



ED SLOTT'S IRA ADVISOR

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TAX & ESTATE PLANNING FOR YOUR RETIREMENT SAVINGS

Special Issue

IRAs and Special Needs Trusts

"Not every client has special needs issues, but every advisor will have a client who does." – Ed Slott

Inherited IRA Allowed to be Transferred to a Special Needs Trust Without Triggering Income Tax

PLR 201116005
Released by IRS April 22, 2011

In a recent private letter ruling (PLR), IRS allowed a disabled beneficiary to transfer his share of two inherited IRAs to a special needs trust of which he was the beneficiary. IRS reasoned that since the beneficiary would still be considered the owner of the assets under grantor trust rules, the transfer would not trigger income tax.

IRS ruled similarly in PLR 200620025. Even though the IRS granted both PLR requests, poor planning did not come without a cost. In each case, not only did the lack of planning necessitate the rulings in the first place, but it ultimately resulted (or will result) in the loss of all or a portion of the remaining

inherited IRA assets upon the death of the disabled beneficiaries.

Advisors can learn from these rulings and help families with special needs beneficiaries preserve assets for their families and reduce unnecessary costs and losses. And while thankfully, not every client will have to deal with special needs issues, nearly every advisor will at some point or another.

Facts of the Case

"Bob," a disabled person, was one of several beneficiaries of his father's IRA accounts. At the time of his father's death, Bob and his siblings were the designated beneficiaries (personally named on the beneficiary form) of two of his IRAs.

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✓ SAVE THE DATE FOR INSTANT IRA SUCCESS

Ed Slott's 2-Day IRA Workshop

Arizona Biltmore Resort & Spa **Phoenix**

September 23-24, 2011

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