



ED SLOTT'S IRA ADVISOR

© 2014 Ed Slott, CPA

June 2014

TAX & ESTATE PLANNING FOR YOUR RETIREMENT SAVINGS

Uninformed Plan Beneficiaries Not Given Extra Time to Start Distributions

PLR 201417027
Released by IRS April 25, 2014

In a recent private letter ruling (PLR), the IRS did not extend the deadline for beneficiaries to start taking required minimum distributions (RMDs) from their late father's company retirement plans, despite the fact that they weren't even aware that they were the plans' beneficiaries until after the distribution deadline.

Facts of the PLR

"Chuck" was the sole participant in two company retirement plans, a profit sharing plan and a money purchase plan. He died before his required beginning date and his two daughters were the beneficiaries of both of his company plans.

After Chuck died, no one told his daughters that they were the beneficiaries of his two plans for some time. In fact, by the time that Chuck's daughters were made aware that they were the beneficiaries of his retirement assets, the time to start taking their inherited

RMDs using the life expectancy rule (the "stretch") had passed. Note that when using the life expectancy rule, the deadline for non-spouse beneficiaries to start taking RMDs is December 31st of the year after the participant's death.

Under the terms of both of Chuck's company plans, when a participant dies before his required beginning date, non-spouse designated beneficiaries can choose to take distributions from the inherited plan using either the 5-year rule or the life expectancy rule. If there is more than one beneficiary, as in this case, the plan allowed each beneficiary to independently choose their own distribution option. Furthermore, in the event that a timely election to use the five-year rule was not made, the default election under both plans was the life expectancy rule.

Since the daughters did not make any elections, the plans defaulted to the life expectancy rule. As such, they should have started taking RMDs by December 31st of the year after Chuck died. They did not, however, timely begin those distributions. In fact, despite it being

WHAT'S INSIDE?

Uninformed Plan Beneficiaries Not Given Extra Time to Start Distributions

- PLR 201417027
Released by IRS April 25, 2014
- Facts of the PLR
- IRS Rulings
- Plan Administrator's Responsibility to Notify Beneficiaries
- Was this PLR Necessary?
- Plan Beneficiaries Must Have Options
- Advisor Action Plan

- Pages 1-3

IRS Applies 6% Excess Contribution Penalty (Again) for Abusive Roth IRA Transactions

- Pages 4-5

Guest IRA Expert

Marty James, CPA
Martin James Investment & Tax Management
Mooreville, IN

Solving Practical Roth IRA Conversion Problems

- Pages 5-7

AN IRA EDUCATIONAL EXPERIENCE

Ed Slott and Company's Exclusive 2-Day IRA Workshop

INSTANT IRA SUCCESS

CHICAGO, IL JULY 17-18, 2014

SEE PAGE 8 FOR MORE DETAILS