

Tax Traps in IRA Trusts **Webinar**

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Living Trusts as IRA Beneficiaries - Negatives:

1. Absent qualifying language as a “designated beneficiary”
2. Creates the Trustor’s estate as a beneficiary of IRA funds
3. Does not provide for “see-through status”
4. Includes General Power of Appointments which can create older Trust beneficiaries
5. Requires Trust Amendment to qualify as a “Designated Beneficiary”

Positives:

1. If qualified as a "Designated Beneficiary," will allow for distribution over life of oldest Trust beneficiary.
2. Allows control of distributions by Trustee.
3. May accumulate distributions for Trust beneficiaries.

IRA Designated Beneficiary Trust **(IRA DBT) -** **Positives:**

1. Qualified as a Designated Beneficiary
 - a. It is valid under California law;
 - b. It becomes irrevocable on the death of the Account Owner;
 - c. All Trust Beneficiaries are individuals and identifiable in the Trust Agreement; and
 - d. A copy of the Trust Agreement will be provided to the IRA or Retirement fund custodian(s) within the time required by law after the death of the Account Owner.

2. May provide for Conduit Treatment (see-through) or Accumulation

3. Trustee controls distribution
4. Provides Asset Protection from Trust beneficiary creditors
5. May accumulate for younger beneficiaries
6. Avoids revealing the Family Trust to 3rd parties
7. Allows opportunity to distribute IRA funds into separate Sub-Trusts of beneficiaries
8. Allows opportunity to distribute over life expectancies of grandchildren without tying them to older generations
9. Creates a tax break for younger generation and allows for more IRA growth
10. Allows for organization of IRA funds

Negatives:

1. Requires a second Trust with associated fees
2. IRA owners must file customized IRA Beneficiary Forms and follow up with IRA Custodians
3. IRA Custodians accept IRA DBTs but many are unfamiliar with sub-Trusts arrangement

**Client Consultation regarding Trusts
designated as IRA Beneficiaries: \$195.00**

**Fee may be applied to Trust Amendment or
Initiation of IRA DBT**

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