



NORTH FLORIDA
WEALTH ADVISORS

CERTIFIED FINANCIAL PLANNER™ PROFESSIONALS

IRA Beneficiary Planning

The importance of IRA beneficiary planning is frequently overlooked. Simply designating your beneficiaries and keeping your designations up to date is an important first step but there are two other considerations that should not be overlooked: the tax liability your beneficiaries will face, and your ability to control how and when your beneficiaries can access their inheritance.

Taxation of inherited IRA assets

The IRS permits several distribution options for inherited IRAs. However, it is important for your beneficiaries to recognize that the assets are subject to taxation in the year they are received.

Lump sum—Taxes due in one year

- The entire IRA can be withdrawn in a lump-sum payment. All out in five years—Taxes due by the end of five years
- The beneficiary can spread the payments out over five years or wait until the end of the fifth year to withdraw the assets.

Annuitization

- This option is available from annuity contracts and can provide for a stream of payments for a fixed period (not to exceed the life expectancy of the beneficiary or owner in certain cases), or for life in some instances. Generally distributions must start by December 31 of the year following the owner's death. (An exception may apply for a surviving-spouse beneficiary.)

Roll over to own IRA

- This option is only available for spouses.

Stretch

- The beneficiary can spread systematic required minimum distributions over a period that does not exceed his or her life expectancy or in some cases the owner's life expectancy.

Controlling your legacy

Some IRA trustees and custodians offer a restricted beneficiary designation option which allows the IRA owner to restrict the beneficiaries to specific distribution options. This can be a useful tool if you're concerned about how one or more of your beneficiaries will use their inheritance.

What should you be doing today?

There are three things you should do to ensure your IRA assets pass to your beneficiaries the way you intend. Review your beneficiary designations to ensure they are accurate and up to date. Educate your beneficiaries on the options they have and the tax implications associated with each option. Speak to your advisor about restricted beneficiary options if you're concerned about how one or more of your beneficiaries will manage the assets they inherit.

*For more information see www.blog.transamerica.com.

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