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High-Balance IRAs: Estate and Income Tax Planning Strategies

Navigating the Unique Challenges of Large IRAs,
Avoiding Double Taxation and Protecting IRA Assets

WEDNESDAY, FEBRUARY 24, 2016

1pm Eastern | 12pm Central | 11am Mountain | 10am Pacific

Today's faculty features:

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High-Balance IRAs: Estate and Income Tax Planning Strategies

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Outline

- Assessing the primary issues
- Estate tax issues
- IRAs payable to trusts
- Estate liquidity issues
- Roth IRA conversion planning

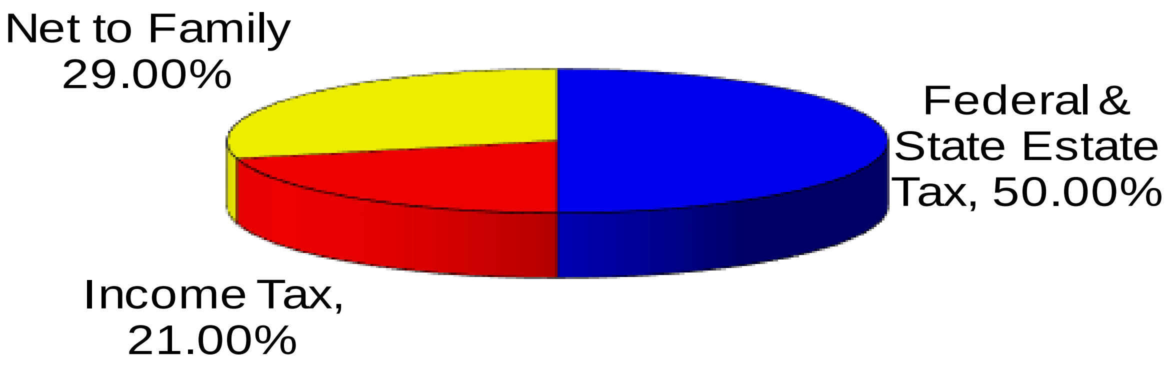
Assessing the Primary Issues

Assessing the Primary Issues
Key Questions

- What are the important dates with regard to post-mortem IRA planning?
- Who should be the beneficiary of the IRA?
- How do disclaimers work in the estate administration process?
- When should an IRA be payable to a trust?
- Does the client have adequate liquidity to pay the estate tax?

Assessing the Primary Issues
Why Post-Mortem IRA Planning Important

Potential tax exposure to IRA without planning



Estate Tax Issues

Estate Tax Issues
Post-Death Critical Questions

- Did the participant die before his RBD?
- Is the spouse the sole beneficiary?
- Are there multiple beneficiaries?
- Are all beneficiaries “designated beneficiaries”?
- What does the IRA/qualified plan allow?

Estate Tax Issues
Post-Death Issues

- Wills control probate assets
- Trusts control trust assets
- IRAs and qualified retirement plans are controlled by beneficiary designation form or default provisions of contract

Estate Tax Issues
Post-Death Issues

- Post-death RMDs based on whether "designated beneficiary" exists
  - Only "individuals" with quantifiable life expectancy can be "designated beneficiaries"
  - If trust qualifies, look through to underlying trust beneficiaries
- Distribution out of trust to beneficiary **does not** make the beneficiary the "designated beneficiary"

Estate Tax Issues
Post-Death Issues

Permissible “designated beneficiaries”:

- Individuals
  - Spouse
  - Child
  - Grandchild
  - Parent
  - Brother/sister
  - Niece/Nephew
  - Neighbor
- Certain trusts

Estate Tax Issues
Post-Death Issues

- Death before age 70½
  - Five-year rule
  - Exceptions to the five-year rule
  - Delayed distributions – spousal beneficiary
  - Spousal beneficiary – special trust problem
- Death after age 70½
  - Life expectancy distributions if you have a designated beneficiary
  - Distributions must begin by December 31st of the year after death
  - Year of death distribution – life expectancy of IRA owner

Estate Tax Issues
Post-Death Issues

	Death <u>Before</u> Required Beginning Date	Death <u>On or After</u> Required Beginning Date
Designated Beneficiary	*Life Expectancy Rule*	*Life Expectancy Rule*
Non-Designated Beneficiary	*Five-Year Rule*	*"Ghost" Life Expectancy Rule*

Estate Tax Issues
Post-Death Issues

Critical Dates

<u>September 30</u> of the year following the year of death:

- Date at which the beneficiaries are identified

<u>October 31</u> of the year following the year of death:

- Date at which trust documentation (in the case where as trust is named as a designated beneficiary) must be filed

<u>December 31</u> of the year following the year of death:

- Date at which the first distribution must be made by each IRA beneficiary
- Date at which separate shares must be created

Estate Tax Issues
Post-Death Issues

Common Mistakes to Avoid

- Incorrect titling
- Failure to take RMDs
- Failure to utilize disclaimers when appropriate
- Failure to analyze contingent beneficiaries when utilizing disclaimers
- Taking a lump-sum distribution

Estate Tax Issues
Post-Death Issues

Common Mistakes to Avoid

- Spousal rollover before age 59½
  - Will cause pre-59 ½ distributions to be subject to the 10% early distribution penalty
  - If no rollover occurred, pre-59 ½ distributions can be taken penalty free

Solution: Do not perform spousal rollover until spouse reaches age 59½

Common Mistakes to Avoid

For non-spousal beneficiaries, it is <u>critical</u> to keep inherited IRA in the name of the deceased IRA owner.

<u>Example (Individual):</u>

"John Smith, deceased, IRA for the benefit of James Smith"

<u>Example (Trust):</u>

"John Smith, deceased, IRA for the benefit of James Smith as Trustee of the Smith Family Trust dated 1/1/2007."

Estate Tax Issues
Income in Respect to a Decedent (IRD)

Income in respect of a decedent (IRD) – is all items of gross income in respect of a decedent which were not properly included as taxable income in a tax period falling on or before a taxpayer’s death and are payable to his/her estate and/or another beneficiary

Estate Tax Issues
Income in Respect to a Decedent (IRD)

Specific Items of IRD

- IRAs and other qualified retirement plans
- Unpaid salaries/wages at the time of death
- Dividends and interest earned, but not taxed, prior to death
- Unrecognized capital gain on an installment note at the time of the seller's death
- Net Unrealized Appreciation (NUA) on employer securities

Estate Tax Issues

Income in Respect to a Decedent (IRD)

IRC §691(c) Deduction

- To the extent that a decedent's taxable estate includes items of IRD and a federal estate tax is assessed, the estate and/or its beneficiaries are entitled to an income tax deduction for the estate tax attributable to IRD
  - This deduction is a miscellaneous itemized deduction <u>NOT</u> subject to the 2% AGI limitation

Estate Tax Issues
Income in Respect to a Decedent (IRD)

IRC §691(c) Deduction

- The income tax deduction computation for estate taxes paid on IRD is determined on a "with and without" basis
  - In essence, the total deduction allowed is the difference between: (a) the estate tax liability with all items of IRD included in the taxable estate and (b) the estate tax liability without the IRD included in the taxable estate

Estate Tax Issues
Income in Respect to a Decedent (IRD)

IRC §691(c) Deduction – Example

Jackie passed away leaving the following assets:

	Non-IRD	IRD	Total
Cash & money market	$ 100,000	$ -	$ 100,000
Accrued interest	-	1,000	1,000
Marketable securities (non-qualified)	2,750,000	-	2,750,000
Accrued interest & dividends	-	14,000	14,000
IRA	-	2,285,000	2,285,000
Primary Residence	350,000	-	350,000
Cottage	150,000	-	150,000
Personal property	100,000	-	100,000
TOTALS	**$ 3,450,000**	**$ 2,300,000**	**$ 5,750,000**

Estate Tax Issues
Income in Respect to a Decedent (IRD)

IRC §691(c) Deduction – Example (cont.)

Subsequent to her death, the personal representative withdrew $50,000 from Jackie's IRA. Accordingly, the IRC §691(c) attributable to the $50,000 distribution would be as follows:

	With IRD	Without IRD
Gross Estate	$5,750,000	$3,450,000
Less: Exemption	(5,450,000)	(5,450,000)
Taxable Estate	$ 300,000	$ -
Estate Tax	$ 120,000	$ -
Gross IRC §691(c) Deduction	**$ 120,000**	

(Difference between estate tax with and without IRD)

Estate Tax Issues
Income in Respect to a Decedent (IRD)

IRC §691(c) Deduction – Example (cont.)

	IRD	Allocable IRC §691(c) Deduction
Interest - Cash & money market	$ 1,000	$ 52
Interest & dividends - Brokerage account	14,000	730
IRA	2,285,000	119,217
TOTAL	$ 2,300,000	$ 120,000

Gross IRA distribution	$ 50,000
IRC §691(c) apportionment percentage (i.e. $119,217/$2,285,000)	5.217%
IRC §691(c) deduction	**$ 2,609**

Estate Tax Issues
Disclaimers

Disclaimer must be “qualified.”

- In writing
- Within 9 months
- No acceptance of the interest or any of its benefits
- Interest passes without any direction on the part of the person making the disclaimer

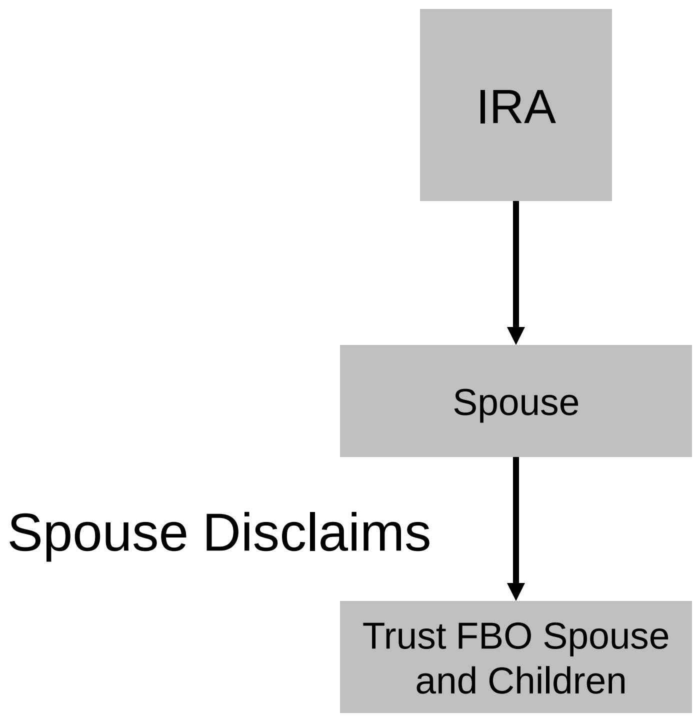
Estate Tax Issues
Disclaimers

Example

Alex dies at age 70. Alex's wife disclaims amount of Alex's unified credit to bypass trust for benefit of herself and their children

- Disclaimer must occur within nine months from date of death
- Disclaimer must be served to the IRA custodian
- Disclaimer must be fractional to avoid immediate income taxation

Estate Tax Issues
Disclaimers



Disclaimer must be Qualified Disclaimer

Life Expectancy of Oldest Beneficiary of Trust

Estate Tax Issues
Disclaimers

Revenue Ruling 2005-36

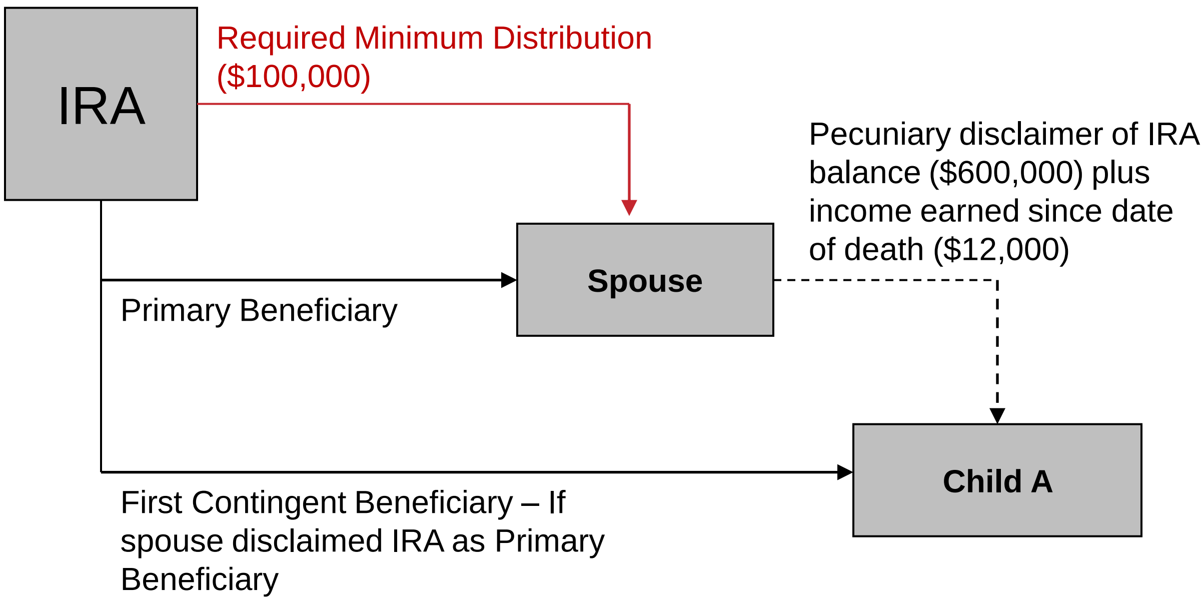
A beneficiary's disclaimer of a beneficial interest in a decedent's IRA is a qualified disclaimer even though, prior to making the disclaimer, the beneficiary receives the required minimum distribution for the year of the decedent's death from the IRA.

Estate Tax Issues

Disclaimers

Revenue Ruling 2005-36

SCENARIO 1 – Pecuniary Disclaimer by Spouse



Result: Spouse's pecuniary disclaimer, after taking RMD, still results in a "qualified disclaimer"

Key assumptions:

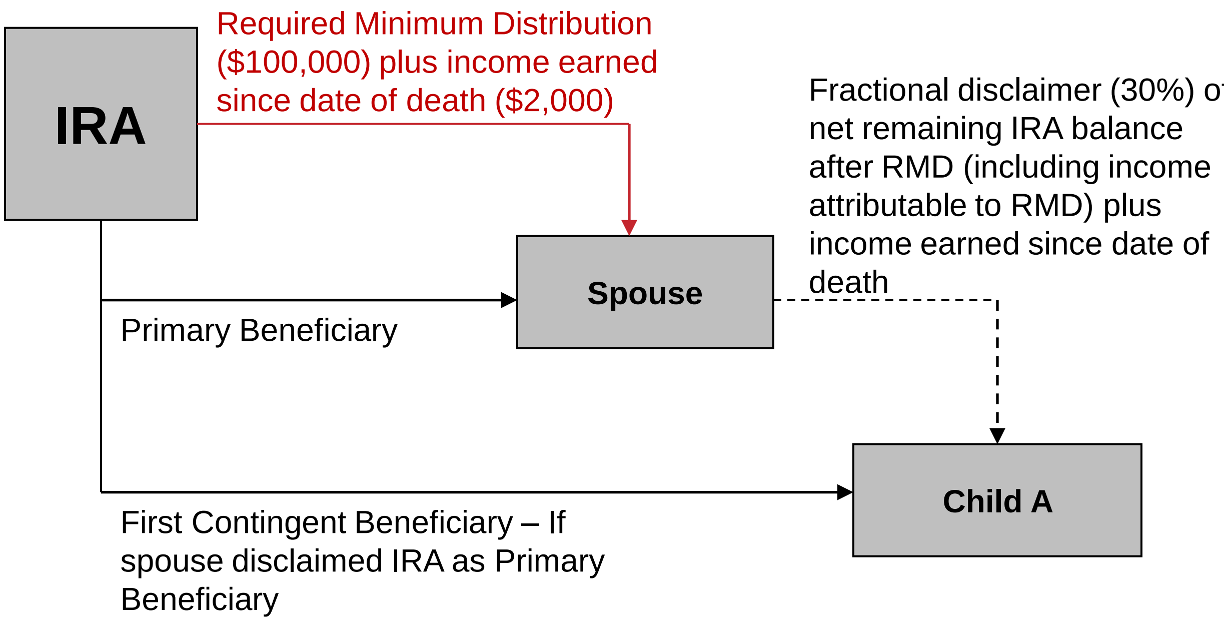
IRA Balance (date of death) - $2,000,000

IRA Balance (date of disclaimer) - $2,040,000

Required Minimum Distribution - $100,000

Estate Tax Issues
Disclaimers

Revenue Ruling 2005-36
SCENARIO 2 – Fractional Disclaimer by Spouse



Result: Spouse’s fractional disclaimer, after taking RMD (plus attributable income), still results in a “qualified disclaimer”

Key assumptions:

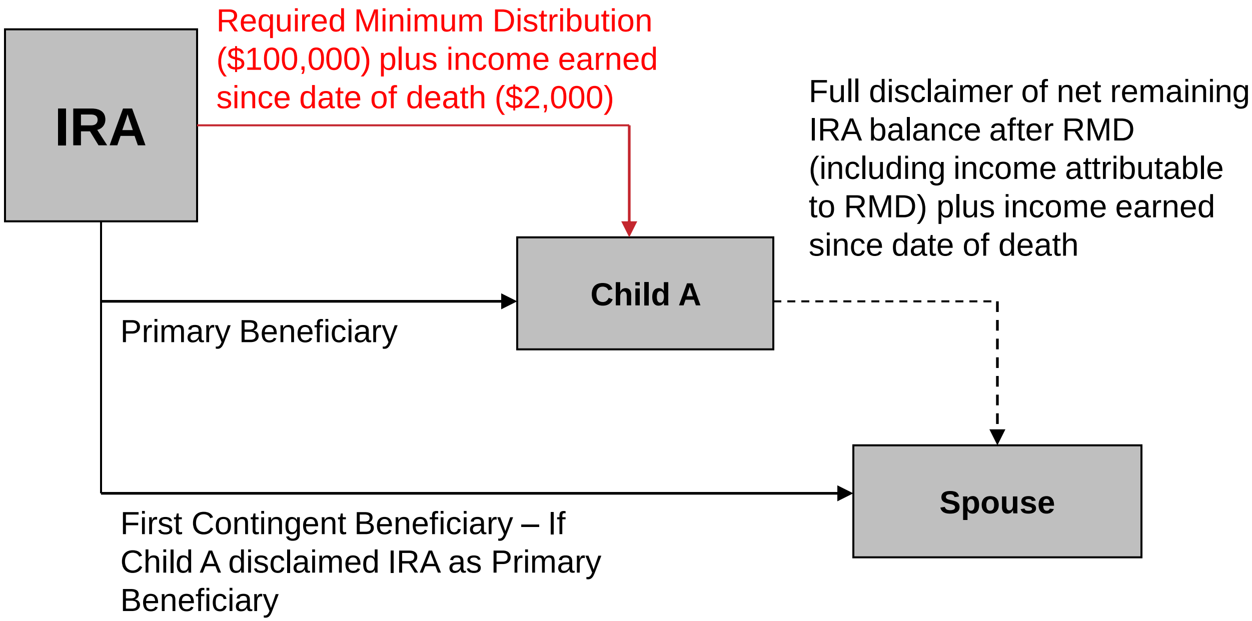
IRA Balance (date of death) - $2,000,000

IRA Balance (date of disclaimer) - $2,040,000

Required Minimum Distribution - $100,000

Estate Tax Issues
Disclaimers

Revenue Ruling 2005-36
SCENARIO 3 – Full Disclaimer by Child A



Result: Child A's full disclaimer, after taking RMD (plus attributable income), still results in a "qualified disclaimer "

Key assumptions:

IRA Balance (date of death) - $2,000,000

IRA Balance (date of disclaimer) - $2,040,000

Required Minimum Distribution - $100,000

Estate Tax Issues

September 30th Determination Date

- Designated beneficiary not determined until September 30th of the year following the year of the IRA owner's death
  - Allows for disclaimer planning
- If a beneficiary dies before the September 30th date without disclaiming, such beneficiary continues to be treated as a beneficiary in determining the designated beneficiary

Estate Tax Issues

September 30th Determination Date

Example #1

- Jane names a trust as beneficiary of her IRA. 90% of the trust is payable to her children over their lifetimes. 10% of the trust is payable to Jane's favorite charity.

- If the charity's 10% is paid out of the trust by September 30th of the year following the year of Jane's death, the charity's interest will not taint the rest of the trust.

Estate Tax Issues

September 30th Determination Date

Example #2

- John names his sister as primary beneficiary of his IRA and his nephew as contingent beneficiary.

- If John's sister dies before September 30th of the year following the year of John's death without performing a qualified disclaimer, RMDs are still calculated based on the sister's life expectancy.

Estate Tax Issues

September 30th Determination Date

Example #3

- John names his wife as primary beneficiary of his IRA and his grandchild as contingent beneficiary.

- If John's wife performs a qualified disclaimer by September 30th of the year following the year of John's death, RMDs can be calculated based on the grandchild's life expectancy.

IRAs Payable to Trusts

IRAs Payable to Trusts
Advantages of Using a Trust

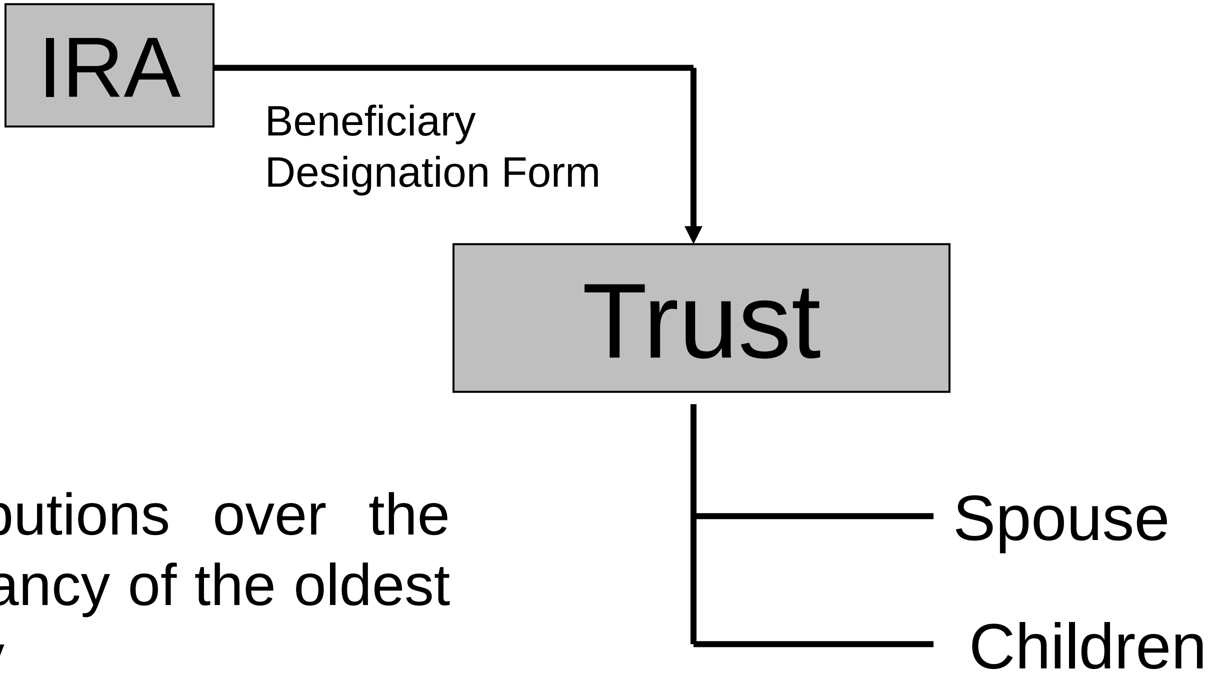
- Spendthrift protection
- Creditor protection
- Divorce protection
- Special needs
- Investment management
- Estate planning
- “Dead-hand” control

IRAs Payable to Trusts
Disadvantages of Using a Trust

- Trust tax rates
- Legal and trustee fees
- Trust income tax returns
  - 1041
  - 1099
  - K-1
- Greater complexity

IRAs Payable to Trusts

Naming a Trust as a Beneficiary of an IRA



IRA distributions over the life expectancy of the oldest beneficiary

IRAs Payable to Trusts
Naming a Trust as a Beneficiary of an IRA

Four Requirements

1. Trust is valid under state law
   - Treas. Reg. § 1.401(a)(9)-4, Q&A 5(b)(1)
2. Trust is irrevocable upon death of owner
   - Treas. Reg. § 1.401(a)(9)-4, Q&A 5(b)(2)
3. Beneficiaries of the trust are identifiable from the trust instrument
   - Treas. Reg. § 1.401(a)(9)-4, Q&A 5(b)(3)
4. Documentation requirement is satisfied
   - Treas. Reg. § 1.401(a)(9)-4, Q&A 5(b)(4)

IRAs Payable to Trusts
Naming a Trust as a Beneficiary of an IRA

Types of Testamentary Trusts

- Unified Credit Trust
- Marital Trust
- QTIP Trust
- Generation-Skipping Trusts
- Charitable Remainder Trust

IRAs Payable to Trusts

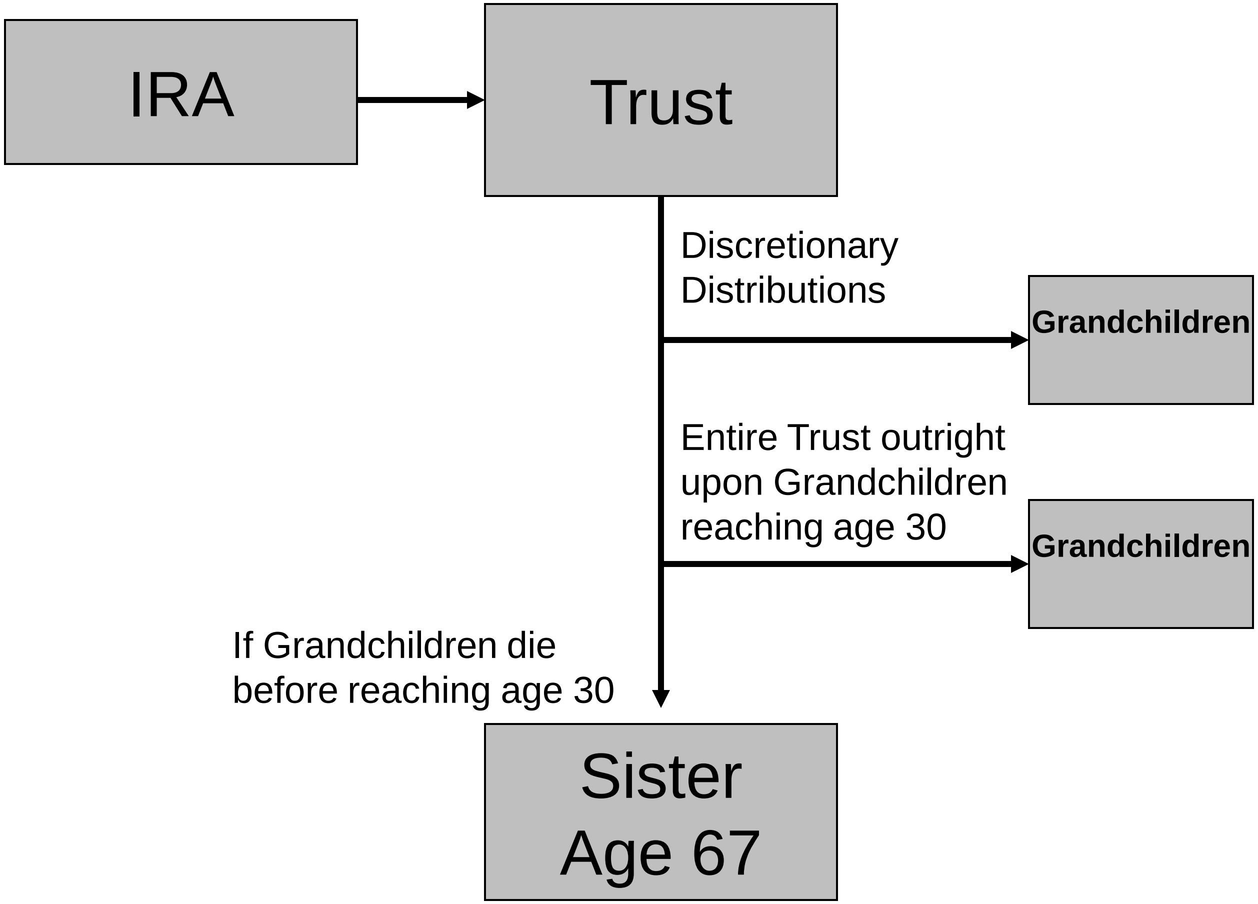
Naming a Trust as a Beneficiary of an IRA

Types of "IRA Trusts"

- Accumulation trusts
  - A trust in which distributions from the IRA are allowed to accumulate within the trust
  - Stronger asset protection than a conduit trust
- Conduit trusts
  - A trust in which all distributions from the IRA are immediately distributed to the trust beneficiary
  - Very limited asset protection

IRAs Payable to Trusts
Naming a Trust as a Beneficiary of an IRA

Accumulation Trust – Example



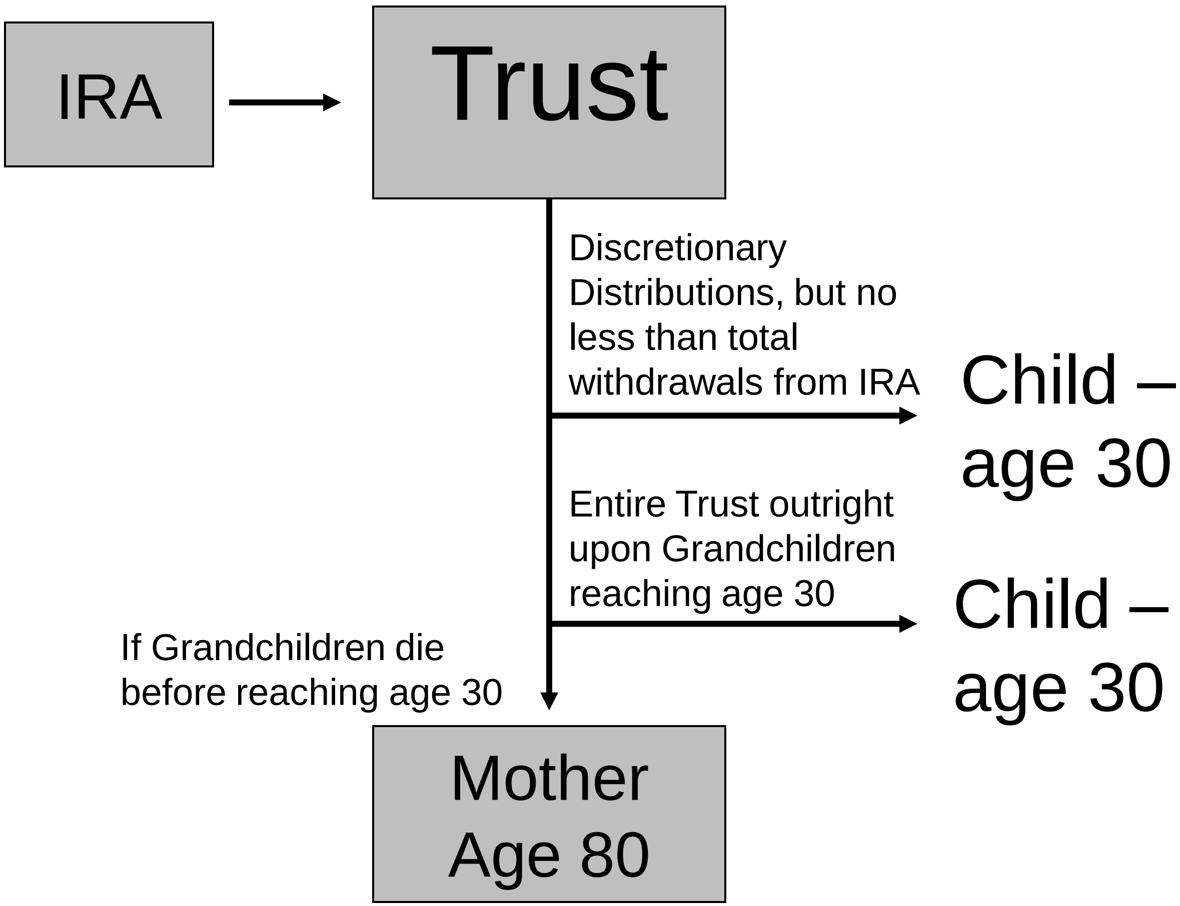
Sister measuring life for determining required minimum distributions

Facts same as PLR 200228025

IRAs Payable to Trusts

Naming a Trust as a Beneficiary of an IRA

Conduit Trust – Example



Mother is <u>not</u> "countable" for determining applicable life expectancy

Treas. Reg. § 1.401(a)(9)-5 Q&A 7

IRAs Payable to Trusts

Naming a Trust as a Beneficiary of an IRA

Accumulation Trust

- The key issue in analyzing an accumulation trust is to determine which beneficiaries are “countable.”
- All beneficiaries are countable unless such beneficiary is deemed to be a “mere potential successor” beneficiary.

Estate Liquidity Issues

Estate Liquidity Issues
Overview

- At the death of a client, his/her IRAs are subject to federal estate tax
  - $5,450,000 estate tax exemption
  - 40% estate tax rate
  - Marital transfers are exempt from estate tax
  - Charitable transfers are exempt from estate tax
- With proper planning, IRA distributions can be deferred
  - A surviving spouse is allowed to rollover an inherited IRA into his/her own IRA
    - Once rolled over, the spouse can name his/her children and/or grandchildren as the primary beneficiaries
  - A non-spousal beneficiary (e.g. child) is ***not*** allowed to rollover an inherited IRA into his/her own IRA

Estate Liquidity Issues
“Stretch” IRA

<u>“Stretch” IRA Objective</u>: To prolong post-mortem IRA distributions over longest possible period of time, thus increasing wealth to future generations.

Estate Liquidity Issues
“Stretch” IRA

Keys to Making the “Stretch” IRA Work

- Qualified designated beneficiary
- Estate tax apportionment
- Life insurance

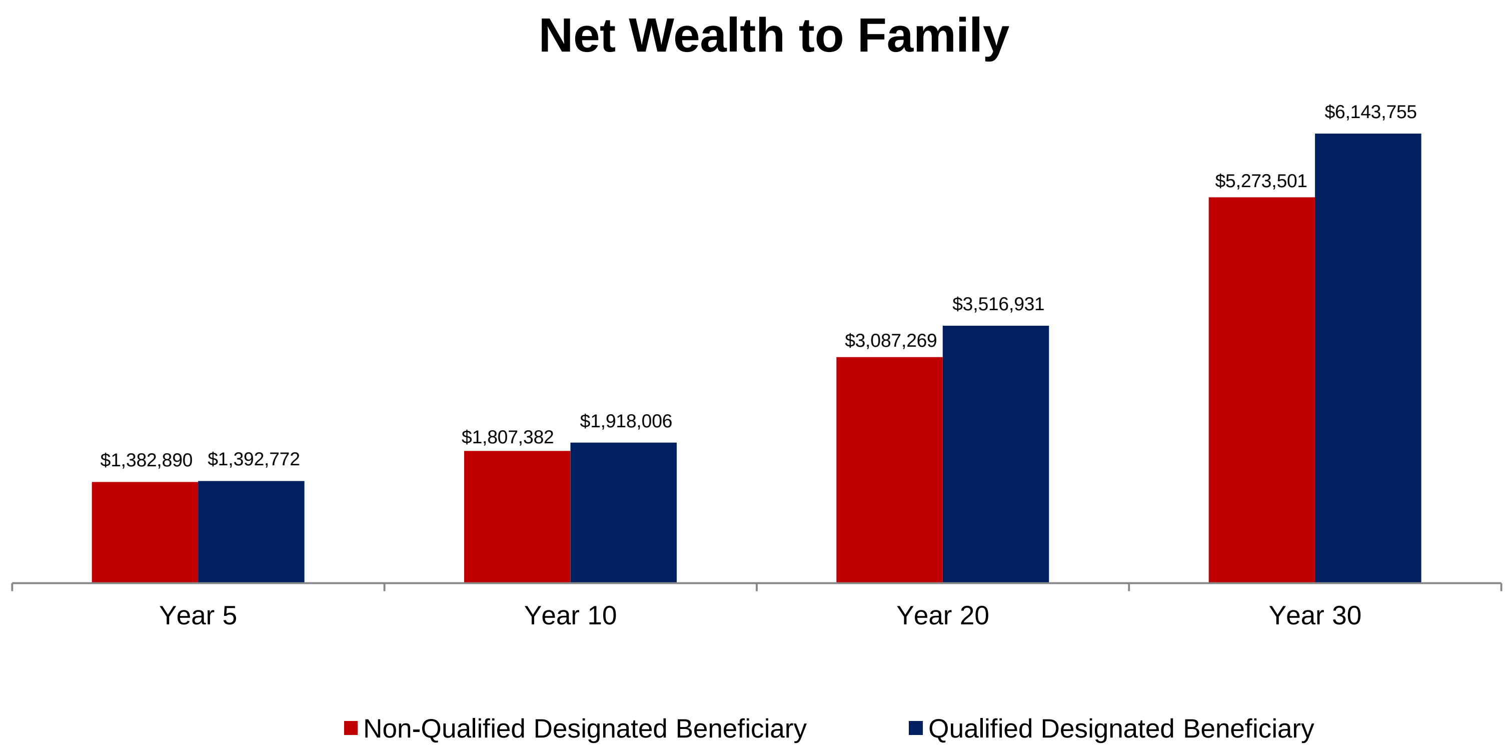
Estate Liquidity Issues
“Stretch” IRA – “Qualified Designated Beneficiary”

- The post-mortem required minimum distribution (RMD) distribution period is dependent on whether a “qualified designated beneficiary” exists
  - “Qualified designated beneficiaries” include (but are not limited to): spouses, children, grandchildren, great-grandchildren, siblings, living ancestors and other descendants
  - “Non-qualified designated beneficiaries” include (but are not limited to): estates, most trusts, charities and other non-natural entities
    - **<u>NOTE</u>**: Certain trusts can qualify as “qualified designated beneficiaries”
- If a “qualified designated beneficiary” exists, the post-mortem IRA distributions are made over the beneficiary’s life expectancy

Estate Liquidity Issues

"Stretch" IRA – "Qualified Designated Beneficiary"

"Stretch" IRA Example



Assumptions
IRA Balance: $1,000,000
Pre-Tax Growth Rate: 7.00%
After-Tax Growth Rate: 5.50%
Age of IRA Beneficiary: 55

Estate Liquidity Issues
"Stretch" IRA – Estate Tax Apportionment

- To the extent that the IRA owner's taxable estate is in excess of the estate tax exemption amount (currently $5,450,000), a portion or all of the IRA will be subject to estate tax (at a current tax rate of 40%)
  - In attempt to reduce or eliminate the estate tax liability, the IRA owner could name his/her spouse and/or charity as the beneficiary of the traditional IRA and/or Roth IRA
- The estate tax liability on the IRA is due within nine months of the IRA owner's death
- Therefore, to the greatest extent possible, estate taxes should be apportioned away from the IRA so as to preserve the greatest amount of wealth for future generations

Estate Liquidity Issues
"Stretch" IRA – Estate Tax Apportionment

Example

	W/O APPORTIONMENT			WITH APPORTIONMENT			
	Other Assets	**Roth IRA**	**TOTAL**	**Other Assets**	**Roth IRA**	**TOTAL**	**DIFFERENCE**
Gross Estate	$ 5,000,000	$ 2,000,000	$ 7,000,000	$ 5,000,000	$ 2,000,000	$ 7,000,000	$ -
Less: Estate Taxes	(2,250,000)	(900,000)	(3,150,000)	(3,150,000)	-	(3,150,000)	-
Net Estate	**$ 2,750,000**	**$ 1,100,000**	**$ 3,850,000**	**$ 1,850,000**	**$ 2,000,000**	**$ 3,850,000**	**$ -**
FMV of Net Estate in 10 Years	**$ 5,346,676**	**$ 1,472,784**	**$ 6,819,460**	**$ 4,340,575**	**$ 2,677,789**	**$ 7,018,364**	**$ 198,904**
FMV of Net Estate in 20 Years	**$ 10,455,882**	**$ 1,489,336**	**$ 11,945,218**	**$ 9,819,759**	**$ 2,707,884**	**$ 12,527,642**	**$ 582,424**
FMV of Net Estate in 30 Years	**$ 20,611,469**	**$ -**	**$ 20,611,469**	**$ 21,775,951**	**$ -**	**$ 21,775,951**	**$ 1,164,482**

Assumptions
Pre-Tax Growth Rate: 7.00%
After-Tax Growth Rate: 5.50%
Age of Roth IRA Beneficiary: 55

Estate Liquidity Issues

“Stretch” IRA – Life Insurance

Use of Life Insurance to Preserve “Stretch” IRA

ISSUE: Sometimes an estate does not have enough non-IRA liquid assets to pay the estate tax and other estate expenses. As a result, the IRA will most likely be needed to cover these estate administration costs, thus reducing the overall wealth passing to future generations.

SOLUTION: Purchase life insurance (outside of the IRA owner’s estate) to provide additional cash liquidity to the IRA owner’s estate.

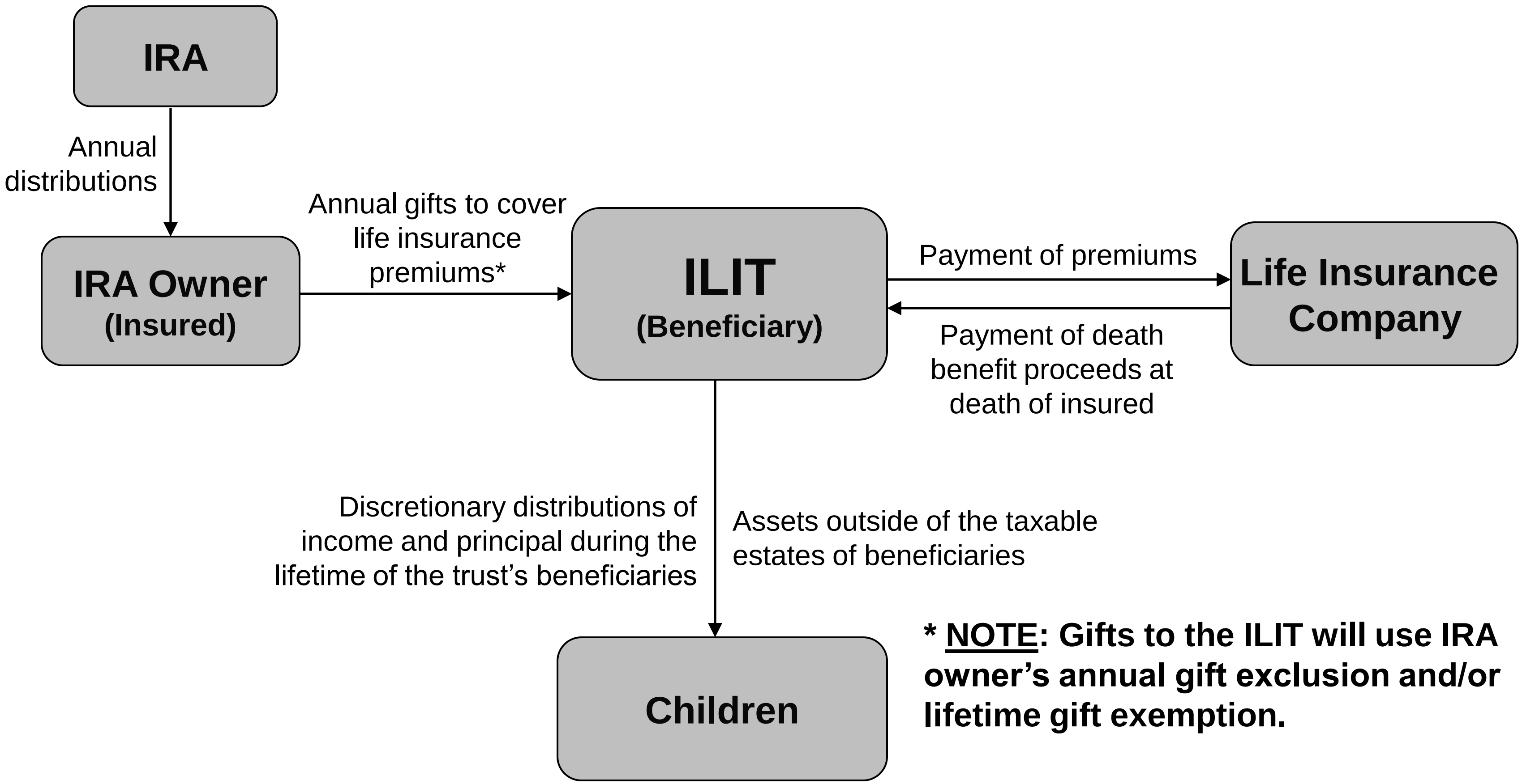
Estate Liquidity Issues
“Stretch” IRA – Life Insurance

Irrevocable Life Insurance Trust (ILIT)

- An Irrevocable Life Insurance Trust (ILIT) is a type of trust which holds a life insurance policy on the grantor’s life (or a second-to-die policy) which benefits the grantor’s beneficiaries without the imposition of future estate, gift and/or GST tax.
- To the extent that the grantor’s estate has insufficient liquid assets cover the estate tax liability, trust assets can be lent to the estate or used to purchase assets from the estate.
- To the extent that the grantor does not hold any “incidents of ownership”, none of the trust assets will be included in his/her taxable estate.

Estate Liquidity Issues
"Stretch" IRA – Life Insurance

Irrevocable Life Insurance Trust (ILIT)



*** NOTE: Gifts to the ILIT will use IRA owner's annual gift exclusion and/or lifetime gift exemption.**

Estate Liquidity Issues

"Stretch" IRA – Life Insurance

Irrevocable Life Insurance Trust (ILIT)

Example – Internal Rate of Return on Life Insurance

Year	Death Benefit	Cumulative Premium	IRR
1	$ 1,000,000	$ 20,000	4900.00%
5	$ 1,000,000	$ 100,000	131.78%
10	$ 1,000,000	$ 200,000	33.22%
15	$ 1,000,000	$ 300,000	15.60%
20	$ 1,000,000	$ 400,000	8.80%
25	$ 1,000,000	$ 500,000	5.34%

Estate Liquidity Issues
“Stretch” IRA – Life Insurance

Irrevocable Life Insurance Trust (ILIT)
Example – Tax Benefit of Holding Life Insurance in an ILIT

Year	Death Benefit (i.e. Estate Inclusion)	Estate Tax (@ 40%)	Total Premiums (i.e. Taxable Gifts)	Gift Tax (@ 40%)	**Tax Savings**
5	$ 1,000,000	$ 400,000	$ 100,000	$ 40,000	**$ 360,000**
15	$ 1,000,000	$ 400,000	$ 300,000	$ 120,000	**$ 280,000**
20	$ 1,000,000	$ 400,000	$ 400,000	$ 160,000	**$ 240,000**
25	$ 1,000,000	$ 400,000	$ 500,000	$ 200,000	**$ 200,000**

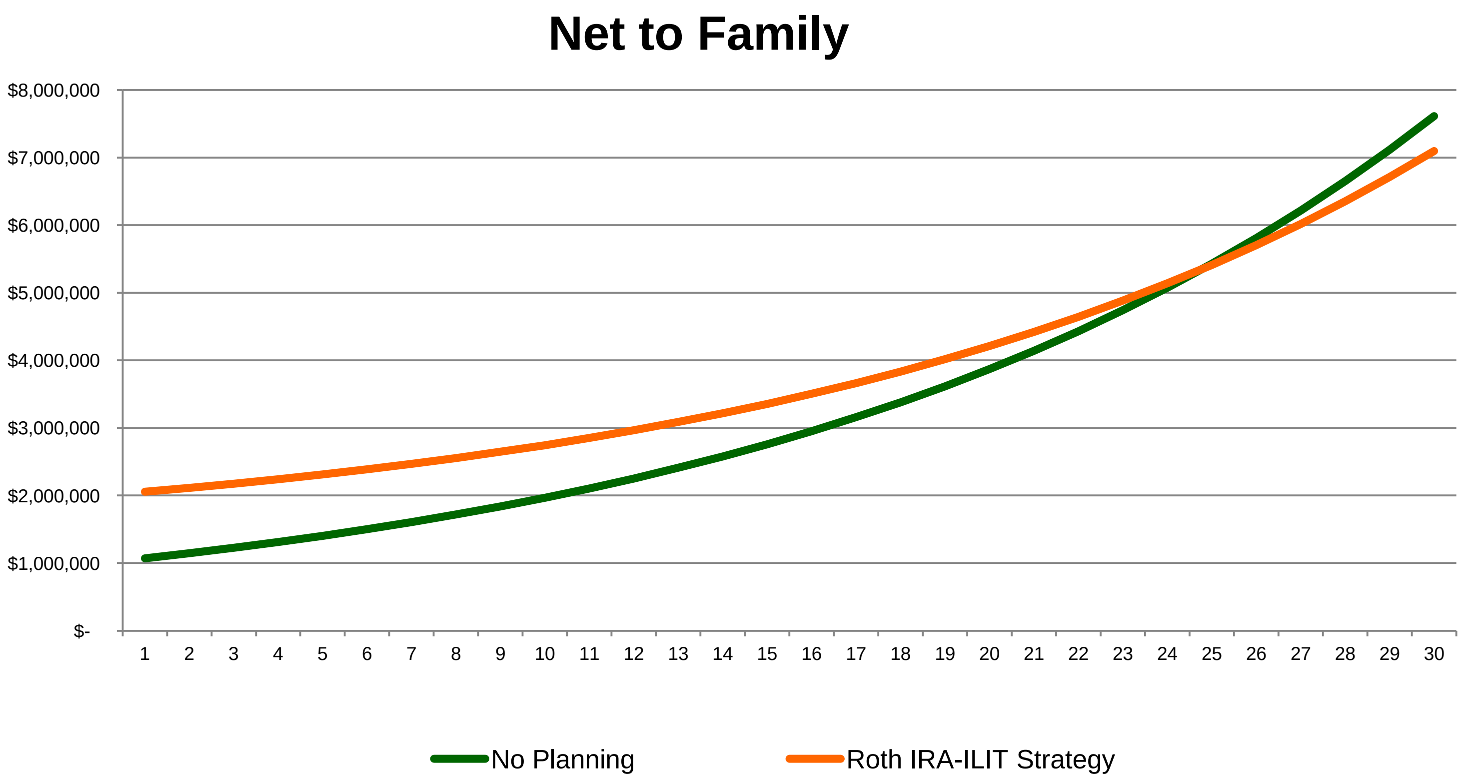
* This analysis assumes the entire lifetime gift tax exemption has been used on other prior taxable gifts and that the annual gift exclusion is not available. Further, this analysis assumes that the estate tax exemption is used for other assets included in the grantor’s taxable estate.

Estate Liquidity Issues

“Stretch” IRA – Life Insurance

Irrevocable Life Insurance Trust (ILIT)

Example – Use of ILIT to Protect IRA “Stretch”



Assumptions

IRA Balance: $1,000,000

Growth Rate: 7.00%

Insurance Premium: $15,000/yr

Roth IRA Conversion Planning

Roth IRA Conversion Planning
General Concepts

- 100% of growth is tax-exempt
- No required minimum distributions at age 70½

Roth IRA Conversion Planning
General Concepts

- Convertible accounts
  - Traditional IRAs
  - 401(k) plans
  - Profit sharing plans
  - 403(b) annuity plans
  - 457 plans
  - “Inherited” 401(k) plans (see Notice 2008-30)
- Non-convertible accounts
  - “Inherited” IRAs
  - Coverdell Education Savings Accounts (ESAs)
  - Section 529 college savings plans
  - Health savings accounts (HSAs)

Roth IRA Conversion Planning
Reasons for Converting to a Roth IRA

- Taxpayers have special favorable tax attributes including charitable deduction carry-forwards, investment tax credits, net operating losses (NOLs), high basis non-deductible traditional IRAs, etc.
- Suspension of the minimum distribution rules at age 70½ provides a considerable advantage to the Roth IRA holder
- Taxpayers benefit from paying income tax before estate tax (when a Roth IRA election is made) compared to the income tax deduction obtained when a traditional IRA is subject to estate tax
- Taxpayers who can pay the income tax on the IRA from non-IRA funds benefit greatly from the Roth IRA because of the ability to enjoy greater tax-free yields

Roth IRA Conversion Planning
Reasons for Converting to a Roth IRA

- Taxpayers who need to use IRA assets to fund their Basic Exclusion Amount (BEA) bypass trust are well advised to consider making a Roth IRA election for that portion of their overall IRA funds
- Taxpayers making the Roth IRA election during their lifetime reduce their overall estate, thereby lowering the effect of higher estate tax rates
- Federal tax brackets are more favorable for married couples filing joint returns than for single individuals
- Post-death distributions to beneficiaries are tax-free
- Tax rates are expected to increase in the near future
- Impact of the new 3.8% Medicare surtax

Roth IRA Conversion Planning
Mathematics of Roth IRA Conversions

- In simplest terms, a traditional IRA will produce the same after-tax result as a Roth IRA provided that:
  - The annual growth rates are the same
  - The tax rate in the conversion year is the same as the tax rate during the withdrawal years (i.e. A x B x C = D; A x C x B = D)

Roth IRA Conversion Planning
Mathematics of Roth IRA Conversions

Example

	Traditional IRA		Roth IRA	
Current Account Balance	$	1,000,000	$	1,000,000
Less: Income Taxes @ 40%		-		(400,000)
Net Balance	**$**	**1,000,000**	**$**	**600,000**
Growth Until Death		200.00%		200.00%
Account Balance @ Death	$	3,000,000	$	1,800,000
Less: Income Taxes @ 40%		(1,200,000)		-
Net Account Balance to Family	**$**	**1,800,000**	**$**	**1,800,000**

Roth IRA Conversion Planning
Mathematics of Roth IRA Conversions

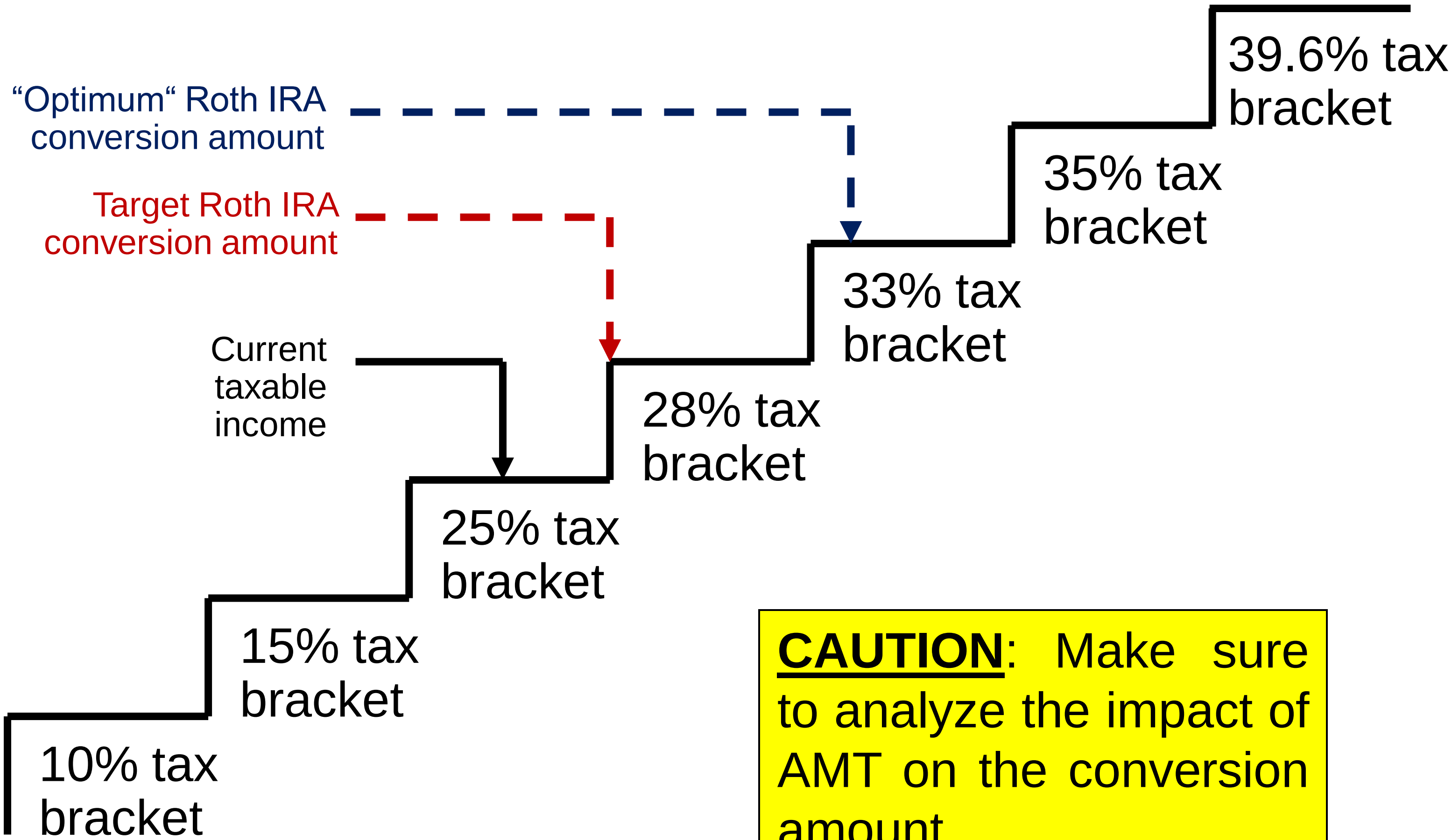
- Critical decision factors
  - Tax rate differential (year of conversion vs. withdrawal years)
  - Use of “outside funds” to pay the income tax liability
  - Need for IRA funds to meet annual living expenses
  - Time horizon

Roth IRA Conversion Planning
Mathematics of Roth IRA Conversions

- The key to successful Roth IRA conversions is to keep as much of the conversion income as possible in the current marginal tax bracket
  - However, there are times when it may make sense to convert more and go into higher tax brackets
  - Need to take into consideration the new 3.8% Medicare “surtax”
  - Need to take into consideration the impact of AMT

Roth IRA Conversion Planning

Mathematics of Roth IRA Conversions



CAUTION: Make sure to analyze the impact of AMT on the conversion amount

Roth IRA Conversion Planning
Mathematics of Roth IRA Conversions

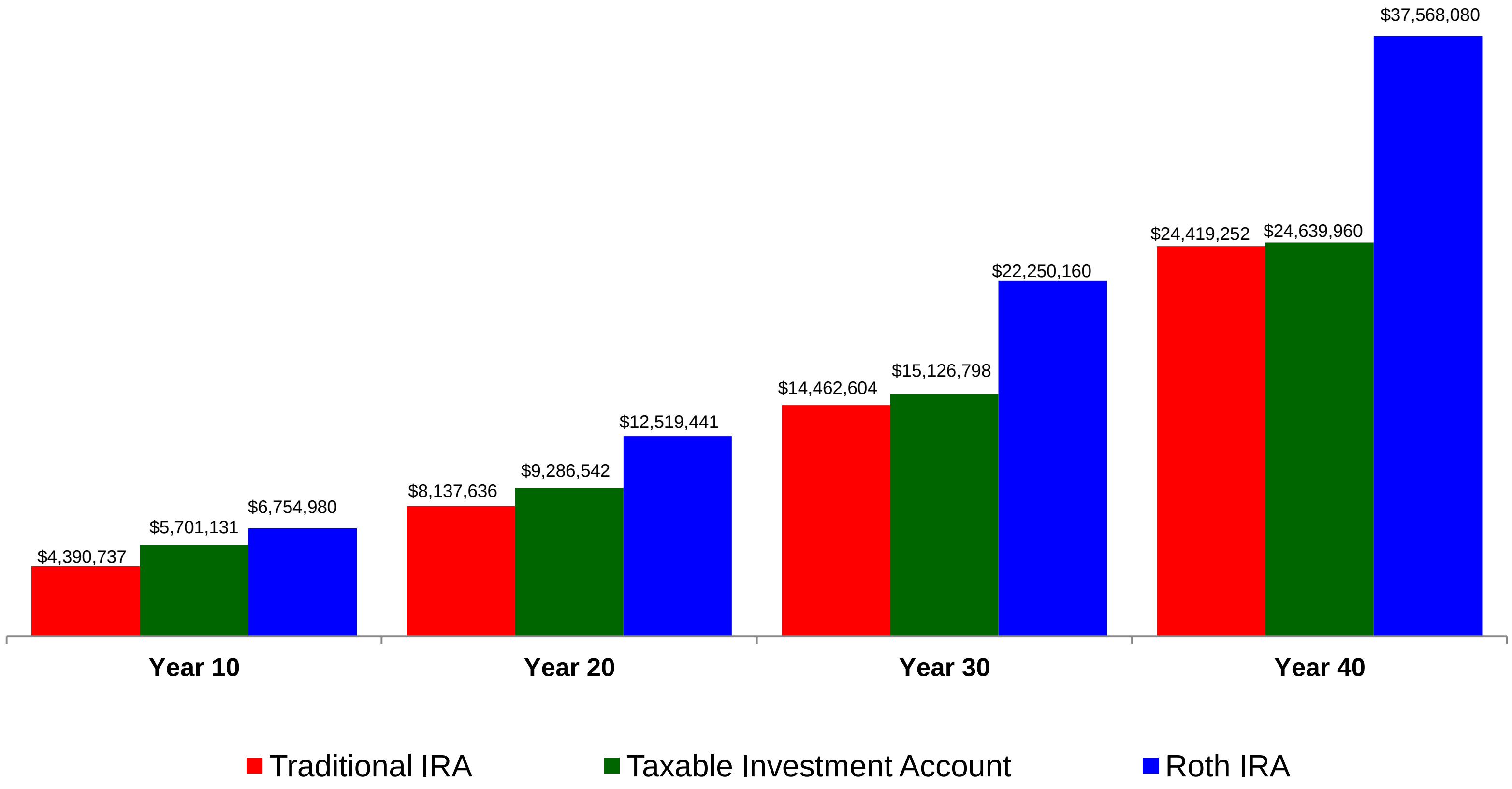
- Tactical considerations
  - Unused charitable contribution carryovers
  - Current year ordinary losses
  - Net Operating Loss (NOL) carryovers from prior years
  - Alternative Minimum Tax (AMT)
  - Credit carryovers

Roth IRA Conversion Planning
Funding the Bypass Trust

- In funding a decedent IRA owner's "bypass trust" for estate tax purposes, the primary objective is to fund the trust with assets that have the greatest appreciation potential
- Although post-mortem Roth IRAs are subject to "required minimum distributions" ("RMDs"), the income tax-free nature of the Roth IRA allows for the greatest amount of wealth to transfer to future generations

Roth IRA Conversion Planning
Funding the Bypass Trust

Example



CONCLUSION