



ED SLOTT'S IRA ADVISOR

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TAX & ESTATE PLANNING FOR YOUR RETIREMENT SAVINGS

14 Things Every Advisor Must Know When a Non-Spouse Beneficiary Inherits an IRA

1. Touch Nothing

A beneficiary should be told to "touch nothing" until he has talked with a knowledgeable advisor. Many times, the person at the bank or the person who answers an 800-number is not knowledgeable. The wrong move can mean the end of the inherited IRA and a large tax bill for the IRA beneficiaries.

2. Titling the Inherited Account

This is one of the most critical steps that must be completed correctly in order for a designated beneficiary to be able to stretch the inherited IRA over their lifetime. An inherited IRA account title must contain the name of the original IRA owner and must, in some way, indicate that the IRA is an inherited IRA. Our recommendation is that the inherited account be titled as follows: Frank Burns (deceased 6/15/16) IRA fbo Margaret Houlihan (I've been watching M*A*S*H reruns lately).

A non-spouse beneficiary can *never* move the inherited IRA funds into an IRA

in their own name. That is considered to be a total distribution of the IRA, which means income tax is due on the entire account balance. The 10% early distribution penalty will not apply since a distribution due to death is an exception to the penalty.

3. Rollover Rules

While IRA owners can do 60-day rollovers with their IRA assets, subject to the once-per-year rule, IRA beneficiaries can never do a 60-day rollover of their inherited IRA funds. The inherited IRA funds can only be moved as a trustee-to-trustee transfer. In other words, they go directly from one inherited IRA account to another inherited IRA account. The beneficiary cannot use the funds while they are out of the inherited IRA.

Once the beneficiary receives a check payable to the beneficiary, the funds are taxable. They cannot be put back into another inherited IRA, and they cannot be put into the beneficiary's

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