

RETITLING IRA AT DEATH OF ACCOUNT OWNER

The IRA owner has named a trust as the beneficiary of the IRA. The IRA owner has died and the executor, advisor, IRA custodian has been advised that the IRA needs to be retitled "in the name of the trust."

There is a **right way and a wrong way to retitle the IRA in the name of the trust**. If you do it the wrong way, you will have a taxable distribution to the trust and there will be no more IRA. If you do it the right way and the trust is a qualifying trust, then the trust can stretch distributions from the IRA over the age of the oldest trust beneficiary.

To correctly retitle the IRA, the name of the decedent must remain in the title of the IRA. For example: **John Smith, deceased, IRA fbo the John Smith Trust. (fbo means "for benefit of")**

An IRA that is titled in the name of the trust only (or in the name of any non-spouse beneficiary only) is considered distributed in full to the trust and is taxable in the year of the distribution. **Be very careful when retitling an IRA at the death of the account owner.**

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