Give the Holiday Gift That Keeps Giving – A Stretch IRA

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When searching for the perfect holiday gift, consider avoiding common goods at common stores, and instead create an Inherited IRA for a treasured family member

GAINESVILLE, GA / ACCESSWIRE / December 29, 2015 / When searching for the perfect holiday gift, consider creating an Inherited IRA for a treasured family member.

An Inherited IRA goes further than simply choosing a family member who will receive the IRA assets in the event of the person's death. If structured and transferred correctly, it will allow the beneficiary to not only add ones assets to theirs, but have it reflect their projected longer life expectancy, rather than the expectancy of the original owner. This can extend how and when they can begin withdrawing from their IRA, and have a longer period of not paying taxes.

Additionally if IRA proceeds go to someone much younger, such as a child or grandchild, rather than a spouse who may be of a similar age to the IRA owner, this can 'stretch' the tax advantages even further.

One of the greatest misconceptions regarding IRA's is the distribution process. If someone dies without naming a primary beneficiary for their Traditional IRA, the financial institution must follow its own rules on how the IRA will be distributed. Sometimes, it can go to a spouse, or if there's no surviving spouse, it may go to a custodian who can transfer the funds to the deceased owner's children.

In cases without clear direction or specific heirs, IRA funds are considered part of the estate, which means that whoever receives them will either have to take a lump sum or base withdrawals on the original holder's life expectancy, and if they began their required annual IRA distribution prior to their death.

If the original IRA owner died before age 70 ½, the distributions go to whomever inherits the IRA and will be given in a lump sum or over five years. If they died after 70 ½, then the person who inherits the assets can either take the lump sum or take distributions over the deceased's life expectancy, had they not died. Roth IRAs also must be taken as a lump sum or over a five-year period.

Moore said the process and conditions can be confusing, which is why much can be avoided by selecting who will inherit the IRA. This gives clear instructions to any executors, and also allows recipients to utilize their life expectancy.

"When helping clients arrange these retirement options for their loved ones, it is suggested that their heirs not touch any funds until they know how any distribution rules would affect them," he said. "Inherited IRAs can truly be the gift that keeps on giving."

To learn more about Scott Moore and the Moore's Wealth Management Team, visit their website www.MooresWealthManagement.com

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