

MULTIGENERATIONAL TRUST PLANNING WITH QUALIFIED RETIREMENT PLANS*

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PART I: “THE MOST POWERFUL FORCE IN THE UNIVERSE”

The first in a four-part series on multigenerational trust planning with retirement plans, this article examines the incredible growth power of the multigenerational qualified retirement plan (“Stretch QRP”), the nonspousal beneficiary’s ability to choose “rollover,” and the mathematics that drive the stretch.

When Albert Einstein was asked to name the most powerful force in the universe, he paused thoughtfully, then answered, “Compound interest.” The “Stretch QRP” (sometimes called the “Stretch IRA” or “Multigenerational IRA”) couples the power of compound interest with the additional benefit of long-term tax deferral. Result: Compound interest on steroids!

History and Basics.

Roth and Traditional IRAs, 401(k)s, 403(b)s, SEPs, SIMPLEs, and other tax-qualified funds all share a significant benefit: *income tax deferral*. Historically, qualified retirement Plans (hereinafter “QRPs”) were taxed so heavily at death that, in an estate subject to federal estate tax, 75% to 96% of the funds were lost to a combination of federal estate taxes and federal and state income taxes. (Prior regulations required payout of the entire account balance by December 31 of the year following the Owner's year of death, triggering immediate state and federal income taxation.) Even now, estate plans prepared by those who lack the training and information to properly utilize the “Stretch QRP” technique continue to suffer radical losses to taxation. (If the Plan Owner is survived by a beneficiary spouse, this loss may not occur at the death of the Owner, but may be deferred until the death of the surviving spouse.) However, huge tax losses are not necessary--they are avoidable by planners who are aware of the powerful techniques available for these special assets which allow continuation of the tax deferral feature past the Plan Owner’s lifetime.

About the “Stretch QRP.”

The “Stretch QRP” was enabled by the IRS’ passage of the Temporary Regulations on December 29, 1997. Since that time it has been possible, with a properly designed estate plan, to pass the entire fund on to a succeeding generation in the *same type of tax-deferred form which provided accelerated growth to the account Owner during his or her lifetime*. Income taxes on the growth continue to be deferred each year, even after the beneficiary inherits the account.

The beneficiary is obligated to withdraw Required Minimum Distributions (hereinafter “RMDs”) and those withdrawals are taxed as ordinary income, but the RMDs each year generally remain smaller than the annual growth on the account until late in the beneficiary’s lifetime. This causes the account to continue to grow larger, tax deferred, which

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generates even larger RMDs, allowing the account balance to produce very impressive lifetime benefits to the beneficiary.

The Power of Tax Deferral.

In order to maximize the period of tax deferral over the largest available dollars, it is desirable that the beneficiary withdraw only the RMD each year. The following chart illustrates the growth potential of one dollar kept in a tax-deferred account over a term of years:

The Power of Tax Deferral Over Time

Year	\$1 at 8% Int. (28% Tax Rate)	\$1 at 8% Int. (28% Tax Deferred)
1	1.06	1.08
10	1.75	2.16
20	3.06	4.66
30	5.37	10.06
40	9.39	21.72
45	12.43	31.91

It is obvious that a primary goal of "stretch" planning should be to keep the assets in the tax-deferred column as long as possible. Because of the potential of these investments to produce huge amounts of both asset growth and income over the life expectancy of the beneficiary generation (e.g. usually a child, grandchild or great-grandchild) it is extremely desirable to insulate the assets from creditors, predators, and premature spenddown by using protective trust techniques.

Plan Distribution Options.

A Plan Owner's ability to do the "Stretch QRP" presupposes that the retirement Plan allows for payout of Plan proceeds over the life expectancy of a nonspousal beneficiary. However, very few 401(k), 403(b), or 457 Plans allow for payout over the life expectancy of a nonspousal beneficiary. Consequently, if the Plan Owner desires the advantages of the "Stretch QRP", you should confirm with the Plan administrator that the Plan allows payout over the life expectancy of a nonspousal beneficiary.

If the Plan does not allow payout over the life expectancy of a nonspousal beneficiary, the Owner should consider rolling the account over into an IRA when the Owner retires, which typically does allow payment over the life expectancy of a nonspousal beneficiary (CAUTION: in some states, the Owner could be reducing the available asset protection by switching from a 401(k) to an IRA; check your state exemption law).

Rollover for Non-Spousal Beneficiaries.

There is now a way to enable a "Stretch QRP" even if the Owner's Plan does not allow distributions over the life expectancy of a nonspousal beneficiary. Since the Pension

Protection Act of 2006, a nonspousal beneficiary may be able to roll the qualified Plan proceeds over from a QRP which does not allow a non-spousal beneficiary to withdraw distributions over his or her life expectancy to a QRP (usually an IRA) established by the beneficiary. However, the beneficiary *should not accept a check* from the Plan administrator--the *only tax deferred option* for an inherited QRP for a nonspousal beneficiary is a *Trustee-to-Trustee transfer* into the new QRP. *The new IRA should remain titled in the deceased Owner's name, for the benefit of the beneficiary (e.g. John Q. Owner f/b/o Jack, Jr.).*

A nonspousal rollover is not the same as a spousal rollover. In a spousal rollover, the spouse is treated as the account Owner and may choose to defer distributions until he or she attains age 70½, at which time RMDs will be based on the Uniform Table. The nonspousal rollover beneficiary must treat the rollover as an inherited IRA and begin taking RMDs immediately (actually by December 31 of the year *following* the year of the Plan Owner's death) based on his or her own life expectancy as determined on the Single Life Table. CAUTION: "Stretch QRP" regulations are fast-changing and you should always check with competent counsel on the current state of the law regarding distribution, rollover, and inheritance decisions.

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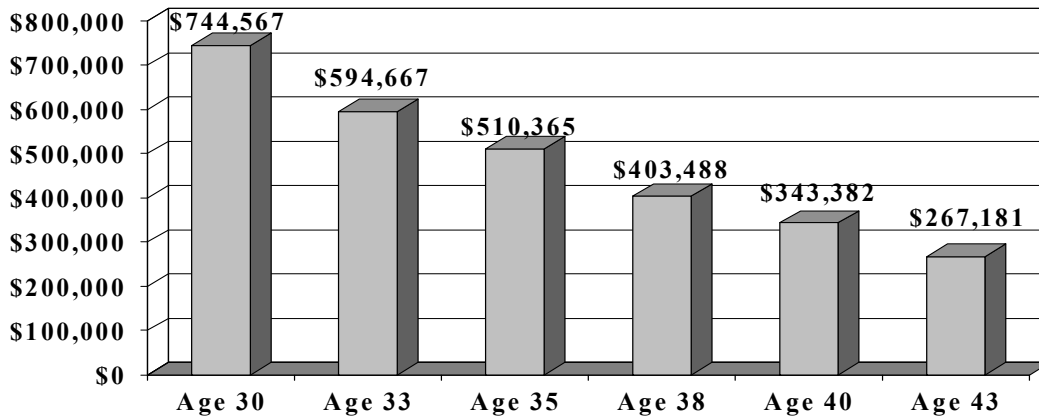
PART II: THE MATH THAT DRIVES THE STRETCH

The second in a four-part series on multigenerational trust planning with retirement plans, this article examines the mathematics that drive the multigenerational qualified retirement plan ("Stretch QRP"), as well as the problem of "Stretch Blowout," the tendency of beneficiaries to withdraw QRP funds before they achieve full tax-deferred growth.

The Plan Owner's Math:

Excellent qualified retirement plan ("QRP") planning begins with the Plan Owner. Remembering the principle that assets kept in the tax-deferred column over a longer period of time grow exponentially greater than their shorter-term counterparts, the Plan should be initiated as early as possible in the Owner's lifetime. The following chart illustrates the effect of a 3-year delay in opening an IRA:

Cost of Waiting 3 Years Value at Age 65



This chart assumes a 7% rate of return. Returns are calculated annually and are for illustrative purposes only. The chart does not represent any currently available investment. Calculations assume an annual contribution of \$5,000 (the contribution limit for those under age 50 in 2008) until the age of 65.

DON'T WAIT TO FUND AN IRA!

The same principles (compound interest coupled with tax deferral over the longest possible time period) also dictate that the Plan Owner defer distributions until age 70½, if possible, and then only withdraw the annual Required Minimum Distributions (“RMDs”). The following Uniform Table, used by the Plan Owner to determine RMDs, indicates that an account averaging 7% will continue to generate growth each year *in excess of the RMD* until the Owner turns age 86, in which year he will be required to divide the previous year-end account balance by the 14.1 divisor shown on the chart, and withdraw 7.09% of the account. In each prior year, his RMD will be *less than* the 7% rate of growth on the account, and *the account balance will continue to increase in spite of the RMD*.

Uniform Table
To determine distribution period for lifetime distributions under the new final regulations
for required minimum distributions for qualified plans.

Age of Employee	Distribution Period	Age of Employee	Distribution Period
70	27.4	95	8.6
71	26.5	96	8.1
72	25.6	97	7.6
73	24.7	98	7.1
74	23.8	99	6.7
75	22.9	100	6.3
76	22.0	101	5.9
77	21.2	102	5.5
78	20.3	103	5.2
79	19.5	104	4.9
80	18.7	105	4.5
81	17.9	106	4.2
82	17.1	107	3.9
83	16.3	108	3.7
84	15.5	109	3.4
85	14.8	110	3.1
86	14.1	111	2.9
87	13.4	112	2.6
88	12.7	113	2.4
89	12.0	114	2.1
90	11.4	115 and older	1.9
91	10.8		
92	10.2		
93	9.6		
94	9.1		

Even assuming a mere 5% rate of return, the account balance will continue to increase until the beneficiary's 79th year!

The Beneficiary's Math

Next, consider a client who dies at age 77 with a 50 year-old child beneficiary. The Plan Owner's RMD must be paid out for the year of death. During the following year the child must, pursuant to the RMD rules, withdraw 2.92% of the account (the previous year-end account balance divided by 34.2) pursuant to the following IRS Single Life Table (the table used by beneficiaries):

Single Life Table

Age	Life Expectancy	Age	Life Expectancy	Age	Life Expectancy	Age	Life Expectancy	Age	Life Expectancy
0	82.4	23	60.1	46	37.9	69	17.8	92	4.9
1	81.6	24	59.1	47	37.0	70	17.0	93	4.6
2	80.6	25	58.2	48	36.0	71	16.3	94	4.3
3	79.7	26	57.2	49	35.1	72	15.5	95	4.1
4	78.7	27	56.2	50	34.2	73	14.8	96	3.8
5	77.7	28	55.3	51	33.3	74	14.1	97	3.6
6	76.7	29	54.3	52	32.3	75	13.4	98	3.4
7	75.8	30	53.3	53	31.4	76	12.7	99	3.1
8	74.8	31	52.4	54	30.5	77	12.1	100	2.9
9	73.8	32	51.4	55	29.6	78	11.4	101	2.7
10	72.8	33	50.4	56	28.7	79	10.8	102	2.5
11	71.8	34	49.4	57	27.9	80	10.2	103	2.3
12	70.8	35	48.5	58	27.0	81	9.7	104	2.1
13	69.9	36	47.5	59	26.1	82	9.1	105	1.9
14	68.9	37	46.5	60	25.2	83	8.6	106	1.7
15	67.9	38	45.6	61	24.4	84	8.1	107	1.5
16	66.9	39	44.6	62	23.5	85	7.6	108	1.4
17	66.0	40	43.6	63	22.7	86	7.1	109	1.2
18	65.0	41	42.7	64	21.8	87	6.7	110	1.1
19	64.0	42	41.7	65	21.0	88	6.3	111+	1.0
20	63.0	43	40.7	66	20.2	89	5.9		
21	62.1	44	39.8	67	19.4	90	5.5		
22	61.1	45	38.8	68	18.6	91	5.2		

If the account averages a 7% rate of return, the balance will continue to *increase in value despite withdrawals of each annual RMD* until the child is 74, when the Life Expectancy column of the Single Life Table requires withdrawal of the previous year-end account balance divided by 14.1 (7.09%), an amount just slightly greater than the 7% rate of return.

If the account averages an 8% rate of return, the balance will continue to increase in value despite withdrawals of each annual RMD until the child is 77, when the Life Expectancy column of the Single Life Table requires withdrawal of the previous year-end account balance divided by 12.1 (8.26%), an amount just slightly greater than the 8% rate of return.

If, however, the account beneficiary is a grandchild, additional tax deferral and asset growth will occur, generating even higher RMDs. Assuming the grandchild is 25 years old, and using the same table, we see that the grandchild beneficiary will be required to withdraw only 1.72% of the account (the previous year-end account balance divided by 58.2). Again assuming a 7% rate of return, that account will continue to grow until the grandchild is 74 years old, when the Life Expectancy column of the Single Life Table requires withdrawal of the previous year-end account balance divided by 14.1 (7.09%), an amount just slightly greater than 7% of the account balance. By that time, the account will have doubled approximately four times, although the lion's share of this growth will have already been paid out to the grandchild by way of RMDs. (Unless the grandchild's parent is deceased when the Owner dies, the Owner's Trustee or Personal Representative will need to allocate GST Exemption to the account passing to the grandchild in order to avoid Generation-Skipping Tax.)

The Problem: “Stretch Blowout.”

In Part I of this series we examined the phenomenal growth potential available in a multigenerational qualified retirement plan (“QRP”) account, and the desirability of keeping the largest amount of dollars tax-deferred for the longest possible time to achieve this exponential growth. However, the “Stretch QRP” does not work to full capacity if the next-generation beneficiaries withdraw more than their Required Minimum Distributions (“RMDs”) in any calendar year. Even if the multigenerational tax-deferred “Stretch” has been enabled through excellent planning, many beneficiaries simply withdraw the money from the tax-deferred account, often oblivious to the tax consequences of doing so, thereby losing the benefits of the “Stretch QRP” in a disaster which I call “Stretch Blowout.” Many beneficiaries simply report the Owner’s death and accept a check. Evidence suggests that, ten years after the advent of “Stretch QRP” planning, most accounts result in “Stretch Blowout” as the assets pass from the Owner’s generation to that of the beneficiaries, and are then dissipated by poor money management skills and spending habits of the next-generation beneficiary and his or her spouse and children.

Very few beneficiaries have the sense, willpower, or understanding of the tremendous growth potential of the tax deferral feature to limit themselves to RMD withdrawals. In addition, inherited retirement funds may be lost by the beneficiary’s divorce or may disqualify a “Special Needs” beneficiary from government benefits until they are “spent down” to below the beneficiary’s Individual Needs Allowance (usually \$999.99). Inherited assets are subject to the claims of creditors and the ruses of predators. Finally, any amounts remaining unspent will be taxable in the estate of the beneficiary upon the beneficiary’s death. All of these negative results can be eliminated by proper trust planning.

The Solution: Trust Planning.

“Stretch QRP” planning in conjunction with trust design is complex and may only be successfully accomplished by a practitioner with a high level of expertise. However, the rewards are great. A trust can *ensure* that the “Stretch QRP” will continue to build to very large proportions (and defer income taxes on the account growth as it builds) by coupling the “Stretch QRP” with special trust provisions designed for QRP beneficiaries. The Owner might provide, for instance, that only the RMD may be paid out each year. A “safety valve” can be designed into the trust distribution standards to allow the beneficiary to withdraw more than the RMD if the Plan Owner wishes to give the beneficiary that latitude, or to access greater amounts in cases of actual need, or for emergencies, or situations when the beneficiary’s own resources are not sufficient to maintain the beneficiary’s lifestyle, or virtually any other scenario which is important to the Plan Owner.

Trusts can also ensure that the inherited IRA is not subject to claims by the beneficiary’s divorcing spouse, lawsuit creditors, business predators, and bankruptcy claimants. A well-designed trust can also prevent the asset from being subject to spenddown requirements if the beneficiary suddenly joins the ranks of the disabled and becomes eligible for governmental assistance.

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PART III: THE TRUST AS “DESIGNATED BENEFICIARY,” THE “CONDUIT TRUST,” AND THE “ACCUMULATION TRUST”

The third in a four-part series on multigenerational trust planning with retirement plans, this article examines the requirements for qualifying a trust as a “Designated Beneficiary,” the “Conduit Trust” (which assures Required Minimum Distribution calculations over the beneficiary’s life expectancy), and the greater asset protection benefits provided by the “Accumulation Trust.”

The Trust Must Qualify as a “Designated Beneficiary.”

Unfortunately, the IRS Rules have made it difficult for a conventional living trust to maximize the stretchout of taxable distributions. First, the trust must qualify as a “Designated Beneficiary.” This means that:

1. The trust must be valid under state law;
2. The trust must be irrevocable at the death of the Plan Owner;
3. Documentation must be timely given to the Plan custodian; and
4. The beneficiaries must be identifiable from the trust instrument.

Failure to meet any of the above requirements may mandate distribution of the entire account balance within five years of the year of the Plan Owner’s death (the dreaded “Five Year Rule”), and result in immediate loss of approximately 40% of the account to income tax.

The requirements for Designated Beneficiary status, upon which depends the “stretchability” of the Plan based on the beneficiary’s life expectancy, presents a number of problems:

1. If the trust divides into subtrusts for various beneficiaries (e.g. the Plan Owner's children) can each beneficiary use his or her life expectancy to determine his or her own RMDs?
2. Can the primary beneficiary of each subtrust use his or her life expectancy to determine the RMDs?
3. Can you redirect QRP benefits after the death of the Plan Owner by a power of appointment, a disclaimer, or a decision by a Trust Protector, without running afoul the "irrevocability" requirement of Designated Beneficiary qualification?

The Conduit Trust.

In order to solve these problems, a “safe harbor” technique (called a “Conduit Trust”) has been developed in living trust planning which requires payment of all RMDs to the primary beneficiary each year, using the Single Life Table. Use of the Conduit Trust technique assures that the life expectancies of other (possibly older) trust beneficiaries, including

successors and potential beneficiaries (such as the Plan Owner's parents or estate) can be ignored in satisfying the Designated Beneficiary requirement and in the calculation of RMDs. Obviously, a Conduit Trust, which mandates that the distributions be paid out to the beneficiary each year, does not provide a high level of asset protection or spendthrift protection for QRP assets, since payments are required even if the beneficiary is involved in a divorce, a lawsuit, or a bankruptcy, or is a minor or a "Special Needs" person, or has a proven tendency to dissipate assets. If RMDs are paid to a beneficiary when he or she is in bankruptcy, involved in a divorce, being sued, or after a judgment has been entered against him or her, the RMD amount can be seized by others.

Since the complexities of trust planning with the "Stretch QRP" often lead to use of the Conduit Trust, the beneficiary's personal protections are weakened. In addition, many Plan Owners fail to limit the Conduit Trust payout provision to RMDs only. Consequently, with a typical Conduit Trust, whether or not the "Stretch QRP" will really stretch throughout the lifetime of the next generation depends on the child's willpower and his or her ability to say "no" to withdrawing more than the RMD each year. The typical Conduit Trust estate plan can *enable* a stretch (assuming the retirement Plan itself allows it or the beneficiary properly implements a rollover through a Trustee-to-Trustee transfer) but does not *ensure* the stretch, since the child can always pull out more than the RMD (and most children do).

Furthermore, whether the trust even qualifies as a Conduit Trust may be subject to dispute. For instance, what if taxes, Trustee's fees and other trust expenses are deducted from the trust prior to distributions (so that something less than the RMD is paid to the beneficiary); will the trust still qualify as a Conduit Trust? Will payment of trust expenses require the use of the life expectancy of an older, "potential" beneficiary or even require distribution of the entire account balance within five years from the year of the Plan Owner's death? What if the trust limits the potential successor beneficiaries so that none will be older than the primary beneficiary? Because of these uncertainties, many Plan Owners are required to make hard choices between tax deferral and asset protection for their beneficiaries.

The Accumulation Trust.

In Part II of this series we examined the phenomenon of "Stretch Blowout," the tendency of most beneficiaries to take more than the Required Minimum Distribution ("RMD"). Very few beneficiaries have the sense, willpower, or understanding of the tremendous growth potential of the tax deferral feature to limit themselves to RMD withdrawals.

In addition, emerging case law suggests that these "inherited" qualified retirement plan ("QRP") accounts are not entitled to the creditor exemptions afforded to the same Plans while the Owner remains alive. Consequently, trust protections are necessary and desirable. The Conduit Trust, which assures that the life expectancy of the primary beneficiary may be used to determine RMDs, requires annual distributions to be made to beneficiaries regardless of their circumstances, thus exposing the RMD to the possibility of seizure by a creditor of the beneficiary. However, it is possible to place QRP funds in trust at the Plan Owner's death and still provide beneficiaries with personal protections chosen by the Plan Owner (divorce protection, lawsuit protection, bankruptcy protection, spendthrift protection, "Special Needs" protection, etc.) with another type of technique called an "Accumulation Trust." The Accumulation Trust provides enhanced asset protection for qualified funds by giving the Trustee *discretion* to make or withhold distributions, depending on the beneficiary's current

situation. Distributions can be withheld while the client is involved in a divorce or a bankruptcy or is being sued or becomes disabled. However, Accumulation Trusts can NOT automatically use the primary beneficiary's life expectancy. The life expectancies of *all beneficiaries* must be taken into account in establishing the RMD, and the *oldest* beneficiary's life expectancy will determine the maximum term of distribution and tax deferral. This may include contingent beneficiaries as well as potential appointees under lifetime and testamentary powers of appointment!

The asset protection benefits of Accumulation Trusts for QRP assets are rarely made available to Plan Owners in a living trust, since the requirements and uncertainties involved in the design of the Accumulation Trust features make it difficult to predict whether or not you can still use the primary beneficiary's life expectancy for RMDs.

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PART IV: DIFFICULTIES WITH THE LIVING TRUST AND THE EMERGENCE OF THE QRP INHERITANCE TRUST

The fourth in a four-part series on multigenerational trust planning with retirement plans, this article examines the drawbacks in attempting to provide maximum "stretch-ability" and asset protection to qualified retirement plan benefits in a traditional living trust and the emergence of the QRP Inheritance Trust as the technique of choice for substantial QRPs.

The "Stretch" Inside the Living Trust.

In Part III of this series we examined the "Conduit Trust" and the "Accumulation Trust" as attempts to ensure the "stretch" ability of the qualified retirement plan ("QRP") assets. Although use of the Conduit Trust technique can assure the use of the beneficiary's life expectancy (as calculated on the Single Life Table) to calculate required minimum distributions ("RMDs"), it provides very little asset protection, since it requires that the RMD be paid out to the beneficiary each year. The Accumulation Trust, on the other hand, can provide exceptional asset protection, but cannot guarantee that the beneficiary's life expectancy can be used in calculating the annual RMD. Use of the Accumulation Trust requires that the *oldest* beneficiary's life expectancy will determine the maximum term of distribution and tax deferral, which could even be a surviving spouse!

Because of the asset protection drawbacks of the Conduit Trust and the dangers and uncertainties of the Accumulation Trust, synchronizing living trust planning with QRP trust planning has been extremely problematic. Among the risks involved in naming an ordinary living trust as beneficiary of the QRP are the following:

1. The oldest life expectancy may be used to determine the maximum "stretch" ability of the QRP (*which may even be the surviving spouse!*), thus denying most of the benefits of the "Stretch" to the next or a subsequent generation; or
2. Assets in the trust may be completely disqualified from the "Stretch," because of other (usually desirable) features in the design of the living

trust, including powers of appointment, or the very small possibility that, if the client should die with no descendants then living, the benefits could be paid to an older family member, or to the estate of the beneficiary.

In a well-drafted living trust, other trust provisions may “bleed in” and force a five year payout, instead of, e.g. a forty-five year “Stretch”. These include provisions regarding the payment of estate debts, expenses, and taxes, and the determination and payment of income to beneficiaries, various types of powers of appointment, and “Special Needs” provisions.

The QRP Inheritance Trust.

GOOD NEWS: The IRS has now issued a Private Letter Ruling giving guidance on our ability to use a *separate* "standalone" QRP Inheritance Trust to accomplish maximum lifetime planning flexibility, spendthrift and asset protection, postmortem flexibility, and asset growth for the benefit of subsequent generations. (While IRS Private Letter Rulings do not have the force of law, they do provide valuable insight into the thinking of the IRS.)

A separate, revocable trust is prepared solely to hold the inherited QRP account. The trust is designed as a Conduit Trust. A “switch” is built into the trust to convert the trust from a Conduit Trust to an Accumulation Trust if a beneficiary later needs more protection *even after the death of the Plan Owner*, yet the trust continues to satisfy the “irrevocable” requirement necessary to qualify as a Designated Beneficiary. The new QRP trust, approved in PLR 200537044, allows a "Trust Protector" (a neutral person appointed by the Grantor) to convert any trust from a Conduit Trust to an Accumulation Trust within nine (9) months after the death of the account Owner, which power would likely be exercised only if the Trust Protector believes that a beneficiary's inheritance is likely to be threatened by an attempt on the assets.

Although the QRP Inheritance Trust is designed to function initially as a Conduit Trust, the trust can also be designed to prevent "Stretch Blowout" by ensuring that the stretch will occur. For instance, it can provide that the beneficiaries are allowed to take out *RMDs only*. An exception can be provided for cases of emergency, or need, or education, or any other item which the Plan Owner deems sufficiently important to warrant reduction of the full benefits of the “Stretch”.

In a typical 8% example using a QRP Inheritance Trust, a QRP account totaling \$250,000 for a 65 year-old Owner, upon which he defers RMDs until age 70½, will continue to increase in value until he dies at age 80. The trust is revocable and amendable until the Owner's death, allowing the Owner to choose to withdraw and spend any of the account assets and to change his mind regarding their ultimate disposition. If the account then passes to his 45 year-old child who restricts withdrawals to the annual RMD, the child will, by age 80, have taken withdrawals totaling approximately \$2.9 million AND will still have over \$700,000 remaining in the account to use or pass on to the child's beneficiary. In this garden-variety example, the \$250,000 account will provide benefits in excess of \$3.5M to the Owner's beneficiaries and family. If, however, the 45 year-old child simply withdrew the funds, loss of the longer tax-deferred (“Stretch”) growth opportunity would total approximately \$1.5M!

Who Can Benefit?

Who should consider a QRP Inheritance Trust? Obviously, account size is a factor. A person who has a \$100,000 QRP with one beneficiary has as much to gain for that beneficiary as a person with a \$500,000 account and five beneficiaries. Basically, any person can benefit from the QRP Inheritance Trust who has a substantial QRP and either *now has* or *may have*:

1. A minor child or grandchild who is either already a beneficiary or who may become a beneficiary in the event of the death of another; or
2. A desire to protect beneficiaries from divorces and lawsuits; or
3. A desire to *ensure* that the account will continue to grow tax-deferred during the beneficiaries' lifetime; or
4. A desire to protect the client's beneficiaries from the very human tendency to take all or a large portion of the money out of the account prematurely; or
5. A "Special Needs" beneficiary.

The new QRP Inheritance Trust should be considered as a valuable addition to the estate plan of any client who has substantial qualified funds.

Disclaimer

IMPORTANT: This brief summary of planning ideas is for discussion purposes only. It does not contain legal, tax, investment, or insurance advice and cannot be relied upon for implementation and/or protection from penalties. Always consult with your independent attorney, tax advisor, investment manager, and insurance agent for final recommendations and before changing or implementing any financial, tax, or estate planning strategy.

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