



ED SLOTT'S IRA ADVISOR

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TAX & ESTATE PLANNING FOR YOUR RETIREMENT SAVINGS

Avalanche of Post-Death PLRs Highlights Need for Better Pre-Death Planning

It's been a busy summer for IRS this year, as they have been releasing retirement account related private letter rulings (PLRs) at a dizzying pace. While the rulings have broached a wide array of areas, many of them have dealt with post-death distributions from IRAs. These PLRs shed light on some important, avoidable, but all too common, IRA issues, such as spousal IRA rollovers through trusts and estates, as well as how to handle assigning inherited IRA funds out of a trust and into inherited IRAs for the beneficiaries of the trust.

IRS Allows Spousal IRA Rollover Through a Trust

PLR 201423043
Released by IRS June 6, 2014

In the latest of a long line of similar PLRs, PLR 201423043 allowed a surviving spouse beneficiary to do a spousal rollover to her own IRA, even though she wasn't the direct beneficiary of the IRA. Rather, she controlled and was the beneficiary of a trust that was named as the IRA beneficiary. While the ultimate outcome as a result of the

PLR was favorable, with even minimal planning prior to death the same outcome could have been reached... without the added time and expense of the PLR.

Facts of PLR 201423043

"Alan" named a trust as the beneficiary of his two Roth IRAs. After he died, his wife "Barbara" became the sole trustee of the trust. Under the terms of the trust, the trust was to be divided into two sub-trusts, a Marital Trust and a Family Trust. To minimize Alan's federal estate tax, the Marital Trust was to be funded with an amount roughly equal to Alan's remaining estate tax exemption, while the rest of his estate was to go to the Family Trust.

After Alan died, Barbara, as sole trustee of the inheriting trust and using a power expressly granted to her under that trust, allocated the assets of the trust to the Marital and Family Trusts respectively. As part of that process, Barbara allocated Alan's two Roth IRAs to the Marital Trust, of which she was also the beneficiary. Under the terms of the Marital Trust, Barbara was to pay all net income of the trust to herself as

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