

Preparing IRA Beneficiaries to Secure Your Legacy





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All information and materials are for educational purposes only. All parties are encouraged to consult with their attorneys, accountants and financial advisors before entering into any type of investment.

Agenda

- 1 IRA Beneficiary Basics
- 2 What All Benefactors & Beneficiaries Must Know
- 3 Avoiding Common Legacy Planning Mistakes
- 4 Bonus Beneficiary Preparation Checklist
- 5 Q&A Time

Meet Your Host

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Business Development Manager at The Entrust Group



Years at Entrust



Educating investors and professionals on tax-preferred retirement accounts

About Entrust



|
\$5B

Assets Under
Administration



|
22k

Active
Accounts



|
40

Years of
Service



|
1

Point of
Contact

About Entrust



- Self-Directed IRA administrators
- Knowledgeable staff with CISP designations
- Nationwide offices
- In-person events and virtual webinars
- National Continuing Education program for other credentials
- Bi-annual IRA Academy

What is a Self-Directed IRA?



A retirement account in which the individual investor is in charge of making all investment decisions



Greater opportunity for asset diversification outside of traditional stocks, bonds, and mutual funds



All securities and investments are held in a retirement account administered by a regulated custodian or trustee



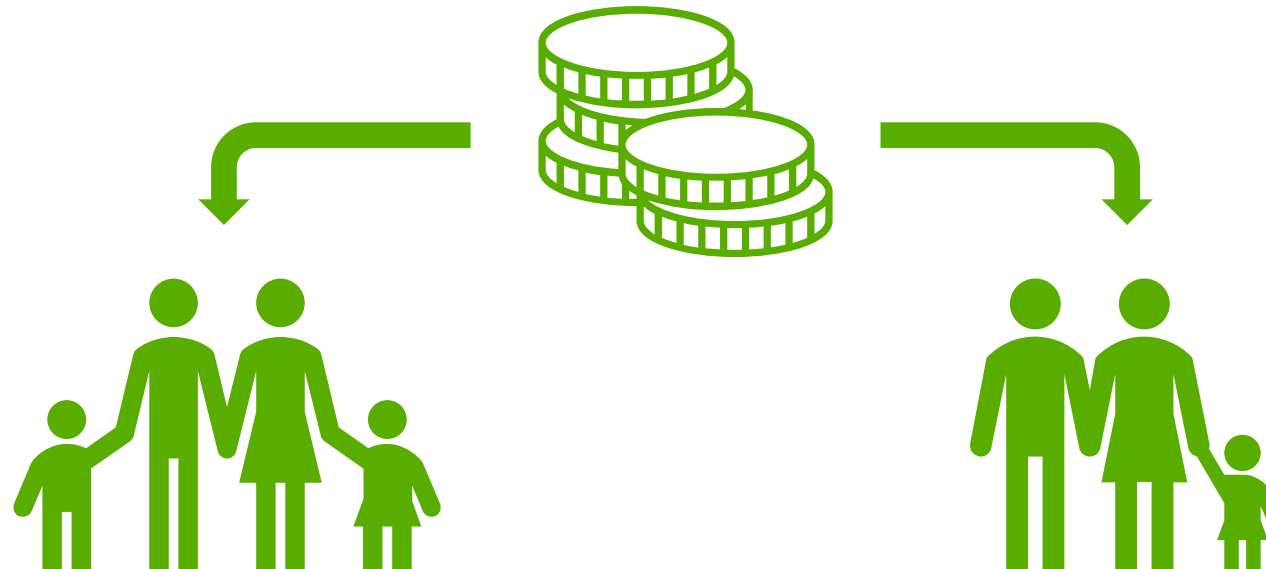
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Beneficiary Basics



Planning A Legacy

Legacy planning is the process of defining how your wealth will be transferred to the next generation



Pieces of the Puzzle



You



Beneficiaries



Inherited IRA



Custodian

Let's Take A Poll

How Prepared are Your Beneficiaries?

- ❖ **Very:** I have educated my beneficiaries on inherited IRAs
- ❖ **Somewhat:** I informed my beneficiaries they were named
- ❖ **Not:** My beneficiaries don't know they were named
- ❖ **I have not named beneficiaries**

Why Naming Your Beneficiaries Matters

Naming Beneficiaries

- Aligns your investing legacy with your financial plans
- Creates structure for handling the inheritance of your assets
- Better prepares them to help you realize your goals



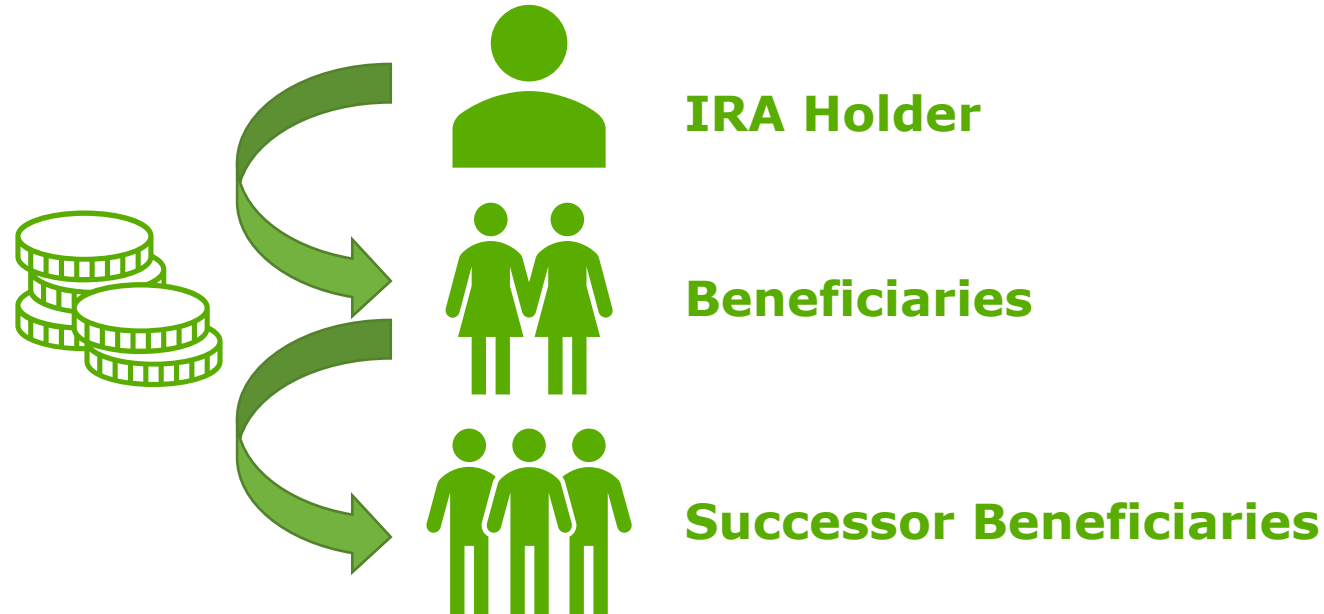
Not Naming Beneficiaries

- Names your estate as the sole beneficiary by default
- Might make account subject to a will
- May cause assets to enter probate
- Exposes your wealth to fees & taxes



Evaluating Your Beneficiary Tree

To prepare your beneficiaries, you must understand the flow of funds for each contingency.





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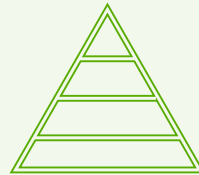
What Benefactors & Beneficiaries Must Know



Why Education is the Best Preparation



Demystifies the complexities of Inherited IRAs



Provides structure for managing an IRA



Gives beneficiaries a head start

Keeping Your Beneficiary Designation Forms Updated



Contact Info



Date of Birth



SSN or Tax ID



Relationship

Options for Beneficiaries **Before** The SECURE Act

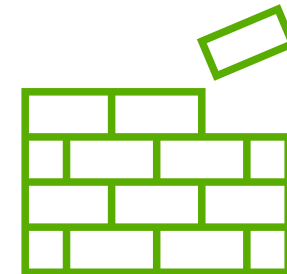
#1: 5-Year Rule

- Beneficiaries must distribute entire account within 5 years
- Possible if benefactor did not start taking RMDs yet
- Failure to comply is penalized



#2: Life Expectancy Payments

- Beneficiaries can deplete their inherited account incrementally
- Life expectancy payments are calculated using IRS Form 590-B
- Failure to comply is penalized



Eligibility for Each Type of Beneficiary **After** The SECURE Act



Eligible Designated Beneficiaries

- Spouse
- Minors
- Non-spouse beneficiary less than 10 years younger
- A beneficiary who is chronically ill or disabled



Designated Beneficiaries

- Non-spouse beneficiary more than 10 years younger



Non-Designated Beneficiaries

- Charities
- Your estate

Options for Each Type of Beneficiary **After** The SECURE Act



Eligible Designated Beneficiaries

- Can deplete account with life expectancy payments



Designated Beneficiaries

- Must deplete Inherited IRA within 10 years

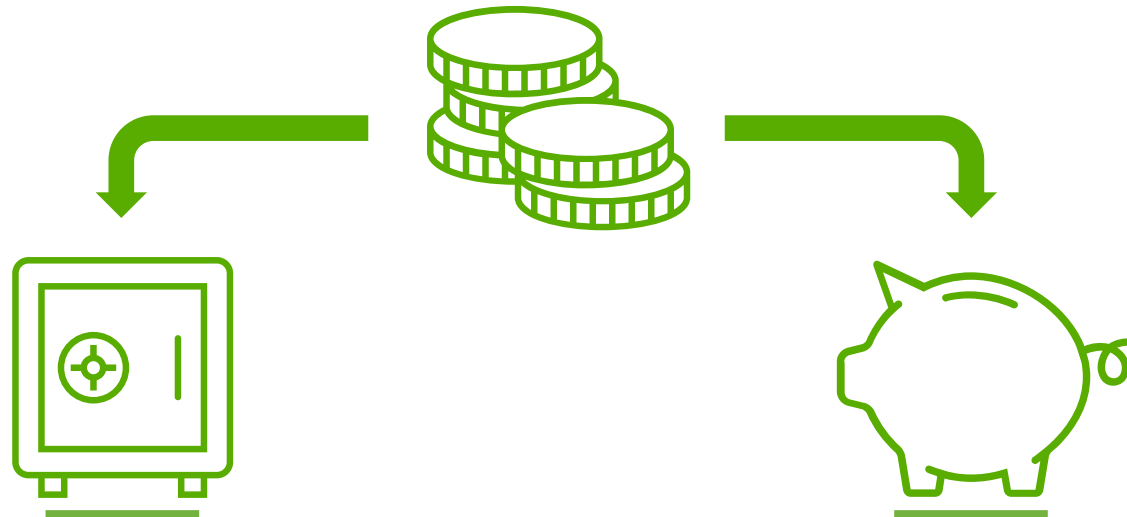


Non-Designated Beneficiaries

- If the IRA holder died **before** starting RMDs: Must deplete Inherited IRA within 5 years
- If the IRA holder died **after** starting RMDs: Life expectancy payments using the deceased IRA holder's age

Special Rule for Spousal Beneficiaries

Spousal Beneficiaries can keep the assets in the original account (now renamed an Inherited account) or move the assets to their own IRA.



Handling Multiple Beneficiaries

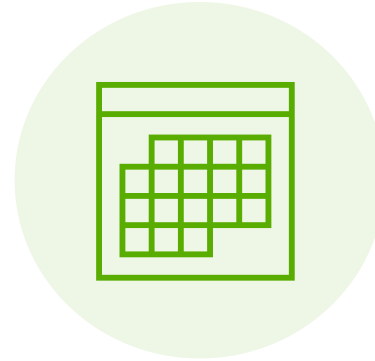
- Your oldest beneficiary's life expectancy is used for everyone
 - **Exception:** When inherited accounts are separately accounted for by the end of the year following the year of death
- If you name a trust as a beneficiary, the trust must:
 - Be valid under state law
 - Have identifiable beneficiaries
 - Be irrevocable upon the death of the trustor



Renaming Accounts for Tax Reporting Purposes



Proper Titling



IRS Form 1099-R

Titling

The account name should include the name of the deceased owner and a clear indication that the new individual is a beneficiary.

Examples: "John Doe deceased FBO Jane Doe" | "Jane Doe beneficiary FBO John Doe"

Let's Test What We've Learned

An IRA owner gets a divorce with their spouse. He remarries but dies 10 years later. His estate goes to his new spouse. His IRA beneficiary form names his ex-spouse.

Who gets the IRA?

- ❖ His new spouse
- ❖ His ex-spouse

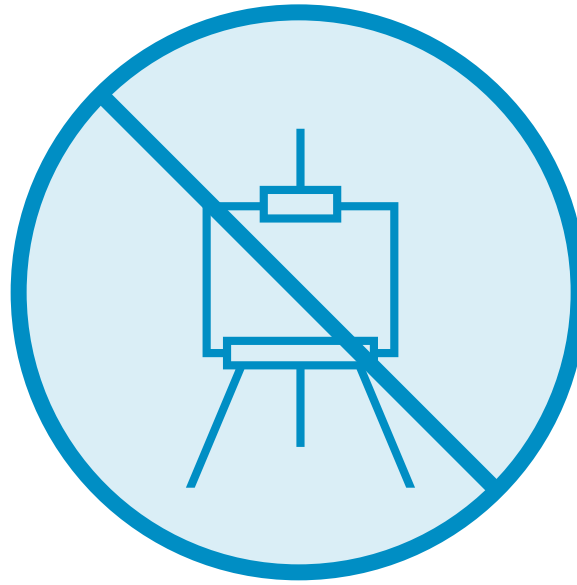
Answer

The ex-spouse gets the IRA. IRAs pass by the beneficiary form, not the will. **Lesson:** update yours forms immediately!

Teach Them The Rules: Investment Restrictions



Life Insurance



Collectibles



S Corporations

Teach Them The Rules: Prohibited Transactions

- Any improper use of your IRA by you, your beneficiary, or any disqualified person (*IRS Publication 590*)
- No Self-Dealing/'must be arm's length' transactions
- Prohibited transactions can be direct or indirect

Acceptable Transactions

- ✓ Partnering with yourself on a new deal
- ✓ Partnering with your cousin
- ✓ Partnering with your spouse on a new deal
- ✓ Leasing the property to your siblings

Teach Them The Rules: Disqualified Persons



- You
- Your Spouse
- Your lineal ascendants
- Your lineal descendants and their spouses
- A beneficiary of the IRA
- Your trustee, custodian, or anyone providing services to the IRA
- Any corporation, partnership or estate that you (or any disqualified person) have at least a 50% stake in

Teach Them The Rules: RMD Deadline Essentials

Spouse is Sole Primary Beneficiary

- First RMD due by the later of December 31 of the year:
 - After the owner's death
 - That the owner would have reached RMD age (currently 73)

Non-spouse or Spouse is Not Sole Primary Beneficiary

- Begins December 31 of the year after the owner's death.



Remember The Plan Fees

To maintain the tax-deferred status of an Inherited IRA, the recordkeeping fees must be paid to the custodian in a timely manner





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Avoiding Legacy Planning Mistakes



Do Not Make Legacy Planning Mistakes



- Remember inherited funds cannot be rolled over
- Update your beneficiaries when named
- Remind them to seek professional help for guidance to avoid unintended penalties and costs
- Prepare them to manage required minimum distributions (even for Roths!) and tax reporting

One More Poll


Do you feel confident in preparing your IRA beneficiaries?

- ❖ **Yes:** I am confident I can prepare my IRA beneficiaries
- ❖ **No:** I still need help understanding (please type in your questions)


Bonus Preparation Checklist (Handout Should Appear)



Bonus Checklist to Help You Stay Organized

 **IRA Legacy Planning Checklist**


Ensure your IRA beneficiaries are well-informed and prepared for the future. Follow this checklist to help secure your legacy.



 **Review Your Beneficiary Designations**

1 Have you [designated primary and contingent beneficiaries](#) for your IRA(s)?


2 Are your beneficiary designations up to date with accurate contact information?

 **Prepare Your Beneficiaries**


1 Have you informed your beneficiaries of their status as IRA beneficiaries?

2 Have you shared information about your IRAs, including account numbers and financial institutions?

3 Do your beneficiaries know how to [contact](#) your IRA custodian(s)?

 **Seek Professional Guidance**


4 Have you consulted with a financial advisor, tax professional, or estate planning attorney for expert advice on your IRA beneficiary planning?

 **Discuss Inherited IRA Options**


6 Have you explained the options available to your beneficiaries if they inherit your IRA(s)?


7 Have you discussed the potential tax implications and withdrawal requirements, such as the [10-year rule](#)?

8 Do your beneficiaries know the different rules that apply for [spousal beneficiaries and non-spousal beneficiaries](#)?

 Spousal sole-beneficiaries have more flexibility, including the option to treat the inherited IRA as their own. Non-spousal beneficiaries typically must liquidate the IRA within 10 years.


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 **Consider Special Situations**


9 If you have minor beneficiaries, have you established a plan to manage their inherited IRAs?

10 If you have beneficiaries with special needs, have you taken steps to ensure their financial security?

 **Secure Important Documents**

11 Do you have all your IRA-related documents, including beneficiary designations, in a safe and easily accessible location?

12 Does a trusted attorney know where to find these documents?

 **Keep Beneficiary Information Updated**

13 Have you scheduled periodic reviews of your beneficiary plan to adapt to any changes in your life, financial situation, or legal requirements?

14 Are you regularly communicating with your beneficiaries about any alterations in your IRA(s)?

Final Thoughts:

- This checklist is a general guide, and certainly not meant to be exhaustive. Individual circumstances may vary. It's essential to consult with financial and legal professionals to ensure that your IRA legacy planning aligns with your specific needs and goals.
- **Looking for more opportunities to secure your financial legacy?** Consider speaking with a [self-directed IRA \(SDIRA\) expert](#) today. Our dedicated team can outline your investment options and essential rules, helping you decide if an SDIRA suits your unique goals.

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What's Next?



Upcoming Webinar - 2024 IRA Essentials:
Changes & Deadlines All Holders Should Know

➔ Register today & join us on January 17!



Want to learn something new?

➔ Let us know in the survey as you leave



Need more information on SDIRAs?

➔ Visit our website and Learning Center



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Time for Questions



Stay Connected



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“

An **investment in knowledge**
pays the best interest.

- *Benjamin Franklin*

