ED SLOTT'S
IRA ADVISOR
20th ANNIVERSARY
July 2018
Tax & Estate Planning For Your Retirement Savings

WHAT'S INSIDE?

Join the Retirement Planning Conversation

The Spousal Rollover and What to Do When a Trust or Estate Is Involved

Late this past May, the IRS released a private letter ruling (PLR) that is welcome news for advisors and taxpayers. PLR 201821008 allowed a surviving spouse to execute a 60-day rollover of assets inherited from a company retirement plan, even though they were first paid to the decedent's estate. What makes this ruling important is the fact that it is another in a long line of letter rulings that allow surviving spouses to execute 60-day rollovers, even though IRA or retirement assets were first paid to an estate or trust.

> What makes PLR 201821008 important is the fact that it is another in a long line of letter rulings that allow surviving spouses to execute 60-day rollovers, even though IRA or retirement assets were first paid to an estate or trust.

While letter rulings only apply to the individual seeking the opinion, advisors should still look to see if the IRS is taking a longstanding and consistent approach to the same or similar issue. When that occurs, you can have confidence that your approach may meet IRS approval.

Here, the IRS was faced with a familiar problem – an improper or non-existent beneficiary designation. The individual was a married man that participated in his employer's 457(b) plan. When he died he was under age 70½ and failed to name a beneficiary. The plan was forced to use its default rules, which called for his estate to be the beneficiary. As a result, the plan withheld appropriate federal and state taxes before issuing a lump-sum payment to the estate.

The surviving spouse was the executor and sole beneficiary of the decedent's estate. Upon receiving the retirement plan money, she distributed the money from the estate to herself and then deposited those funds into her own IRA. She also contributed to the IRA an amount equal to the taxes withheld. Both of these transfers were completed within 60 days from the date the 457(b) plan issued the distribution.

In granting the rollover request, the IRS held that the surviving spouse could treat the distribution as having been paid to her directly from the plan (instead from the plan to the estate and then to her). This allowed her to execute the 60-day rollover and exclude the entire amount (including the withheld taxes) from gross income for federal tax purposes.