



**HOLMES
&
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FINANCIAL PLANNERS

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The Nest Egg

Protecting, Preserving and Building Our Clients' Assets

SHOULD YOU LEAVE YOUR IRA TO A TRUST?

By Sarah Brenner, JD, IRA Analyst (7/31/19)

www.ira-help.com/slottreport/should-you-leave-your-ira-trust

You may wonder about naming your trust as your IRA beneficiary. For some that may be the way to go, but you should be careful. Trusts are not for everyone. There are trade-offs and consequences. Trusts as IRA beneficiaries create unique problems and tax complications.



NAMING A TRUST Many IRA owners will name a living person as beneficiary of their IRA. Often that person is a spouse or child. You could simply name that person on the IRA beneficiary designation form. If you want to name your trust instead of naming a person as a beneficiary on your IRA, you would name your trust on the beneficiary designation form. The trust's beneficiary could be a child, grandchild or another person that you want to receive the IRA. There are an infinite number of ways a trust can be drafted to best meet your needs.

CONTROL IS KEY The main reason to go with a trust as your IRA beneficiary is control. A trust allows control from the grave over IRA funds. In some situations, there are smart reasons to seek control. For example, if the intended beneficiaries are children or a disabled person, a trust provides a way for you to control the IRA funds for their benefit long after your death.

MINOR AS BENEFICIARY A common reason for naming a trust as an IRA beneficiary is to provide for a child. Minors are not able to make tax elections like IRA distribution decisions or direct investment choices.



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OTHER BENEFICIARIES There are other beneficiaries who also may need the control that a trust provides. A trust may be advisable if an IRA beneficiary is someone who may need help with managing the IRA funds and taking required distributions, even if the beneficiary is an adult. The trust could be used to protect the beneficiary from creditor problems, as many states do not provide creditor protection for IRA beneficiaries.

SECOND MARRIAGES A trust can be a good choice in second marriages where you want to control the ultimate disposition of your IRA. You may want to leave your spouse the annual IRA income, but after your spouse's death you may want to make sure that the IRA goes to your children.

ESTATE PLANNING If you have a larger estate, a trust may be needed as part of the overall estate plan. A trust can be used to avoid federal estate tax or inclusion in the beneficiary's estate. With increased exemption levels and portability, only a small percentage of all estates will be affected by the federal estate tax. However, for those that are, trusts are a necessary tool. A trust may also be a good strategy if you are concerned about state estate tax. Many states have decoupled from the federal estate tax system and have kept lower exemption amounts and do not allow portability.

REASONS NOT TO NAME A TRUST There are some strong reasons not to name a trust as an IRA beneficiary. The main reason not to name a trust is simplicity. By not naming a trust you can avoid restrictions on beneficiaries and trust complications. Another reason not to name a trust is to avoid high trust income tax rates.



Another downside to naming a trust as an IRA beneficiary is the loss of a spouse beneficiary's ability to do a spousal rollover. This is an option available to a spouse named outright as the IRA beneficiary but not to one who inherits through a trust. There have been many private letter rulings (PLRs) over the years where a trust was named as the beneficiary and spouses have gone to the IRS to request the ability to do a spousal rollover. While the IRS has generally allowed such requests when the spouse has complete control over the trust and its distributions, relief comes with a big price tag.

THE TAKE AWAY Don't name a trust as your IRA beneficiary unless you know what you are doing and it's the only solution. Be sure that there is good reason to take on the extra expense and complications that will come along with the trust. "My attorney told me to!" is not enough.



- ✓ Contribute up to \$6000 to your IRA plans. Or if you're over 50, you can contribute \$7,000.
- ✓ If you are over 70.5, consider making a Qualified Charitable Donation to help cover your Required Minimum Distribution (RMD)
- ✓ Invest in your child's 529 Plan
- ✓ Save up to \$19,000 in your 401(k) plans

*This is a family favorite every fall and
you'll want to double it!*

PUMPKIN BREAD WITH CREAM CHEESE FROSTING

garnishandglaze.com/pumpkin-bread-with-cream-cheese-frosting

INGREDIENTS

For the Bread:

1 3/4 cup flour
1 teaspoon baking soda
3/4 teaspoon salt
1 teaspoon cinnamon
1/4 teaspoon nutmeg
2 eggs
1 1/2 cup sugar
1 cup pumpkin puree
1/2 cup canola oil
1/3 cup water

For the Cream Cheese Frosting:

2 ounces cream cheese, softened
2 tablespoons butter, softened
3/4 cup powdered sugar, (add
more if needed)
1/4 teaspoon vanilla

INSTRUCTIONS Preheat oven to 350 degrees
Flour and grease 1 4 1/2" x 8 1/2" loaf pan.

In a large bowl, mix flour, baking soda, salt, cinnamon and nutmeg together. Make a well and set aside.

In a medium bowl, thoroughly beat together the eggs, sugar, pumpkin puree, oil, and water. Add to the well of the dry ingredients and mix until combined. Pour batter into greased loaf pan.

Bake for 60-70 minutes but tent a piece of foil over the top half way through (you need to pinch it at the ends so it forms a dome so the bread can rise) to prevent the top from browning too much. Start checking the bread at 50-55 minutes and if it looks too wet on top, take off the foil and finish cooking without it. Cook until toothpick comes out clean. Let the bread cool completely in the pan before removing. Make the frosting by creaming the frosting ingredients together. Spread on top of bread.

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100 FOLD

www.100foldcares.org

Did you know that our annual golf tournament raises money for 100 Fold every year? In fact this year, \$950 was collected by 100 Fold in the sale of Mulligans. A HUGE shout out of THANKS to everyone who purchased a mulligan and supported this organization that is connecting businesses, individuals, and resources to meet real needs within our community.

This is what their website has to say:

Born from a desire to help people.

All the people a part of 100 fold share what they have to help those in need in the Ozarks. They come together to share the financial responsibility of someone in need.

If your neighbor's roof is damaged by hail and high winds, don't you and your community come together to repair said neighbor's roof? Or if your mother is in the hospital, don't your friends come together to support you?

That's what 100 Fold is all about! It should not be a burden to help others!

If you believe in this model, we would love for you to join us!





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(DETAILS COMING YOUR WAY SOON!)

Oct 28 - Nov 21, 2019

Annual Food Drive

Drop off your donations at
Holmes & Griffeth Office



December 6, 2019

Christmas Open House

Holmes & Griffeth Office
11 AM - 2 PM



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