

## ANSWERS TO COMMON QUESTIONS ABOUT TRUST-INHERITED IRAs: PART 2

The Setting Every Community Up for Retirement Enhancement ([SECURE](#)) Act of 2019 changed the distribution options for most IRA beneficiaries. In the first part of this two-part series, we reviewed the requirements for a trust to qualify as see-through, and the available distributions options. Now in this second and final part, we will cover questions about “ghost” life expectancy, as well as the taxation or distributions.

### What is a “ghost life-expectancy” distribution option, and how does a trust get one?

When a traditional IRA account owner dies after their required beginning date (RBD), a trust that does not meet the see-through trust rules has the option of continuing the deceased owner’s remaining life expectancy.

### How are the distributions from an IRA left to a trust taxed?

It depends. First, let’s assume the only asset the trust has is the IRA distribution. The IRA distribution is paid to the trust and is considered income to the trust. If the trust distributes the income to a beneficiary, the income is included in the beneficiary’s income and taxed at his/her rate. If the trust can accumulate income, then any income that remains in the trust is taxed at the trust tax rates. Assuming they are qualified, Roth IRA distributions are tax-free.

The trust tax rates have compressed tax brackets. This means income retained by the trust in excess of \$12,950 will be taxed at the maximum rate of 37%. Assuming they are qualified, Roth IRA distributions are tax-free, except to the extent interest is credited from the cash account in the trust.

### Estates and Trusts

Minimum	Maximum	Tax on Minimum	Rate on Excess
\$0	\$2,600	\$0	10%
2,600	9,450	250.00	24%
9,450	12,950	1,904	35%
12,950	–	3,129.00	37%

### What else am I missing?

As this Q & A explains, it is complex when the beneficiary of an IRA is a trust. If a special-needs child, someone compromised by addiction or with creditor problems, or a similar issue is involved, a trust most likely makes sense. It will protect the beneficiary in many other cases; the only concern is that the beneficiary will not have immediate access to all the funds. Other options, such as predetermined beneficiary payout option may allow for a distribution over time and be easier to manage. As this is a complicated area, always remember to consult your tax and legal professionals before making any decisions.

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## Additional Resources and Links

[The SECURE Act: Key Retirement Provisions](#)

[SECURE Act/Further Consolidated Appropriations Act, 2020](#)

[Inherited IRAs: A Guide to Inherited IRAs in 2020 or Later](#)

[Frequently Asked Questions about the SECURE Act](#)

[Help Enhance Heirs Inheritances Using a Roth IRA](#)

[Help Offset Taxes for Your Beneficiaries](#)

For additional information, please contact the Retirement Strategies Group  
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