



ED SLOTT'S IRA ADVISOR

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TAX & ESTATE PLANNING FOR YOUR RETIREMENT SAVINGS

The September 30th IRA Beneficiary Designation Date

For clients that inherited IRAs in 2011, September 30, 2012 is a key date. It will determine whether or not your inheritor clients will be able to maximize their inherited IRA options. Every advisor should know which clients would be affected by this important date and make sure they are timely contacted to review their beneficiary status.

If your client was the only named beneficiary of the inherited IRA, then he or she is the "designated beneficiary" whose single life expectancy is used to calculate required minimum distributions (RMDs) for the stretch IRA. However, if your client was one of multiple primary beneficiaries, then more action may be needed by September 30th to make sure they are able to take advantage of the stretch IRA.

Named vs. Designated Beneficiary

IRA owners can name any person or entity, such as a charity or an estate, as their IRA beneficiary. However, to have a "designated beneficiary," the IRA owner must generally name an individual (a living, breathing person)

on the custodian's IRA beneficiary form. Certain trusts, known as "look-through" trusts, also qualify as a designated beneficiary.

The designated beneficiary is the person whose age is used to find the single life expectancy factor to calculate post-death RMDs (the stretch period). If the IRA owner names a beneficiary that is not a person, such as a charity or an estate, that beneficiary is not a designated beneficiary and the death distribution options are more limited and less favorable because a nonperson does not have a life expectancy.

Stretch IRA

Despite many clients thinking otherwise, a stretch IRA is not a specific investment product or type of account. Rather, it's just a term that practitioners have created to describe the process of how RMDs for inherited IRAs are calculated.

The IRS rules allow all IRAs to be stretched. Stretching an IRA is advantageous because it allows

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INSTANT IRA SUCCESS

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THE COSMOPOLITAN September 29-30, 2012 FAST APPROACHING!