

IRA and QRP Advanced Beneficiary Topics



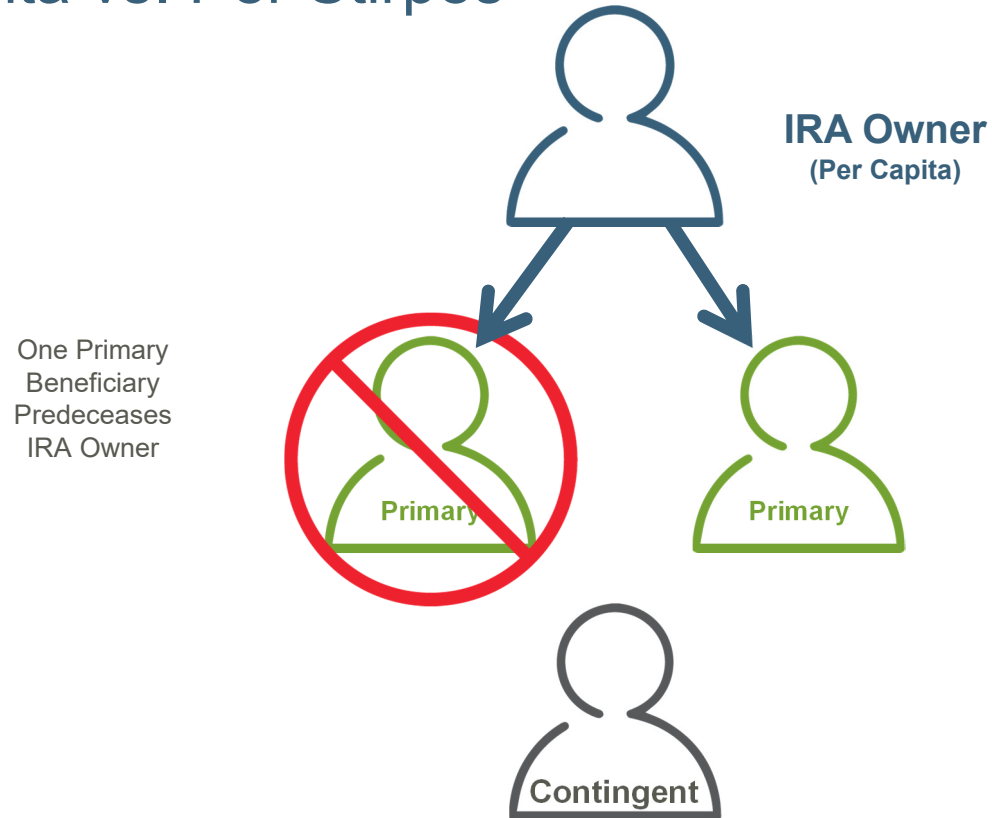
Learning Objectives

- ✓ Identify special issues that arise in processing death claims
- ✓ Explain the procedures for handling special issues

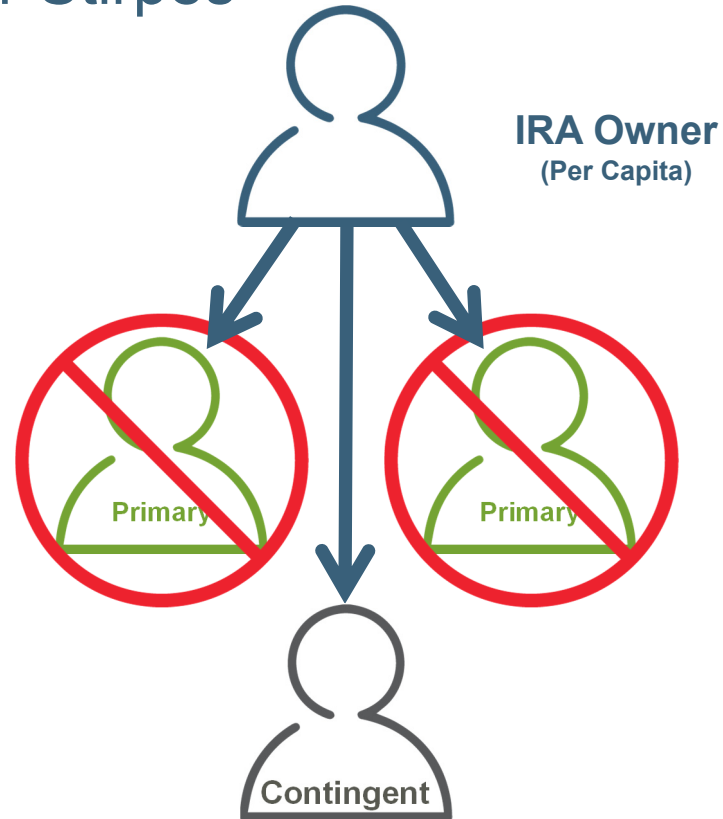
Naming a Beneficiary



Per Capita vs. Per Stirpes

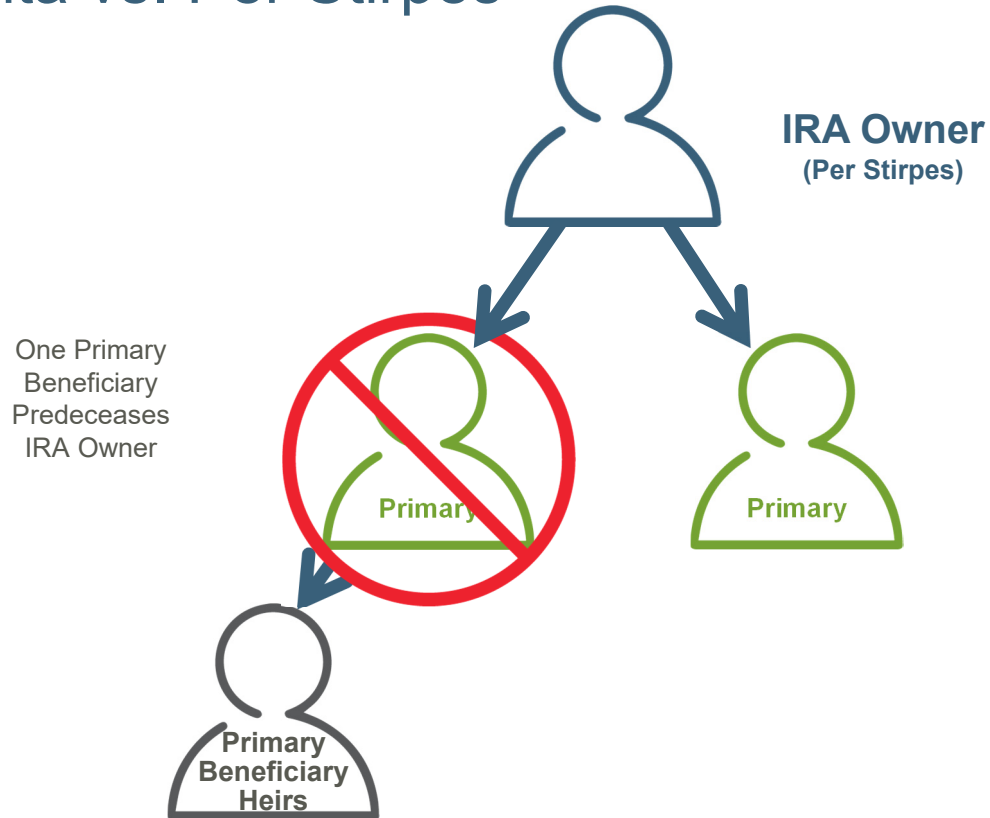


Per Capita vs. Per Stirpes

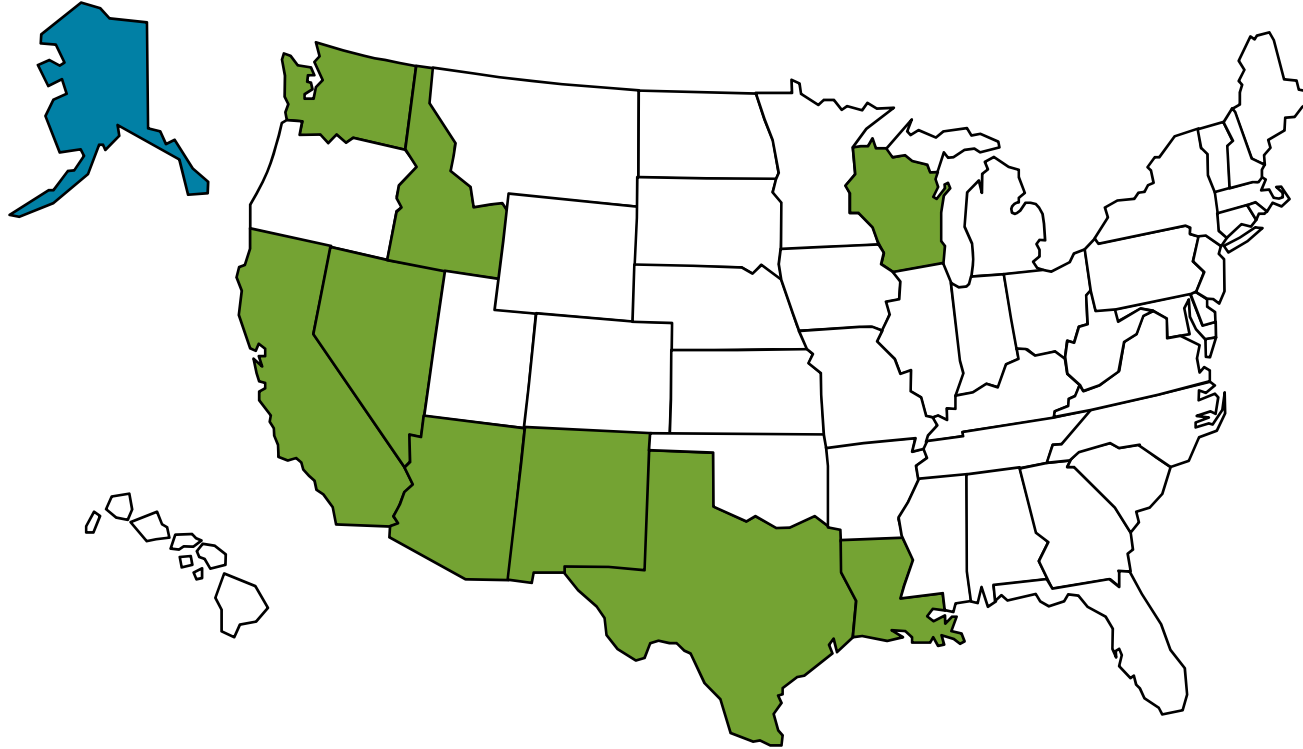


All Primary
Beneficiaries
Predecease
IRA Owner

Per Capita vs. Per Stirpes



Community/Marital Property



***Alaska
Arizona
California
Idaho
Louisiana
Nevada
New Mexico
Texas
Washington
Wisconsin***

No Community Property Issues to Consider



Not married



Signed consent
of spouse



Did not live in
community
property state

Community Property

Bobby, a lifelong resident of Culdesac, Idaho, recently died.

Bobby named his business partner, Oliver, as his primary beneficiary.

Tracy maintains that, as Bobby's wife, she is entitled to the IRA assets.



Community Property

Is Tracy entitled to any portion of the assets?

Because Bobby has always lived in a community property state, his wife, Tracy, may be entitled to the IRA assets.

The financial organization should work with its legal counsel to determine appropriate action.

The court will determine the proper recipient.



Minor Beneficiaries



Governed by
state law

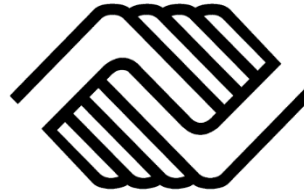
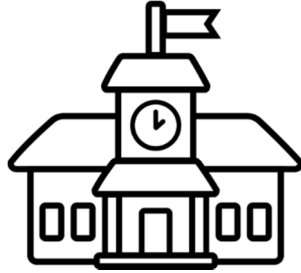
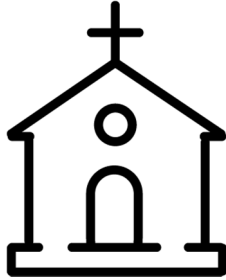


Age of majority



Pay to appointed
parent or guardian

Organization or Charity as Beneficiary





Authority of an Agent to Designate Beneficiaries

Authority of an Agent to Designate Beneficiaries



Explain Default
Beneficiaries



Verify Agent's
Authority



Retain Original
Designation

A man wearing a straw hat and a short-sleeved plaid shirt is watering plants in a garden. He is holding a hose and spraying water. The background shows a wooden shed and trees. The entire image has a blue tint.

Divorce and Beneficiary Designations

Divorce and Beneficiary Designations



Former spouse
may have
rights to assets



Determine if
Uniform Probate
Code (UPC)
applies

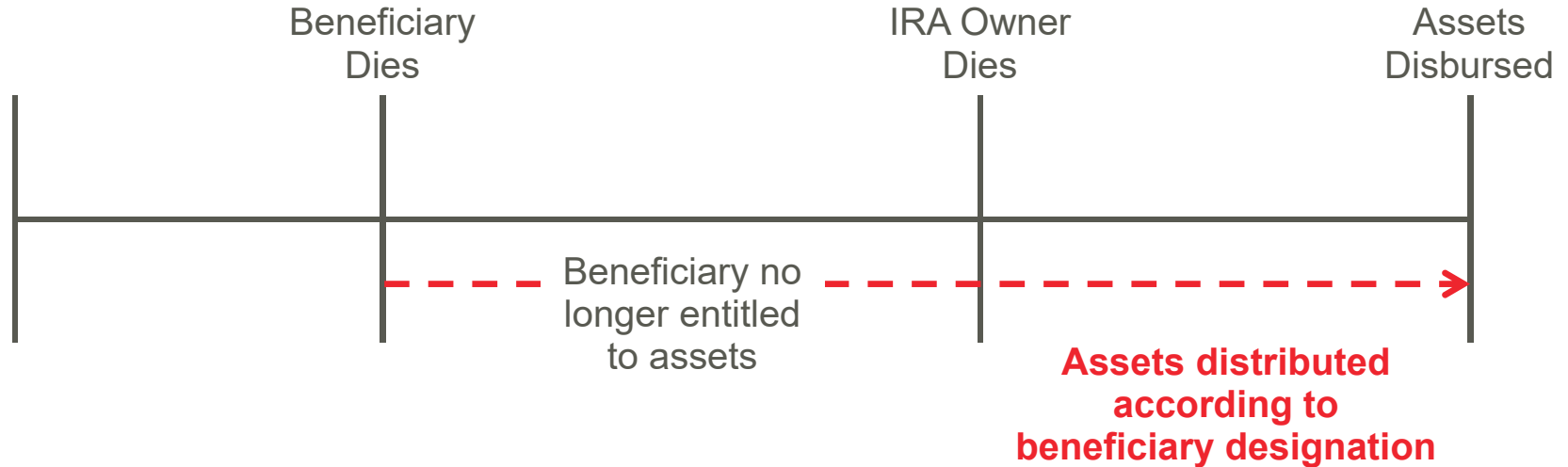


Consult legal
counsel

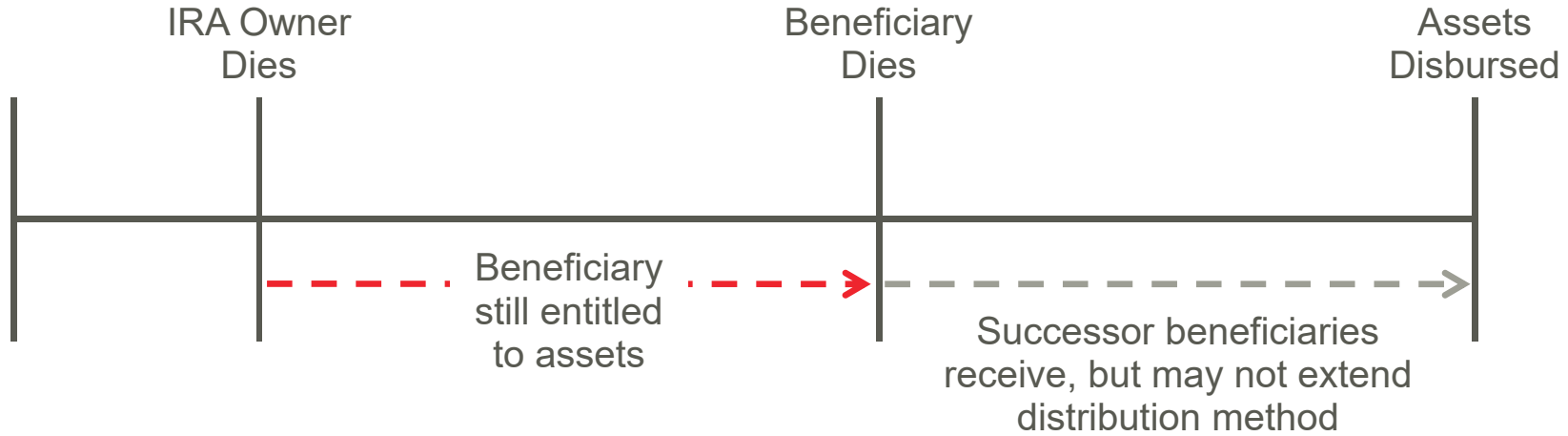
Beneficiary Issues



Primary Beneficiary Dies Before the IRA Owner



Beneficiary Dies After the IRA Owner Before Receiving the Assets



If beneficiary *does not* name successor beneficiaries, assets distributed according to plan agreement

Spouse Inherits and Dies Before Payments Required to Begin

Original IRA Owner

Dies before RBD



Spouse Beneficiary

Options

- Own life expectancy
- 5-year rule
- Transfer
- Distribute and rollover



Treated as IRA Owner

Beneficiary

Options

- Own life expectancy
- 5-year rule



Spouse Inherits and Dies Before Payments Required to Begin

Cindy, age 50, died in 2018.

Gary, age 51, is the primary beneficiary.

Gary chooses life expectancy payments beginning in 2038.

Gary names Jake as his successor beneficiary.

Gary passes away in 2021.

Gary is treated as the IRA owner when determining Jake's payment options.

Jake can choose between distributing the IRA assets over his own single life expectancy or depleting the IRA within 5 years.





Notified of Death After December 31 of the
Year After Death

Missed payments?

50% penalty tax?

Assets Disbursed After the IRA Owner's Death



No IRS guidance



Don't have to "undo"

Beneficiaries Naming Beneficiaries

A woman with short, light-colored hair is smiling as she paints on a canvas mounted on an easel. She is wearing a light-colored, long-sleeved shirt. The background is a blurred outdoor setting with a stone wall and some foliage. The entire image has a blue tint.

Does not violate
federal laws



Cannot extend
life expectancy



Consider state
trust laws



Review IRA
documents



Beneficiaries
Naming
Beneficiaries

Beneficiaries Naming Beneficiaries

2528		<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-0747		IRA Contribution Information	
TRUSTEE'S or ISSUER'S name, street address, city or town, state or province, country, and ZIP or foreign postal code		1 IRA contributions (other than amounts in boxes 2-4, 8-10, 13a, and 14a)		2019		Copy A For Internal Revenue Service Center File with Form 1096.	
		\$					
		2 Rollover contributions		\$			
3 Roth IRA conversion amount		4 Recharacterized contributions					
TRUSTEE'S or ISSUER'S TIN		PARTICIPANT'S TIN		5 FMV of account		6 Life insurance cost included in box 1	
				\$		\$	
PARTICIPANT'S name		7 IRA <input type="checkbox"/> SEP <input type="checkbox"/> SIMPLE <input type="checkbox"/> Roth IRA <input type="checkbox"/>		8 SEP contributions		9 SIMPLE contributions	
IRA Successor Beneficiary as beneficiary of IRA Beneficiary		\$		\$		\$	
Street address (including apt. no.)		10 Roth IRA contributions		11 Check if RMD for 2020		<input type="checkbox"/>	
		\$		12a RMD date		12b RMD amount	
City or town, state or province, country, and ZIP or foreign postal code		12a RMD date		12b RMD amount		\$	
		13a Postponed/late contrib.		13b Year		13c Code	
		\$					
		14a Repayments		14b Code			
		\$					
Account number (see instructions)		15a FMV of certain specified assets		15b Code(s)			
		\$					

Form 5498 Cat. No. 50010C www.irs.gov/Form5498 Department of the Treasury - Internal Revenue Service

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Successor Beneficiary Example

Jessica Logan died in 2017 and named Patty Covington as her IRA beneficiary.

Patty's 2017 Form 5498 was titled, "**Patty Covington as beneficiary of Jessica Logan.**"

Patty named Matt Kelly as her successor beneficiary.

Matt's 2019 Form 5498 will be titled as, "**Matt Kelly as beneficiary of Patty Covington.**"

The final Form 5498 for Patty (generated for the year of death) will read, "**Patty Covington as beneficiary of Jessica Logan.**"





Beneficiaries Disclaiming Interest in the IRA

Beneficiaries Disclaiming Interest in the IRA



Written, irrevocable refusal to accept



Cannot steer benefits to a selected person



Received within 9 months after IRA owner's death or 9 months after beneficiary turns age 21



Beneficiary may not disclaim assets already received

Disclaiming an Interest in the IRA

Wally, age 74, died on June 10, 2019.

His primary beneficiary is his wife, Marcia.

His children, Mickey and Jessica, are the contingent beneficiaries.

Marcia decides that she wants the children to receive the IRA assets.



Disclaiming an Interest in the IRA

Can Marcia disclaim her interest in the assets?

Yes

If yes, what is her deadline to disclaim the assets?

March 10, 2020 (9 months after Wally's death)



Contesting Beneficiary Designations



Contesting Beneficiary Designations



Governed by
state law



Last document
executed



More specific
document



Refer to financial
organization's
attorney

Wait for court
determination

Questions?

Thank you for attending

IRA and QRP Advanced Beneficiary Topics



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save for life's biggest moments.
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