



IRA/401k Money Is Different

Ed Slott's IRA document is utilized by Hans and Tom in the video entitled "IRA/401k Money Is Different" video.

IRA/401K MONEY IS DIFFERENT

S.S <input type="checkbox"/>	- DISTRIBUTION PLAN, ESTATE PLAN, TAX PLAN - IRA'S ARE DISTRIBUTED AND TAXED DIFFERENTLY IN LIFE AND AFTER DEATH - IRA'S ARE THE BLACK HOLE OF ESTATE PLANNING	
MED <input type="checkbox"/>	① PASS BY BENEFICIARY (NOT WILL)	⑦ NO STEP UP IN BASIS
LTC <input type="checkbox"/>	② REQUIRED MINIMUM DISTRIBUTIONS (RMD)	⑧ INVESTMENT GAINS TAXED AS ORDINARY INCOME - NO CAPITAL GAINS
401K/IRA <input type="checkbox"/>	③ COMPLEX DISTRIBUTION RULES IN LIFE AND AFTER DEATH	⑨ INVESTMENT GAINS NOT SUBJECT TO 3.8% INVESTMENT TAX
	④ DISTRIBUTIONS CAN INCUR TAX PENALTIES	⑩ CANNOT BE GIFTED OR TRANSFERRED DURING LIFE (EXCEPTION QCD AND DIVORCE)
	⑤ HIGHLY TAXED UPON DEATH OR WITHDRAWAL	⑪ CANNOT BE TRANSFERRED TO TRUSTS
	⑥ SUBJECT TO DOUBLE TAX AT DEATH (ESTATE + INCOME TAX, PLUS STATE VERSIONS OF TAX)	⑫ CANNOT CHANGE OWNERSHIP DURING LIFETIME
		⑬ CANNOT BE JOINTLY OWNED EVEN IN COMMUNITY PROPERTY STATES
		⑭ EQUITY CANNOT BE TAPPED
		⑮ BENEFICIARIES MAY QUALIFY FOR SPECIAL TAX BREAKS OFTEN MISSED
		⑯ NO PRINCIPAL AND INCOME CONCEPT
		⑰ REQUIRES IRA ESTATE PLAN
		ESTATE <input type="checkbox"/>
		<input type="checkbox"/>

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IRAs are Different

IRAs...The Black Hole of Estate Planning. IRAs are different than all other assets.

Estate Planning is different for IRAs.

IRAs are distributed differently than all other assets both during life and after death.

Here's why:

IRAs pass by beneficiary form (generally not by will).

IRAs have required minimum distributions (RMDs).

IRAs have their own set of complex distribution rules both during life and after death and these have been changed by the SECURE Act.

IRA distributions can incur tax penalties.

IRAs are highly taxed upon death or withdrawal.

IRAs are Different

IRAs are subject to double tax at death (estate and income tax, plus state versions of those taxes) in addition to IRS penalties that can apply to withdrawals made by the owner.

IRAs receive NO step-up in basis.

IRA investment gains are taxed as ordinary income, not at capital gains tax rates.

IRA investment gains are not subject to the 3.8% investment income surtax.

IRAs cannot be gifted or transferred during lifetime. Exception: a Qualified Charitable Distribution (QCD).

Exception: a court-ordered transfer that is part of a divorce agreement.

IRAs cannot be transferred to trusts during lifetime or after death.

IRAs cannot change ownership during lifetime - this would trigger an immediate and complete distribution and end the tax shelter.

IRAs cannot be owned jointly, like other property can be owned, even in community property states.

IRAs are Different

IRA equity cannot be tapped the way home equity can be tapped without triggering tax and potential IRS penalties.

The choice of IRA beneficiary determines the ultimate future potential value of that IRA to beneficiaries.

IRA beneficiaries may qualify for special tax breaks that are often missed.

IRAs have no principal and income concept. The entire IRA may be distributed to the income beneficiary of a trust leaving little or nothing to remainder trust beneficiaries.

IRAs require their own estate plans and then those estate plans must be integrated within the overall estate plan that includes all other assets.

Call: **800-663-1340** Visit: **irahelp.com** E-mail: **info@irahelp.com**

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