YOUR Money AND Family Today

AMERICA'S TAX SOLUTIONS™ NEWSLETTER

# MULTI-GENERATIONAL IRAS

## Who Inherits Your IRA?

Who will get the money in your IRA if something happens to you? How can you be sure? You might be surprised to learn that Uncle Sam, in his tax man guise, could take 35% to 80% of your IRA assets, depending on the state you live in. Unless you make sure your retirement plan is set up correctly, the U.S. government may be the primary beneficiary of your IRA when you die. The good news is, it doesn't have to be that way!

There is a strategy that is designed for those who want to ensure that any money left in their IRA at death will go to their heirs and not the tax man. After an IRA owner's death, his or her designated beneficiaries could continue to receive annual distributions from the IRA based on their individual life expectancies. The beneficiaries will pay income tax on the required minimum distributions as they are received annually.

## Multi-Generational IRAs

The term Multi-Generational IRA (MGIRA) is not an official term, but is used in the retirement planning industry to refer to the ability of beneficiaries to stretch IRA distributions over their individual life expectancies. For your beneficiaries to continue enjoying the benefit of tax-deferred growth on IRA assets they inherit from you, they must be allowed to "stretch" distributions over their individual life expectancies. This option is available only if the IRA plan document or custodial agreement allows it and specific steps are taken.

Absent an MGIRA, your beneficiaries could get hit with a huge tax bill that could literally drain every penny and leave your heirs with nothing from your IRA.

You need to ask yourself this: who do I want to get all of the money I worked my whole life to save... my heirs or the federal government?

In a real world example, a California teacher worked her whole life to amass $1.2 million and died 6 months after she retired. Because her paperwork had not been reviewed and her beneficiaries were improperly designated, the beneficiaries received a total of $300,000 while the other $900,000 went to the government via state and federal taxes.

Had the beneficiaries been able to keep the IRA's tax-advantaged status, they could have potentially received $4 million in IRA distributions over their lifetime.

Do not assume that legal documents such as a will and/or trust will take the place of a properly completed beneficiary designation form–they will not and they do not.

**The Concept of MGIRA is Not New**

The MGIRA concept has been around since 1999 when the IRS in a Private Letter Ruling stated that a man who inherited his mother's seven-figure

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