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## Minors as IRA Beneficiaries

Often, IRA owners want to leave their accounts to a young person. It might be a child or grandchild, or maybe a niece or nephew. When minors are involved, there are special concerns that must be considered to ensure that retirement savings are properly passed on to the next generation.

### How to Name a Minor as Beneficiary

When an IRA owner wants to leave assets to an adult, simply name that person on the IRA beneficiary form. Unfortunately, when it comes to minors, it is not that easy. When a minor inherits retirement dollars, the child is not legally able to make financial decisions. A guardian may be needed. Guardians could be named in a parent's will, and some IRA beneficiary designation forms allow nomination of a guardian. The court can also appoint a guardian, but this can be a long and expensive process.

Another option is to name a custodial account for the minor on the beneficiary form. Custodial accounts established under either the Uniform Gifts to Minors Act (UGMA) or the Uniform Transfers to Minors Act (UTMA), depending on state law, can be used for this purpose. The IRA owner also names the custodian of the account on the beneficiary form.

For example, the beneficiary form could include language naming "Veronica Smith, as custodian for Ben Smith, Jr., under the California Uniform Transfers to Minors Act." Upon the IRA owner's death, Veronica could then set up an inherited IRA account for Ben, Jr. under UTMA. She would control and manage the assets until Ben reaches the age under state law where he could gain control of the account.

Using an UTMA or UGMA account has the advantage of being both inexpensive and fairly simple, which can make it a wise choice when an IRA balance is smaller. The downside is that there is no way for the guardian to continue to control the assets once the age limit under state law is reached. Also, not all custodians allow these accounts to be named as IRA beneficiaries.

For larger IRA balances and when more control is desired, a trust may be the best option. Trusts can be expensive and complex when named as IRA beneficiaries, but they make the most sense when minors are involved.

### Required Distributions for Minor Beneficiaries

With the start of the SECURE Act in January 2020, the rules for inherited IRAs were upended. Prior to the enactment of the SECURE Act,

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