



ED SLOTT'S IRA ADVISOR

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Tax & Estate Planning for Your Retirement Savings

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HAPPY NEW YEAR

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Top IRA Rulings of 2020

Three years ago, the Tax Cuts and Jobs Act dominated 2018 IRA planning. Similarly, the SECURE Act turned out to be the major retirement-plan-related ruling of 2020. Nevertheless, 2020 was by no means a repeat of 2018 as the COVID-19 pandemic brought economic restrictions, resulting income losses, and the CARES Act. Considering the tumultuous year that just concluded, here are 2020's top IRA rulings.

Three Stars for SECURE

Natalie Choate, an attorney with the Boston, MA law firm Nutter McClennen & Fish, nominates three new "stars" who'll occupy center stage for retirement planning, post-SECURE: Numbers guys, fiduciary income tax experts, and life insurance pros.

"A 'numbers guy' is a person of either gender who loves math, dreams in numbers, and delights in compiling a spreadsheet or reverse engineering a life expectancy table," says Choate. "We always needed such people for our retirement benefits planning."

Ironically, the death of the life expectancy payout has not decreased the importance of the numbers guy. *Au contraire*. Now, every trustee or other beneficiary who inherits an IRA subject to the 10-year rule will want to know the optimal way to take distributions from their account.

Level payments over 10 (or 11 taxable) years? 100% lump-sum on the last day? Cash in the IRA upfront and reinvest the net proceeds? "Before the SECURE Act," says Choate, "advisors didn't have to help beneficiaries make such choices. They recommended taking the required minimum distributions (RMDs) each year and they were done."

Fiduciary Income Tax Experts

"With the SECURE Act's 10-year rule applying to most see-through trusts, fiduciary income taxes are front and center," says Choate. Such trusts will be receiving ample amounts of gross income from IRA distributions sometime during their first 10 years of existence.



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-Natalie Choate

Consequently, all the players — *the trustee, the CPA preparing the trust's tax, the lawyer drafting the trust* — must know the difference between "trust accounting income" (which occurs, for example, when "all income" is payable to the spouse) and "federal gross income"

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