



ED SLOTT'S IRA ADVISOR

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TAX & ESTATE PLANNING FOR YOUR RETIREMENT SAVINGS

IRS Rules "Mere Successor Beneficiaries" Not Included When Determining RMD Payments to a Trust

PLR 201633025
Released by IRS on August 12, 2016

An IRA owner had three IRAs with three different custodians. He died at age 59. He named the same irrevocable discretionary trust as the beneficiary of all three of his IRAs. After the IRA owner's death, all three IRAs were combined into one inherited IRA for the benefit of the trust. The IRA owner had a child (let's call her Emily) and two siblings (let's call them Bert and Ernie). Emily also has two children.

Under the terms of the trust, the trustee is to distribute all net income of the trust to Emily. The trustee also has discretion to make distributions of principal to Emily or her children for health, education, support, or maintenance. The trust will terminate when Emily reaches age 50 and the remaining income and principal will be distributed. If Emily dies prior to attaining age fifty, the trust will terminate and will be distributed to her children. However, if a beneficiary is under age twenty-one at the time he or she becomes entitled to receive his or her share, the trustee retains possession

of the share in trust until the beneficiary attains age twenty-one; if the beneficiary dies before attaining age twenty-one, the beneficiary's share is paid to the beneficiary's personal representatives. If Emily and her children are deceased at any time prior to final distribution of assets from the trust, the trustee would distribute the remaining assets to Bert and Ernie. If Emily, her children, and Bert and Ernie are all deceased prior to final distribution of assets from the trust, the trustee would distribute the remaining assets to various charitable organizations.

The PLR Request

A private letter ruling (PLR) request was submitted to IRS by the trust. The request asked the IRS to rule that:

1. The beneficiaries of the trust qualify as designated beneficiaries.
2. The designated beneficiary for determining the distribution period for required minimum distributions (RMDs) from the trust would be the IRA owner's child (Emily).

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