

### *Remaining Relevant: Protecting Those You Love Through An IRA Trust*

Your Individual Retirement Account (IRA) may be one of your largest assets. Generally, its primary role is providing income for your retirement. However, your IRA is also an asset that you may pass to your loved ones.

When you designate beneficiaries for your IRA, you ensure an orderly transfer of your retirement assets. However, heirs can do anything they want with their inherited IRAs as long as they follow the required minimum distribution rules or pay the necessary taxes if they immediately cash it out. There are times that this may be exactly what you may want for your beneficiaries.

However, if you are concerned about giving your beneficiaries unfettered access to an inherited IRA or the fact that an inherited IRA does not protect them from creditor risk such as a divorce, bankruptcy, or a lawsuit an IRA Trust will allow you to exert more control over these assets after you are no longer here to watch over those you love.

#### **What is an IRA Trust?**

An IRA Trust is a Revocable Trust. The sole purpose of an IRA Trust is to act as a receptacle for your IRA for the benefit of your heirs. This means you never lose control of your IRA during your lifetime, while maintaining a level of control of the assets after you pass.

During your lifetime, an IRA Trust allows you to:

- ✓ Draw income from the IRA\* ,
- ✓ Withdraw principal whenever you want,
- ✓ Enjoy benefits of tax-free or tax deferred growth
- ✓ Maintain the right to revoke the trust
- ✓ Change or add beneficiaries
- ✓ Amend the IRA Trust at any time.

The IRA Trust allows you to “custom tailor” the inheritance of your IRA based on the special circumstances of each individual beneficiary. Through use of an IRA Trust, you can address a host of issues such as minor beneficiaries, special needs beneficiaries, spendthrift beneficiaries, protection from a bad marriage for your children or grandchildren, or other concerns you may have. It also can ensure that the stretch out of your IRA for each beneficiary occurs because the trustee of the trust executes the stretch. This means much more money over the long haul for your children or other beneficiaries due to the tax deferral.

*\*Subject to IRS Required Minimum Distribution guidelines*

As you consider the special circumstances of the individual beneficiaries of your IRA, here is a sampling of protections an IRA trust may provide.

### **Provide Asset Protection if Heirs:**

- File for bankruptcy
- Get sued
- Get married and then divorced
- Has other Creditors

### **Protect Heirs From Themselves if They:**

- Are inexperienced managing money
- Are spendthrifts
- Have gambling issues
- Suffer from substance abuse
- Are vulnerable to fraud and predators

### **Care of Special Needs Heirs**

- Maintains Government Benefits like Medicaid and Supplemental Social Security
- Allows you to provide and supplement what the child needs

### **Maximize Stretch IRAs**

Alternative to an heir immediately cashing out their IRA which would expose the IRA to 100% taxation in the year they cash out

Stretch could provide sizeable lifetime retirement income especially for younger heirs

### **Create a Legacy**

Amount of inherited IRA not used can be left to future generations in trust

IRA can be structured to allow assets to accumulate in the IRA Trust for future generations

### **Blended Families**

Gives spouse access to IRA during his or her life

Dictates where assets go after spouse passes

Avoid inadvertently having assets going to new spouse's family or new spouse if your spouse remarries

### **Avoid Probate**

Avoids the time and the cost associated with probate

## **Summary**

In summary, an IRA Trust allows you to control your IRA while you are alive, as well as providing a degree of control after you pass for the benefit of those you love.

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## **Disclosure**

There may be limitations on the beneficiary's ability to move assets to another institution.

There may be fees and expenses associated with setting up and maintaining an IRA Trust.