

Preparing Your IRA Beneficiaries For The Future





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Agenda

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

Meet Your Presenter

John Paul Ruiz

Director of Professional Development at The Entrust Group



27

Years of retirement education development



Educating investors and professionals on tax-preferred retirement accounts



CISP & QKA certified

About Entrust



\$4B

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

Beneficiary Basics

Leaving A Legacy

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



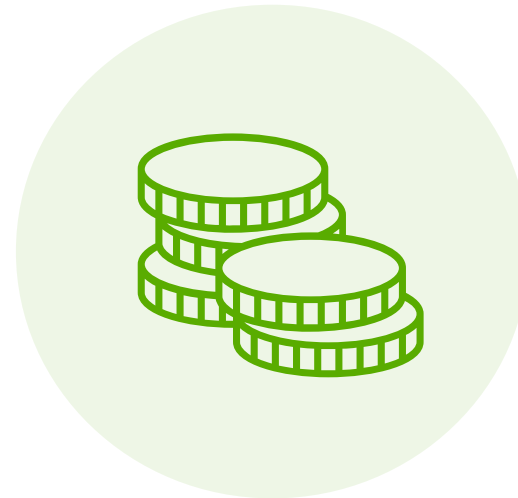
Pieces of the Puzzle



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

Neither: 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



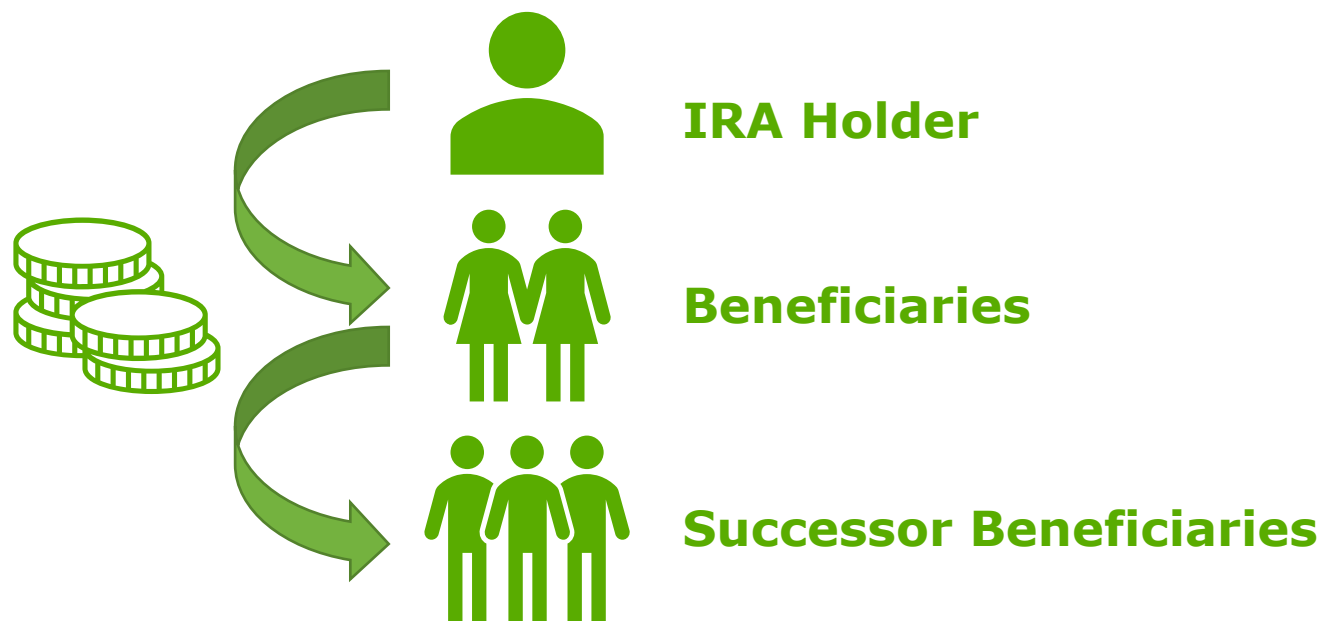
Not Naming Beneficiaries

- 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.

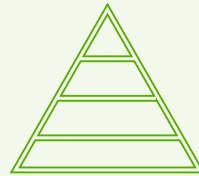


What Benefactors & Beneficiaries Must Know

Why Education is the Best Preparation



Demystifies the complexities of Inherited IRAs



Provides structure for managing an IRA

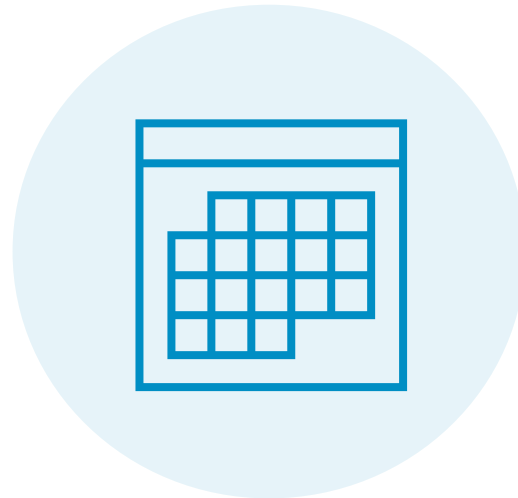


Gives beneficiaries a head start

Keeping Your Beneficiary Designation Forms Updated



Contact Info



Date of Birth



SSN or Tax ID



Relationship

Options for Beneficiaries **Before** The SECURE Act

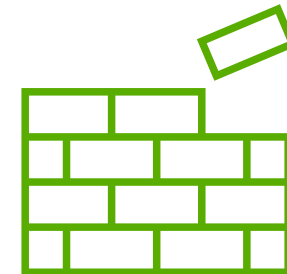
#1: 5-Year Rule

- 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

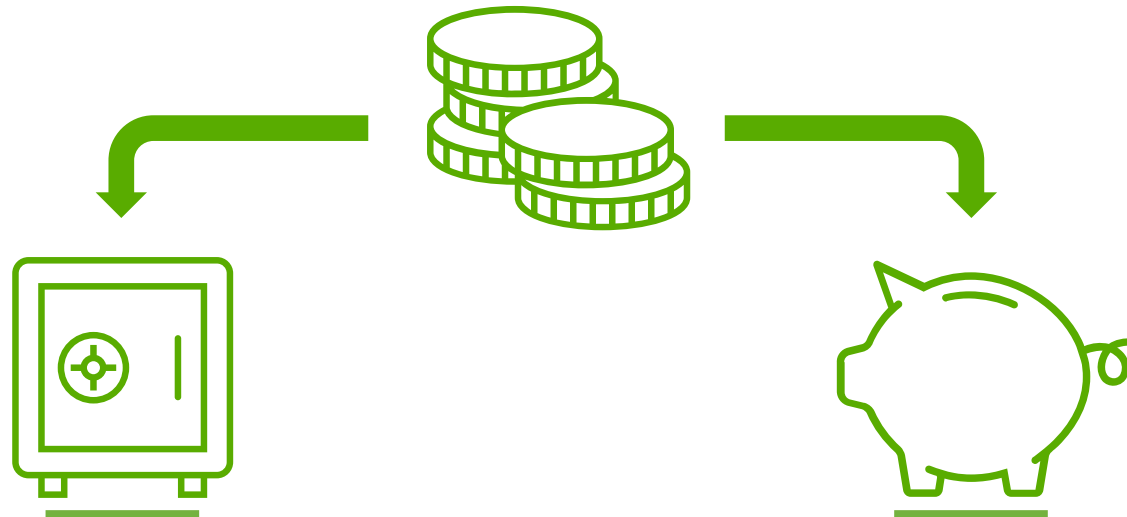


Non-Designated Beneficiaries

- 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

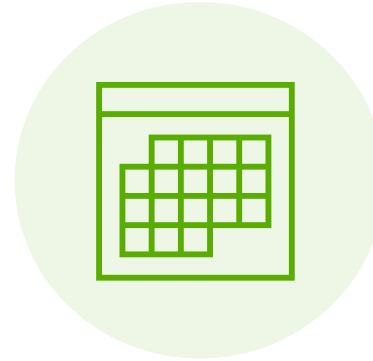
- Your oldest beneficiary's life expectancy is used for everyone
 - **Exception:** When inherited accounts are separately accounted for by the end of the year following the year of death
- If you name a trust as a beneficiary, the trust must:
 - Be valid under state law
 - Have identifiable beneficiaries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



Renaming Accounts for Tax Reporting Purposes



Proper Titling



IRS Form 1099-R

Titling

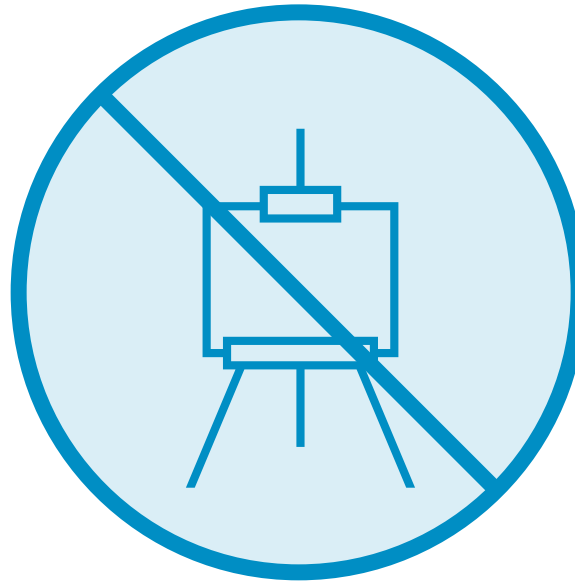
The account name should include the name of the deceased owner and a clear indication that the new individual is a beneficiary.

Examples: “John Doe deceased FBO Jane Doe” | “Jane Doe beneficiary FBO John Doe”

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

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



Avoiding Legacy Planning Mistakes

Do Not Make Legacy Planning Mistakes



- Inherited funds cannot be rolled over
- Tell your beneficiaries when named
- Give proper instructions to beneficiaries to avoid unintended penalties
- Required minimum distributions are still mandatory

Preparation Checklist

Preparing Your IRA & Beneficiaries For the Future

Name Your Beneficiaries

Submit beneficiary designations

Prepare Your Beneficiaries

Educate beneficiaries on Inherited IRA rules

Update Beneficiary Designations

Update your beneficiary designations every time the information changes

Stay Updated on Laws

Stay informed because laws are subject to change

What's Next?



Upcoming Webinar:

Self-Directed IRAs: What Do You Want to Know?

➡ Register today & join us on December 15!



Want to learn something new?

➡ Let us know in the survey as you leave



Need more information on SDIRAs?

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Time for Questions



Stay Connected



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Director of Professional Development



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“

Learning gives CREATIVITY

Creativity leads to THINKING

Thinking provides KNOWLEDGE

Knowledge makes you **GREAT**

- Abdul Kalam

