

1-Edit

Publication: Asheville Citizen-Times
Day: MONDAY
Section: W
Page: 10
Keyword: COLUMNS

Date: 11/21/2005
Edition: FINAL
Sectionname: WNC Business
Byline: BY WARREN W. WALL

Leaving your IRA to no one leaves the future of your estate in jeopardy

Leaving your IRA to no one leaves the future of your estate in jeopardy

W

What happens to your IRA if you pass away without naming a beneficiary? If you intend to leave your account to a younger heir, the money in the account may not last as long as you would hope.

That's because the IRS stipulates that if an IRA owner dies without naming a beneficiary, the IRA must be paid out either under the five-year rule or over the remaining single life expectancy of the deceased IRA owner.

It all depends on whether the IRA owner dies before or after his or her required beginning date. Your required beginning date is April 1 of the year after you turn 70.5.

If you pass away before your required beginning date and you have not named a beneficiary for your IRA, your IRA would be paid out to your estate over a five-year period, beginning in the year following your death. Depending on the value of your IRA, this could result in hefty income taxes for the person on the receiving end of your IRA assets.

If you pass away after your RBD and have no one named as beneficiary on your IRA, your IRA will be paid out over your remaining single life expectancy, which can, at most, be 16.3 years (the life expectancy of a 71-year-old, according to the IRS.) Remember, too, that IRA distributions to a beneficiary must start in the year following the death of the IRA owner, and the life expectancy factor, used to compute the annual required payout, is reduced by one each year. So if you do not name a beneficiary for your IRA and die after your required beginning date, the longest possible time that the person who ultimately inherits your IRA can stretch out the distributions is 15.3 years.

Either way, not specifying a beneficiary is, in many cases, a bad deal for whoever winds up with your IRA assets.

But by naming a beneficiary, that person can stretch out the distributions from your IRA based on his or her life expectancy, which could be decades longer than yours, thus possibly reduce the income taxes along the way.

hed: WALL ON THE STREET

with col sig mug/bio

DC4 Report

Warren W. Wall CFP, CSA is a local financial author and advisor with W. Wall & Company, Inc. a Registered Investment Advisor. For contact information, visit www.Wallco.com or call 651-9617.

Department: WNC BUSINESS

Docname: wnc biz_wall on street_1121

Pubdate: 11/21/2005

Typist: Jason Sandford

Depth: 10.25

Docnumber: 1103718

Source: STORY

Wordcount: 406

1-Edit

Author: Jason Sandford

Status: Sent

Datatype: Text