

IRAs are Different

IRAs...The Black Hole of Estate Planning. IRAs are different than all other assets.

Estate Planning is different for IRAs.

IRAs are distributed differently than all other assets both during life and after death.

Here's why:

IRAs pass by contract (generally not by will).

IRAs have required minimum distributions (RMDs).

IRAs have their own set of complex distribution rules both during life and after death and these have been changed by the SECURE Act.

IRA distributions can incur tax penalties.

IRAs are highly taxed upon death or withdrawal.



For more information about this educational membership organization, visit www.irahelp.com

Prism Planning & Solutions Group

777 Westchester Ave, Suite 101, White Plains, NY 10604
Telephone: (914)–831–3050
Fax: (914)–831–0714 | julia@ppsgroup.com

Copyright © 2024, Ed Slott and Company, LLC. Reprinted with permission, Ed Slott and Company, LLC takes no responsibility for the current accuracy of this information.

For More IRA Expertise

Website: ppsgroup.com
LinkedIn: www.linkedin.com/in/juliapelo-barnes/
Facebook: www.facebook.com/PrismPlanning

IRAs are Different

IRAs are subject to double tax at death (estate and income tax, plus state versions of those taxes) in addition to IRS penalties that can apply to withdrawals made by the owner.

IRAs receive NO step-up in basis.

IRA investment gains are taxed as ordinary income, not at capital gains tax rates.

IRA investment gains are not subject to the 3.8% investment income surtax.

IRAs cannot be gifted or transferred during lifetime. Exception: a Qualified Charitable Distribution (QCD).

Exception: a court-ordered transfer that is part of a divorce agreement.

IRAs cannot be transferred to trusts during lifetime or after death.

IRAs cannot change ownership during lifetime – this would trigger an immediate and complete distribution and end the tax shelter.

IRAs cannot be owned jointly, like other property can be owned, even in community property states.

IRAs are Different

IRA equity cannot be tapped the way home equity can be tapped without triggering tax and potential IRS penalties.

The choice of IRA beneficiary determines the ultimate future potential value of that IRA to beneficiaries.

IRA beneficiaries may qualify for special tax breaks that are often missed.

IRAs have no principal and income concept. The entire IRA may be distributed to the income beneficiary of a trust leaving little or nothing to remainder trust beneficiaries.

IRAs require their own estate plans and then those estate plans must be integrated within the overall estate plan that includes all other assets.