IRA TRUSTS & RETIREMENT DISTRIBUTION TRUSTS AS BENEFICIARY OF RETIREMENT ASSETS: WHAT THE PRACTITIONER NEEDS TO KNOW

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Many taxpayers have accumulated a considerable amount of assets in their retirement accounts. These assets may be in their 401(k), another type of qualified plan, a 403(b) arrangement, a 457 governmental plan, a traditional IRA and a Roth IRA.

Often taxpayers roll over their retirement assets from an employer sponsored retirement plan into a rollover IRA for tax planning purposes and for other reasons. These assets should be part of an overall estate plan if they are substantial. Even if these assets are not substantial, you should know how the basic retirement distribution rules work.

The purpose of this manual is to alert you, as a practitioner, as to many of the retirement distribution rules that you must know in order to effectively implement an estate plan that includes retirement type assets. This manual assumes that you, the practitioner, have a limited knowledge of the rules. Many of your clients may ask you questions about retirement distribution planning. You need to be responsive.

The reason that retirement plans can now be used effectively in estate planning is the result of significant legislative changes. The Pension Protection Act of 2006 had optional provisions that permitted a nonspouse beneficiary of an eligible retirement plan to establish an inherited IRA. Certain qualifying trusts that satisfy the IRS rules may qualify for this relief as well. These provisions apply to nonspouse beneficiaries with respect to amounts payable from a qualified retirement plan, governmental section 457 plan and a 403(b) tax sheltered annuity. If the paperwork is done correctly and spousal consent, if applicable, is obtained, then a nonspouse beneficiary and certain trusts can be the beneficiary of a participant's death benefits from an eligible retirement plan for purposes of establishing an inherited IRA. Under the Worker, Retiree, and Employer Recovery Act of 2008 (WRERA) this provision is mandatory for plan years commencing after December 31, 2009.

This manual emphasizes the effective use of trusts as the beneficiary of retirement type accounts. It goes into many of the issues that apply when an IRA trust is the beneficiary of a traditional IRA and/or Roth IRA or a Retirement Distribution trust is the beneficiary of a retirement account on or after 2010. Tax planning provisions and techniques are discussed throughout the manual.

This manual covers the following topics:

- Comprehensive IRA trust checklist with detailed key points
- Who should pay your estate tax on your retirement accounts
- Why many beneficiary forms are defective
- Power of attorney issues
- The new trust rules that apply to plan participants in 2010 and beyond
- Effective use of Retirement Distribution trusts and IRA trusts in estate planning
- Tax planning provisions that Retirement Distribution trusts and IRA trusts in estate planning
- How to tie in your estate plan with your retirement assets (with detailed examples)

This manual has been used for continuing education courses for attorneys and certified public accountants in New York and New Jersey. This manual can be purchased through IRG Publications at a price of $70.00 for hardcopy or in downloadable format at www.iklasser.com/downloads at a price of $48.00.

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