



ED SLOTT'S IRA ADVISOR

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TAX & ESTATE PLANNING FOR YOUR RETIREMENT SAVINGS

A Step-By-Step Guide to Planning for Spousal Beneficiaries

Death is simply a fact of life. It will happen to all of us at one point, and of course, to all of our clients. That simple, yet irrefutable, fact makes implementing good post-death planning strategies a must for advisors.

Unfortunately, post-death IRA planning is rarely afforded the same level of simplicity as planning for other assets. There are a myriad of rules to follow, and failing to follow any one of them could lead to disastrous tax consequences for a beneficiary. Furthermore, there are different rules for different types of beneficiaries, such as a spousal beneficiary versus a non-spouse beneficiary, which makes things all the more complicated.

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Spousal Beneficiary Options

While it's not always the case, in the overwhelming majority of situations, married clients will name each other as their primary IRA beneficiary. Therefore, understanding the rules that apply when

a spousal beneficiary inherits an IRA is of critical importance for advisors. When a spouse is considered a "sole spouse beneficiary" there are three different options available to them.

Option #1 – Spousal Rollover

One option available to a spousal beneficiary – and one that is *only* available to spousal beneficiaries – is known as a *spousal rollover*. A spousal rollover is the name given to the planning strategy where a surviving spouse moves a deceased spouse's retirement account into their own retirement account. Despite its name, spousal rollovers may actually be accomplished via a 60-day rollover, a direct rollover or a trustee-to-trustee transfer.

After a spousal rollover is completed, the funds in the surviving spouse's IRA are treated as though they were *always* in the surviving spouse's IRA. Put differently, the spouse is no longer treated as a beneficiary. Thus, if the deceased

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