



ED SLOTT'S IRA ADVISOR

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TAX & ESTATE PLANNING FOR YOUR RETIREMENT SAVINGS

10 Things Every Advisor Must Know When a Spouse Inherits an IRA

Statistics may be hard to find but it's a good bet that a very large percentage of IRA owners name their spouse as their IRA beneficiary. As a result, advisors see spouses inheriting IRAs on a regular basis. This makes knowing the rules essential. A wrong move could be costly for your clients. Here are ten things every advisor must know when a spouse inherits an IRA.

1. How to Ensure All Options for a Spouse Beneficiary

Spouses have options not available to other beneficiaries. The first critical step for ensuring those options is for the spouse to be named as the beneficiary on the IRA's beneficiary designation form. If an IRA owner names his estate as the beneficiary of his IRA and his spouse receives the IRA funds under his will, the estate and not the spouse would be the beneficiary of the IRA. This would mean the spouse would not have the special options available only for spouse beneficiaries.

Spouses have options not available to other beneficiaries.

There have been many private letter rulings (PLRs) over the years where a trust or an estate was named as the IRA beneficiary and surviving spouses have gone to the IRS to request the ability to do a spousal rollover. While the IRS has allowed such requests when the spouse has complete control over the trust or estate and its distributions, relief comes at a high price. All of this can be avoided if the spouse is simply named on the beneficiary designation form.

To have all the options available, the spouse must also be the sole beneficiary. What does sole beneficiary mean?

Many married couples will name each other as their sole beneficiary on their respective IRA beneficiary designation forms. In those cases, the sole spouse requirement is already met. Sometimes, however, a spouse will be named as one of several beneficiaries.

If the right moves are taken after death, even if a spouse has been named

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Guest IRA Expert

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Helping Clients Get More Bang
for Their Charitable Bucks

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