



# ED SLOTT'S IRA ADVISOR

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## TAX & ESTATE PLANNING FOR YOUR RETIREMENT SAVINGS

### Special Issue - IRS Notice 2007-7 Direct Rollovers for Non-Spouse Plan Beneficiaries

*"Money isn't everything  
but it sure keeps you in touch  
with your children."  
-J. Paul Getty (1892-1976)*

On January 10, 2007, IRS released Notice 2007-7, its official guidance on key provisions of the Pension Protection Act of 2006 (PPA 2006). The new rules were in the form of numerous questions and answers on the PPA 2006 provisions.

Where our feature article for last month dealt with the questions raised by PPA 2006, this month's feature article **"IRS Provides Guidance on Direct Rollovers for Non-Spouse Plan Beneficiaries"**, is devoted to the answers for that provision, whether you like them or not, and many will not.

It turns out that the PPA 2006 provision allowing non-spouse plan beneficiaries to do direct rollovers to inherited IRAs are more challenging than the actual law led us to believe. Some non-spouse beneficiaries may be disappointed since they may not benefit from the IRS Notice 2007-7 explanation of how the rules will work.

The intent of the PPA 2006 provision was to allow the non-spouse plan beneficiary the same ability to stretch payments from the inherited IRA as if

the funds were inherited from an IRA rather than a plan. But the IRS says this may not always be the case, especially when the 5-year rule applies or if the plan does not allow the transfer to the inherited IRA, which, according to the Notice, is the plan's prerogative.

The biggest problems are that the rules do not require plans to offer the direct rollover to non-spouse beneficiaries, the provisions do not allow pre-2006 non-spouse beneficiaries stuck with the five year rule to switch to the lifetime payout option, and there is plenty of room for errors by plans, advisors and inheritors in following these rules. As a result, many non-spouse plan beneficiaries will find that they are in exactly the same unfortunate position that they were in before the new law.

For your reference we have provided key excerpts of the full text of IRS Notice 2007-7 after our analysis of the new rules.



For more IRA information, visit our website at [www.ira-help.com](http://www.ira-help.com).

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