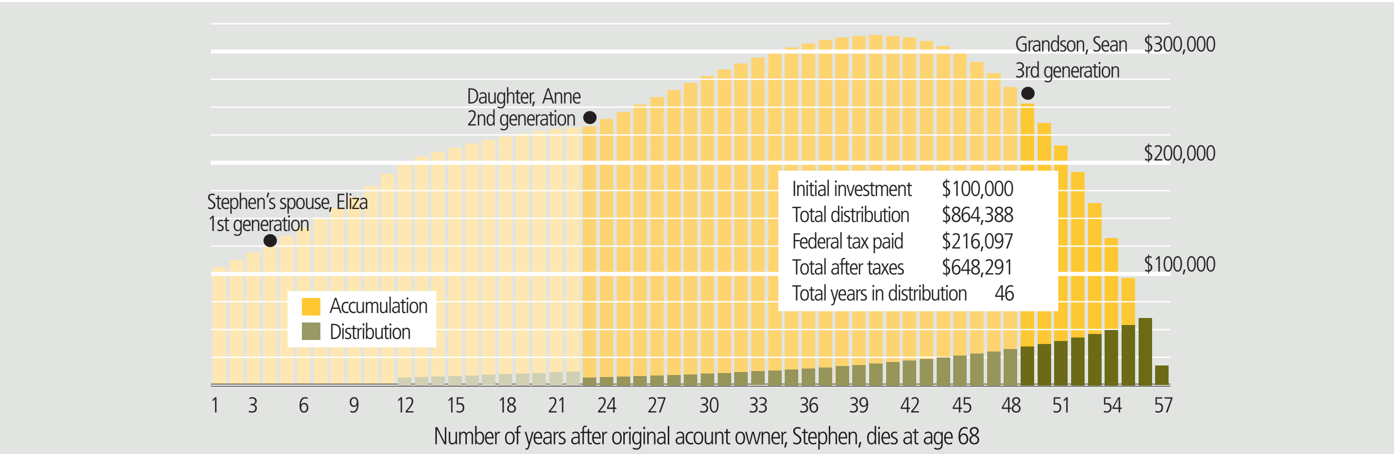
Key points

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

The Stretch IRA at work

One IRA — three generations of income®

In this hypothetical example, 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
- examples assume federal taxes at a 25% rate

Stephen retires at age 65. After participating in his plan for 20 years, he has accumulated $100,000 in assets. He establishes an IRA rollover and names his wife, Eliza, age 59, as beneficiary.

Stephen passes away at age 68. Eliza rolls Stephen's IRA into an IRA in her name and makes her daughter, Anne, age 31, her beneficiary.

Eliza turns 70½ and starts to take the required minimum distributions based on the Uniform Lifetime Table.*

Eliza passes away at age 80, having netted, after taxes, $76,698. Anne, age 50, maintains the account as a beneficiary IRA, names her son, Sean, as her beneficiary and continues to receive required minimum distributions over her own single life expectancy.

Anne passes away at age 76. Throughout the 26 years, she received $304,523 net after taxes. Sean, age 46, starts to receive Anne's remaining distributions. He receives $267,070 net after taxes.

(Hypothetical results are for illustrative purposes only and are not intended to represent the future performance of any MFS® investment product. Rates of return will vary over time, particularly for long-term investments. There is no guarantee the selected rate of return can be achieved. Keep in mind that this illustration is based on a 57-year time period and current tax laws. It is not possible to predict how tax laws may change over this period.)

* Distributions based on the Uniform Lifetime 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. Please be aware that an IRA is only one option for how to invest plan assets at the time of retirement. Each choice offers advantages and disadvantages, depending on desired investment options and services, fees and expenses, withdrawal options, required minimum distributions, tax treatment and your unique financial needs and retirement plans. As a starting point, you should talk with your team of professionals. The investments you choose should correspond to your financial needs, goals and risk tolerance. For assistance, talk to your team of professionals, including an estate planning specialist and tax attorney.

For more information about IRA planning, ask your financial advisor for the MFS Heritage Planning® infosheet "Choosing Beneficiaries for Your Retirement Accounts."

MFS Fund Distributors, Inc., Boston, MA

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