

SECUREly Planning for Retirement Assets

KEY CHANGES AND STRATEGIES

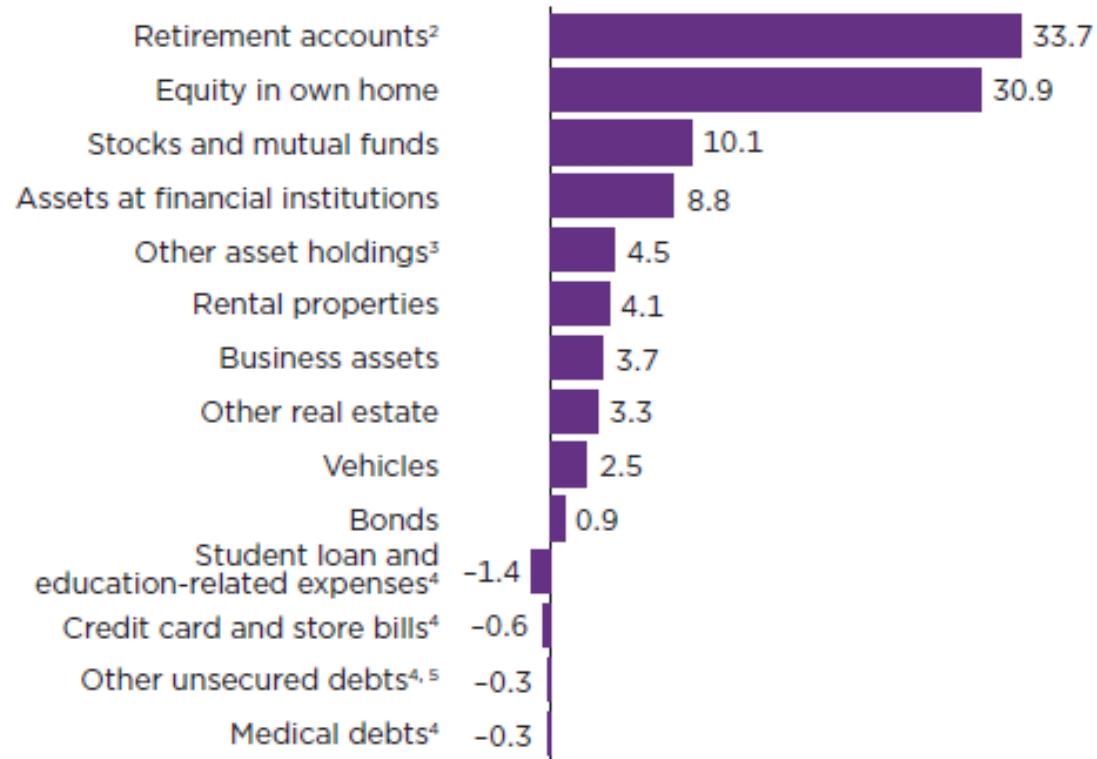


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Figure 3.
Composition of Wealth by Asset Type: 2023¹
(In percent)



¹ Excludes households in the top 1 percent of wealth.

² Includes Individual Retirement Accounts (IRAs), Keogh accounts, Thrift Savings Plans, and 401(k) accounts.

³ Includes annuities, trusts, cash life insurance policies, educational savings accounts, mortgages held for sale of real estate, amount due from sale of business property, and other financial assets.

⁴ Because wealth is assets minus debts, unsecured debts are subtracted from the distribution of wealth and are shown as negative.

⁵ Includes loans obtained through a bank or credit union, money owed to private individuals, debt held against mutual funds or stocks, and all other debts.

Source: U.S. Census Bureau, 2024 Survey of Income and Program Participation public-use data.

Why is Retirement Asset Planning So Important?

- \$12.2 trillion in 401(k)s
- \$16.8 trillion in IRAs
- \$329,700 Retirement Account *average*
- \$299,200 Home Equity *average*
- \$245,200 Stocks and Mutual Funds *average*



Agenda

- Overview of SECURE Act and SECURE 2.0 Changes (Outline Sections I-II)
- RMDs During Lifetime and Year of Death (Section III)
- Post-Death Planning (Sections IV-VI)
 - Surviving Spouses
 - Children
 - Other Typical Scenarios

Today's focus is on defined contribution plans and IRAs

Overview of SECURE Act and SECURE 2.0 Changes

Outline Sections I-II



Essential Acronyms

RMD	Required Minimum Distribution
RBD	Required Beginning Date





SECURE Act and SECURE 2.0's Impact on Distributions

Purpose of RMD Rules

- Ensure retirement benefits are distributed timely to prevent indefinite federal tax deferral

SECURE Act - 2019

- RMDs delayed to age 72 for account owners
- 10-year maximum stretch for most non-spouse beneficiaries

SECURE 2.0 - 2022

- RMDs further delayed to age 73 for account owners, and eventually to age 75
- Excise tax penalty on missed RMDs reduced from 50% to 25%
- "New" spousal election

Final Regulations 2024



- Distributions continue for post-RBD deaths (ALAR rule), with automatic relief through 2024 but no extension of 10-year final distribution date
- Powers of appointment and trust modifications honored
- Owner's children include step and foster children
- Separate account rules liberalized for trusts *with proper language*
- Trust documentation burdens reduced for IRAs

Implications of New RMD rules

- Deferral opportunities are limited for most beneficiaries
- For surviving spouses, weigh a trust's potential benefit of restricted access against possible burden of accelerated tax
- Conduit trusts are likely not desirable for non-spouse beneficiaries



**Employer plans
aren't required to
(and usually
don't) offer as
many distribution
options as IRAs**

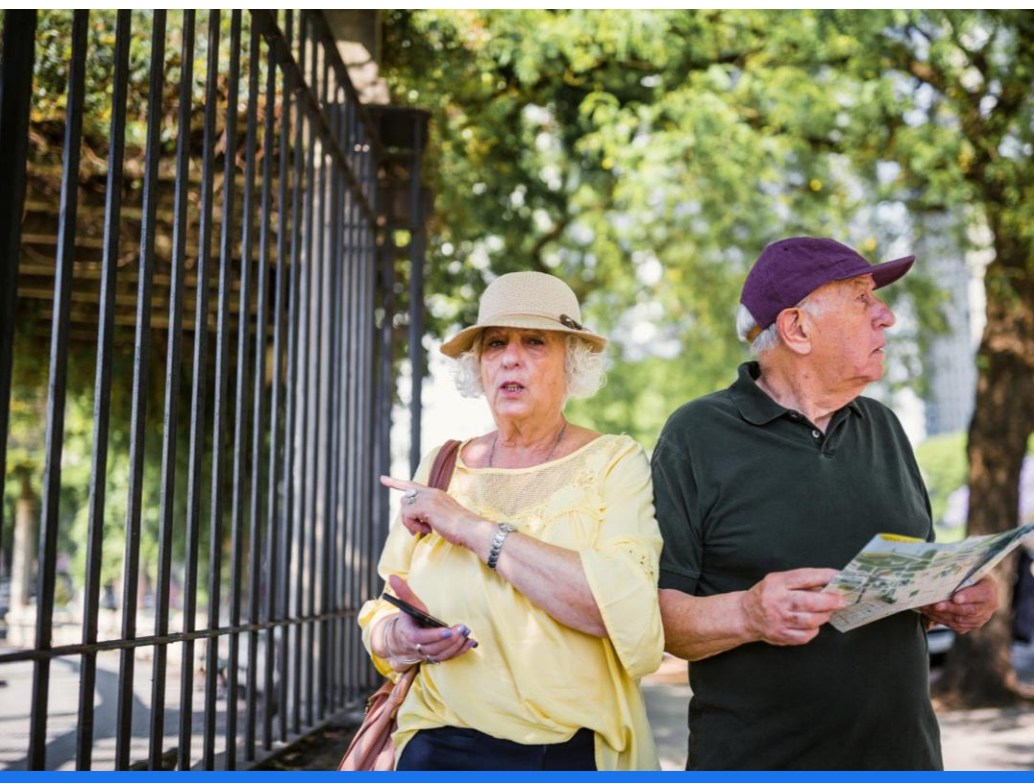


RMDs During Lifetime and in Year of Death

Outline Section III



RBD is Based on Account Owner's "Applicable Age"



Applicable Age by Birth Year

Before July 1, 1949	70½
July 1, 1949 - 1950	72
1951-1959	73
1960 and after	75

RBD is April 1 of year following calendar year in which account owner attains applicable age, with special deferral to retirement rule for non-5% owners in employer plans.

Two RMDs will be required in RBD year if owner waits until that year to take first RMD.

RMD Rates and Applicable Tables

Jack Skellington is unmarried and will be 75 in 2026. On December 31, 2025, his non-Roth IRAs are collectively valued at \$3,000,000. Using his applicable denominator of 24.6 from the Uniform Lifetime Table, his 2026 RMD is \$121,951. He can satisfy his RMD in any proportion from his IRAs.



Applicable Denominator

Annual RMD is calculated by dividing account value by an applicable denominator based on valuation date.

Uniform Lifetime Table

Uses owner's age and age of a person ten years younger to determine applicable denominator. Was updated in 2020.

Special Table for Younger Spouse

Joint and Last Survivor Table applies if spouse is sole beneficiary and more than ten years younger than owner.



Charitable Planning with RMDs and QCDs

Qualified Charitable Distributions

QCDs are income-tax free transfers from IRAs to qualified charities; available since 2006 and permanently authorized since 2015

SECURE 2.0

The \$100,000 QCD annual limit is indexed for inflation and one-time QCDs can fund certain charitable trusts

Timing and Eligibility

Can begin at age 70½; must be completed before December 31; "first \$ out rule"

Tax Benefits

For donors who do not itemize, QCDs offer a smart way to fund larger gifts through IRAs, beyond OBBBA's above-the-line deduction

Caveat

QCDs affect ability to make post-70½ IRA contributions



Roth IRAs are "Forever Pre-RBD" During Owner's Lifetime

Roth IRAs require no RMDs while the original owner is alive, allowing extended tax-advantaged growth

Year-of-Death RMD

Single IRA



RMD After Account Owner's Death

In general, any remaining unpaid RMD ("shortfall") must be paid to beneficiaries before year-end

Multiple Beneficiaries on Single IRA

Shortfall can be taken in any proportion among themselves

→ Unclear how they agree on who "takes one for the team"

Extended Penalty-Free Grace Period

Regulations extend the grace period for penalty-free corrective distributions until December 31 of the following year

Same facts as earlier slide, except Jack dies on December 24, 2026, before he's taken any of his 2026 RMD, leaving a \$121,951 shortfall. His adult children, Juniper and Junior, are his beneficiaries. Between them, they must withdraw the entire shortfall from Jack's IRA by December 31, 2026. *But if they miss that deadline, they're still ok as long as they withdraw that amount by December 31, 2027!*

Year-of-Death RMD

Multiple IRAs

Identical Beneficiary(ies) Across IRAs

Aggregate shortfall from accounts and in any proportion among multiple beneficiaries.

Different Beneficiaries Across IRAs

Each IRA's allocated portion of aggregate shortfall must be paid to a beneficiary of that IRA. Allocation disregards whether some portion of the RMD was already made from a particular IRA before the account owner's death.

Jack dies on October 31, 2026, just after turning age 75. He owned two non-Roth IRAs at his death—one with Fidelity and one with Schwab. On December 31, 2025, the Fidelity IRA's balance was \$100,000, and the Schwab IRA's balance was \$50,000. Jack's aggregate 2026 RMD is \$6,097.56 ($\$150,000/24.6$). Juniper is the Fidelity IRA's beneficiary, and Junior is the Schwab IRA's beneficiary. Jack took a \$3,000 distribution from the Schwab IRA during 2026 before his death. The \$3,097.56 RMD shortfall is allocated two-thirds to the Fidelity IRA and one-third to the Schwab IRA. In 2026, Juniper is required to withdraw \$2,065.04 from the Fidelity IRA, and Junior is required to withdraw another \$1,032.52 from the Schwab IRA (regardless of the fact that Jack already withdrew \$3,000 from that IRA).



Post-Death Planning

Important Definitions and Concepts

Outline Sections IV-VI



IRA established for the benefit of a deceased account owner's beneficiary

Only DBs can rollover from employer plan to an inherited IRA, and that's generally needed to take advantage of maximum distribution periods

Sample titling: "Jack Skellington IRA FBO Junior Skellington"

Distinct from "rollover IRAs" established by the original account owner with a rollover employer plan funds and from "spousal rollover" (discussed later)

Essential Acronyms

DB	Designated Beneficiary
EDB	Eligible Designated Beneficiary
D/CI	Disabled or Chronically Ill Individual
BFD	Beneficiary Finalization Date



DB

Entry Stakes for Extended RMDs



Designated Beneficiary

An individual, identified or identifiable, and cannot be the estate or unspecified entity

- Having a DB allows for more extended distributions
- Only certain trusts qualify for DB treatment (discussed later)



EDBs The Fab 5 Qualifying for LE Stretch RMDs

Eligible Designated Beneficiaries

1. **Surviving Spouse**
2. **"Minor" Children** - Account owner's children only, under age 21, not grandchildren or more remote descendants
3. **Disabled** - Determined at account owner's death, Social Security standard
4. **Chronically Ill** - Licensed healthcare practitioner certification of inability to perform daily activities.
5. **Not More than 10 Years Younger**

Jack's birthday is October 30, 1953. If his sister Jill was born on October 30, 1963, she qualifies as an EDB. If Jill was born on October 31, 1963, she doesn't.

EDBs are a subset of DBs that get a lifetime stretch, (except minor children must complete distribution by age 31).

The BFD is a BFD

- September 30th of the year following year of death

Sally Skellington dies on October 30, 2026.
Her BFD is September 30, 2027.

- Beneficiaries finalized as of BFD determine RMD handling

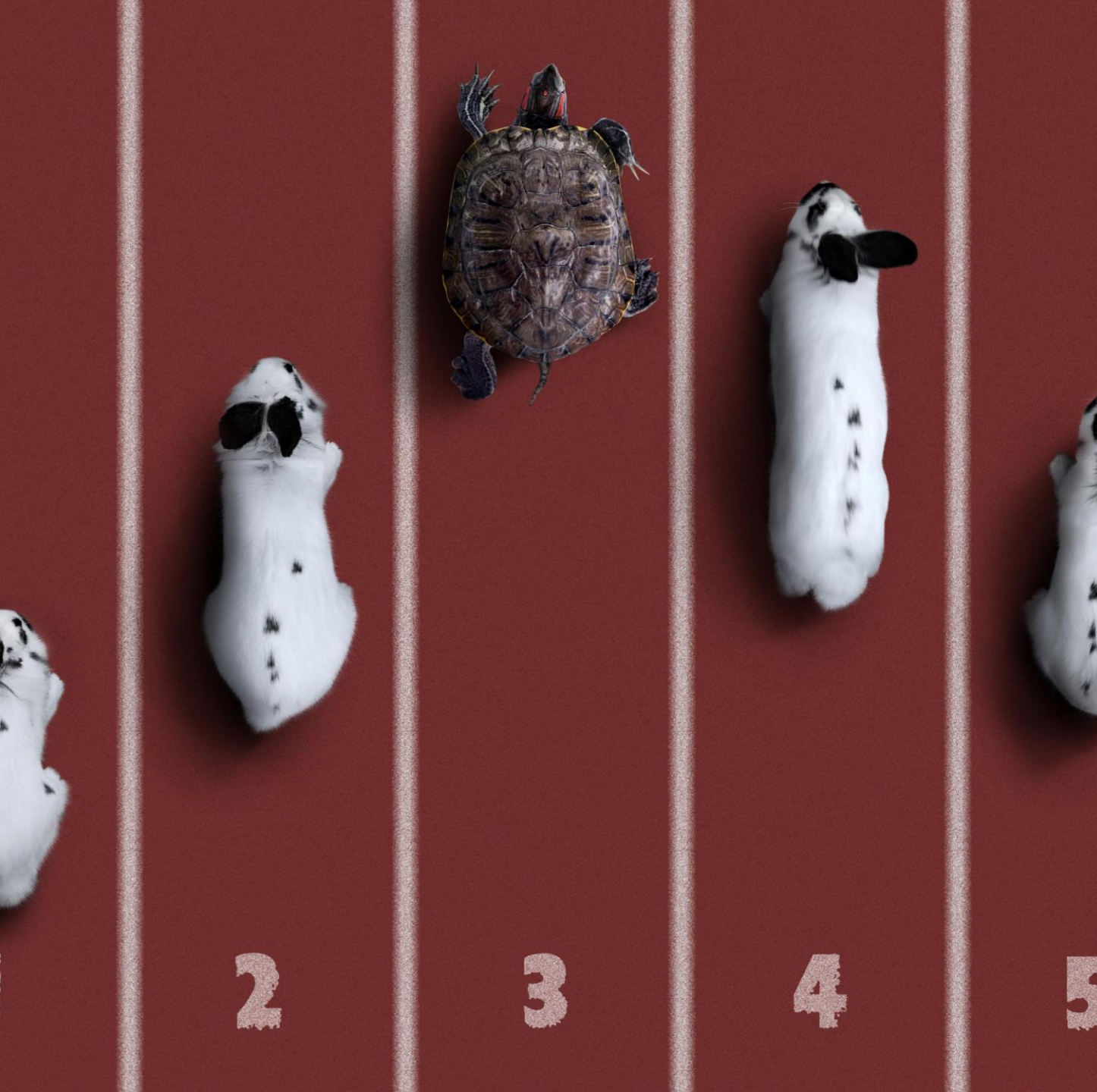
SEPTEMBER

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

Rules of Thumb for Post-Death RMDs

	Pre-RBD	Post-RBD
No DB	5-Year Rule	Ghost LE
DB	10-Year Rule	10-Year Rule with ALAR (RMDs required Years 1-9)
EDB	EDB's LE	Longer of Ghost LE or EDB's LE





Is the Pre-RBD 10-Year Rule All It's Cracked Up to Be?

SLOW AND STEADY
WINS THE RACE

Multiple DB Rules

- Oldest DB's life expectancy determines distributions
- One non-EDB spoils the bunch for any EDBs except:
 - **AMBT**: Oldest D/CI beneficiary's life expectancy determines distributions
 - **Minor Child**: If at least one DB is a minor child EDB, the account owner is treated as having an EDB regardless of non-EDBs, but life expectancy is still based on oldest DB
 - **Separate Account Treatment**: Next slide



Separate Account Treatment



Allows RMDs to be calculated separately for each separate beneficiary.

Requirements:

- Deadline for establishing is December 31 of year following year of death

Jack dies on October 30, 2025. Any separate accounts must be established by December 31, 2026.

- Post-death distributions, gains, losses, and contributions must be allocated proportionally until division

Now available for trust beneficiaries. But trust cannot allow discretion in account's allocation among the beneficiaries.

Sample Trust Language: Preserving Separate Account Treatment



"Trustees' Management Powers. My Trustees shall have the powers granted by law and the powers in Virginia Code Sections 64.2-105, 64.2-777 and 64.2-778, and I incorporate these sections in this agreement by this reference. My Trustees may borrow money for any purpose that my Trustees may consider to be in the best interests of the trust. My Trustees may secure such borrowings with any assets of the trust. My Trustees may make distributions to beneficiaries in cash or in kind. I hereby waive any self-dealing prohibitions that may exist under state law with respect to any beneficiary while such person is acting as my Trustee.

Notwithstanding the foregoing, with respect to Retirement Accounts (as defined below) that are subject to the IRC's required minimum distribution rules, my Trustees shall not have discretion to allocate or distribute such Retirement Accounts in disproportionate shares except as otherwise specifically provided in this trust."



Ongoing Trusts as Beneficiaries

Only “See-Through Trusts” receive DB/EDB treatment, and they come in two flavors:

1. **Conduit Trusts** – All distributions (not just RMDs) from retirement accounts to the trust must be paid out of the trust annually to (or for the benefit of) trust beneficiaries
2. **Accumulation Trusts** – Trusts permitting accumulation inside the trust of any portion of retirement account distributions

Generally, all “countable” beneficiaries must be DBs/EDBs. Documentation requirements apply for employer plans.

Trusts as Beneficiaries

Which See-Through Trust Beneficiaries “Count” for Determining See-Through Trust Status

Primary Beneficiary: Current trust beneficiaries and any others whose entitlement isn’t contingent on the death of another beneficiary (e.g., becomes a beneficiary based solely on the passage of time)

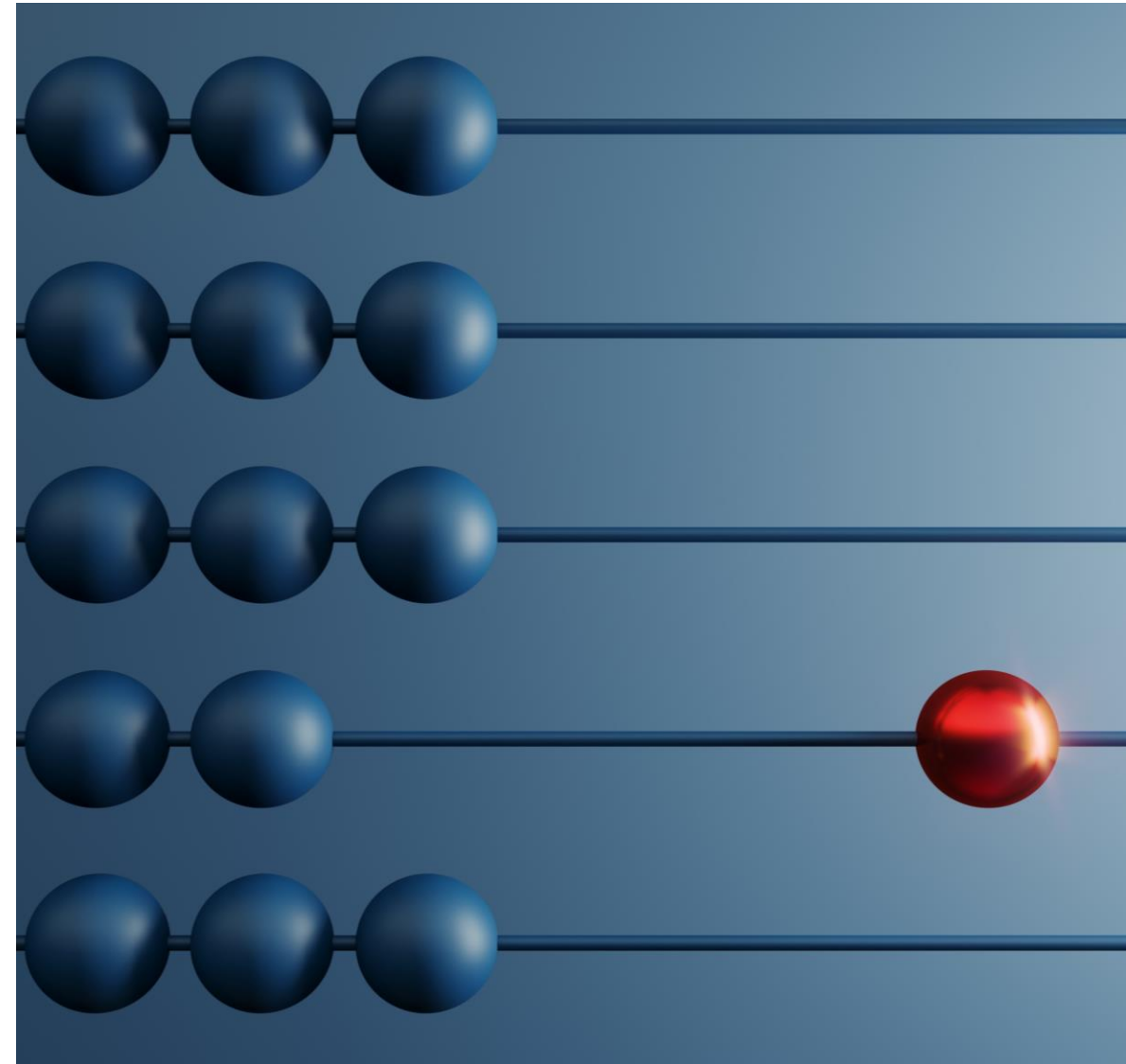
Secondary Beneficiary: First line remainder beneficiaries

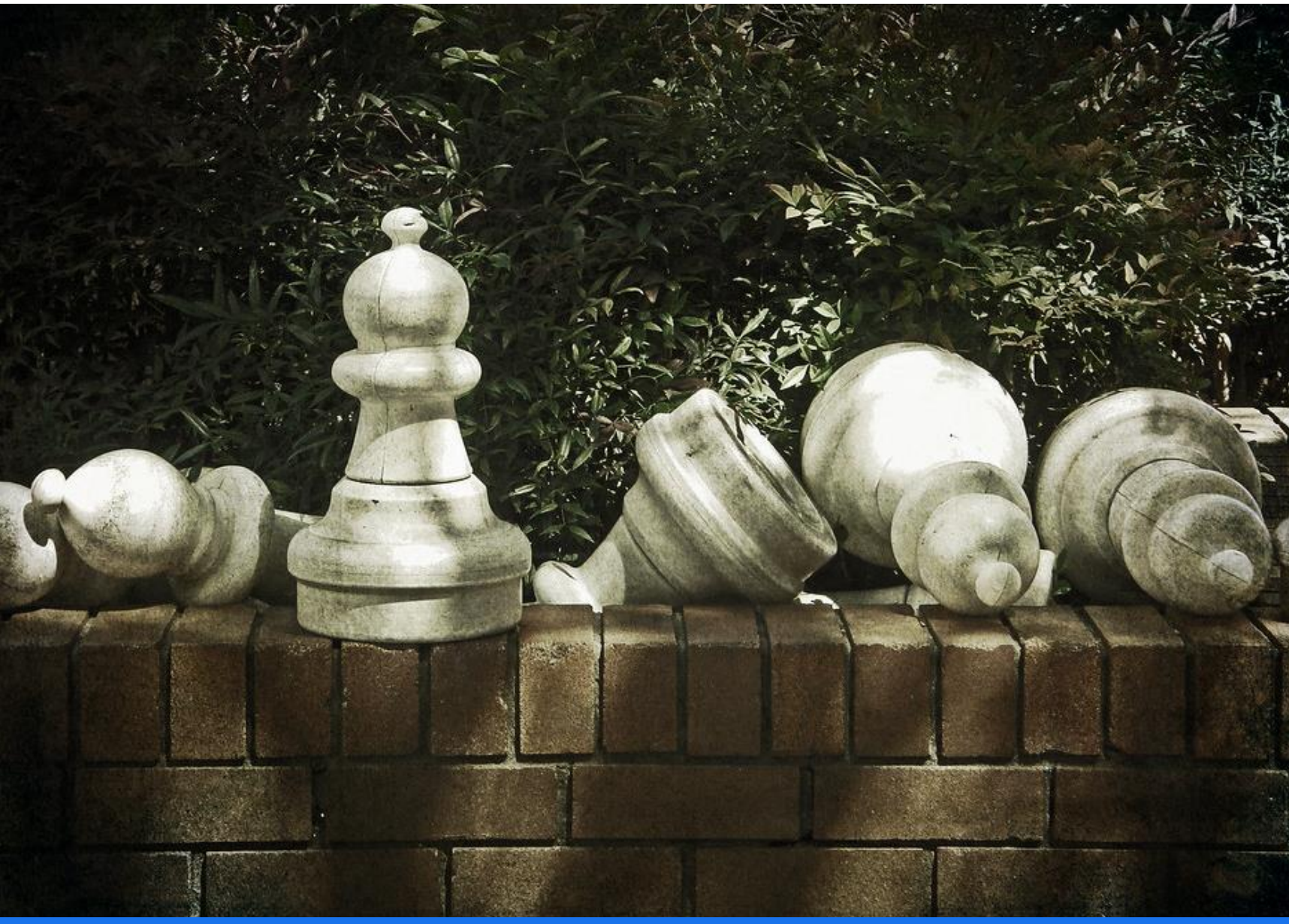
Countable Beneficiaries

1. **Conduit Trusts** – Primary beneficiaries only
2. **Accumulation Trusts** – Primary + secondary beneficiaries

Age 31 Trust Exception: If trust must end no later than when primary beneficiary reach age 31, all other trust beneficiaries may be disregarded

Beware sprinkling trusts! Consider “Last Person Standing” Clause





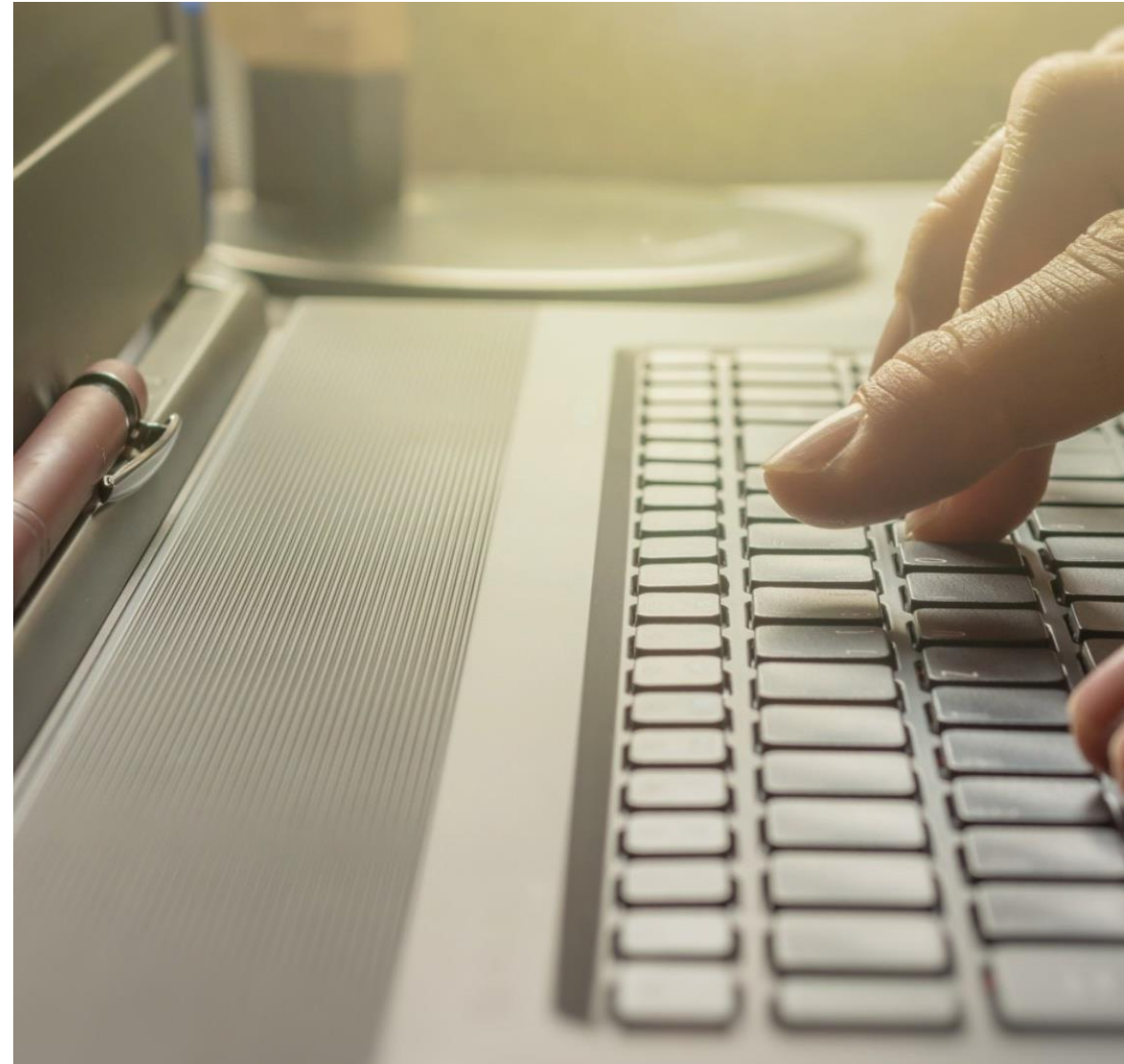
Sample Trust Language: “Last Person Standing”

“If at any time only one individual is living who is or would be a beneficiary of any trust (including any remainder beneficiary) that holds a Retirement Account¹ subject to the IRC’s required minimum distribution rules or reinvested proceeds therefrom (together, “**Retirement Assets**”), such Retirement Assets must be distributed to that individual.”

¹ See next slide for definition of “Retirement Assets”

Sample Trust Language: Trustee Powers

"Powers Over Retirement Accounts. In addition to the powers otherwise granted to our Trustees by law or under this agreement, our Trustees are authorized to exercise any power or right over any Retirement Account payable to this trust as beneficiary or successor owner of such Retirement Account, including powers to (1) take distributions, make elections, or otherwise select payment options, (2) direct investments, and (3) direct tax-free rollovers from one Retirement Account to another (and to establish any new Retirement Account that is to receive the rollover, if applicable). For these purposes, **"Retirement Account"** means any individual retirement account; qualified or nonqualified annuity; and qualified or nonqualified retirement plan or deferred compensation arrangement, as well as any comparable accounts, plans or arrangements. The term is intended to include any plan, account or arrangement established under Sections 401, 403, 408, 408A, 409A, or 457 (or comparable provisions) of the Internal Revenue Code of 1986, as amended."

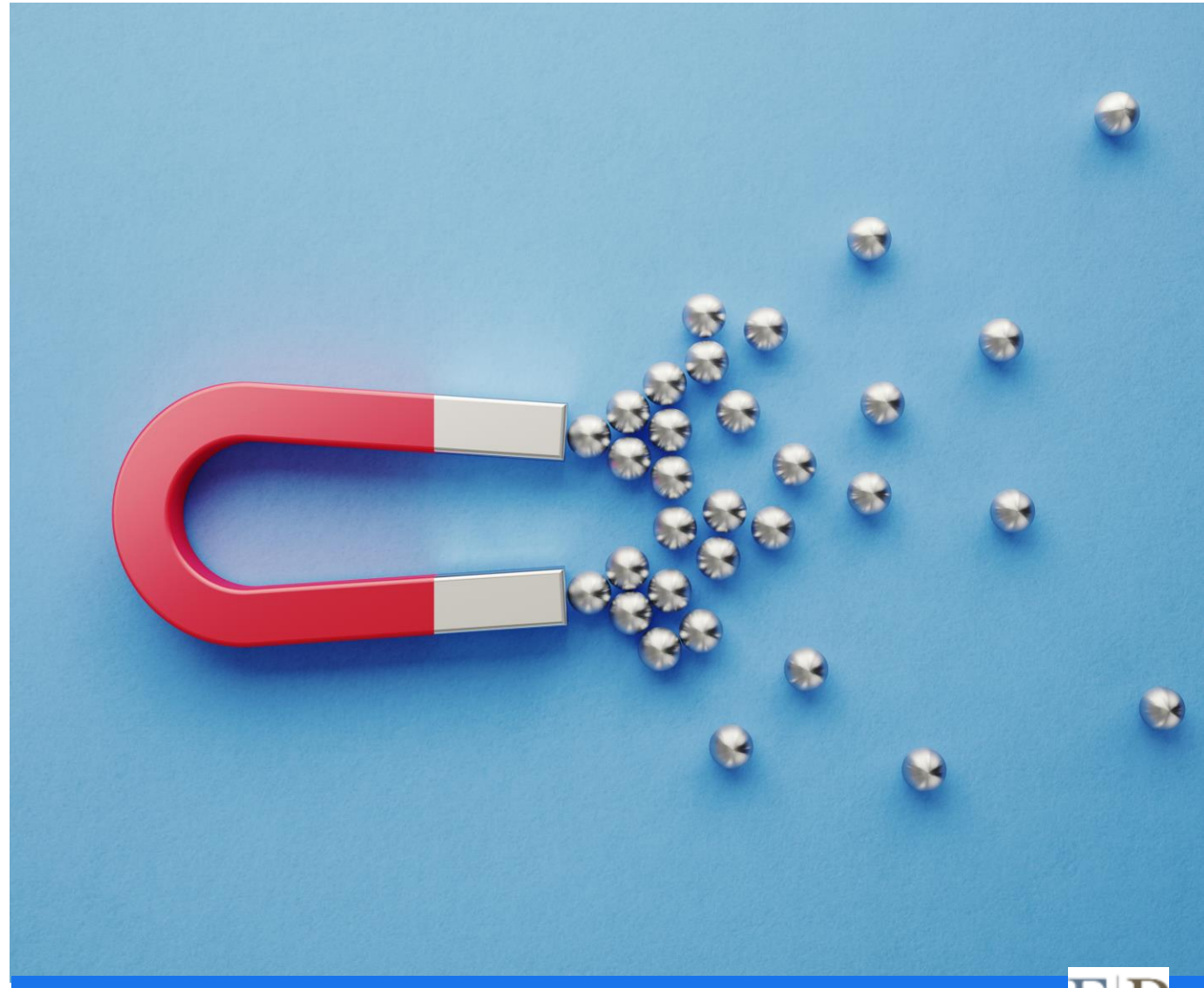


Post-Death Planning

Typical Scenarios

My Typical Estate Planning Clients

- Individual or couples with \$2-20 million in total assets
- Hate taxes
- Dislike complexity
- Disprefer large institutional trustees
- Disfavor large bills from me



Basic Fact Pattern

Jack and Sally Skellington are married and have two children, Juniper and Junior. Jack has a \$3 million non-Roth IRA.



Scenario 1

First Marriage

Jack and Sally have been married for decades. It's the first marriage for both of them, and neither has children from other relationships. Jack names Sally as his sole primary beneficiary.

Sally's options at Jack's death:

- 1. Withdraw entire account** - Not a good tax idea.
- 2. Spousal Rollover** - Sally can transfer to her own IRA. RMDs from Sally's IRA start at her RBD and use the ULT (assuming she hasn't remarried to a >10 years younger spouse) recalculated annually. Rollover can be done at any time, subject to special "catch-up" rules in certain circumstances if Sally's past her RBD at the time of rollover.
- 3. Leave in Inherited IRA** - If "spousal election" is made (proposed regs make automatic for pre-RBD deaths), RMDs start when Jack would have attained the "applicable age" and use the ULT based on Sally's LE recalculated annually. May be desirable if Sally is under 59-1/2 and needs to start drawing down IRA right away, or if Jack died before his RBD and Sally is either past her RBD or closer to it than Jack.
- 4. Disclaim** - Will pass to contingent beneficiaries.



Scenario 2 Blended Family

This is Jack's second marriage. He has another child, Jake, from his first marriage. Jack's unsure about leaving all of his assets outright to Sally.

Jack's beneficiary designation options:

1. **All or Portion to Sally Outright** - Maximizes Sally's distribution flexibility; can be more tax efficient. Other assets can be preserved for Juniper, Junior and Jake, e.g., by direct gift at death or via a trust that still gives Sally a lifetime benefit
2. **Conduit Trust** - Sally is trust's sole beneficiary during her lifetime. Each year's RMD must be distributed out of trust to her using her single LE unless spousal election is made to allow ULT, either way recalculated annually. May preserve less for children, especially without spousal election.
3. **Accumulation Trust** - If typical trust design with lifetime benefits for Sally and remainder to Jack's children (all younger than Sally), 10-Year Rule if all children are adults, with ALAR using longer of Jack's Ghost LE or Sally's LE if Jack was post-RBD. Spousal election not allowed. More flexibility in size of distribution because RMDs can be accumulated.

Marital Deduction Issues with Marital Trusts



- Both Conduit and Accumulation Trusts can qualify for QTIP treatment
 - Rev. Rul. 2006-26 requires all income earned inside IRA be distributed from the trust to spouse, or right to demand distribution as a separate item
 - IRA income is either IRA's internal investment income or unitrust amount
 - IRA income may be more or less than RMD
 - Understand your state's definition of fiduciary accounting income – UPIA, UFIPA or other
- ➔ If trust uses only 10% of required distributions as the trust's "income" (e.g., UPIA § 409(c)), that alone isn't enough**

Sample Trust Language: Trust Objectives

- “If this trust is the beneficiary of retirement accounts subject to the required minimum distribution rules of IRC § 401(a)(9) (or comparable requirements), I ask my Trustee to defer taking distributions from these retirement accounts as much as possible to maximize tax-deferred growth, balanced against my desire to minimize any income taxes payable with respect to such distributions in a given year.”
- “I direct my Trustee to prioritize concerns regarding creditor protection over minimizing income taxes with respect to trust assets, especially with regard to trust assets that are subject to the required minimum distribution rules of IRC § 401(a)(9).”
- “I intend this trust to meet the requirements for treatment as a see-through trust that is a [conduit/accumulation] trust within the meaning of the regulations issued under IRC § 401(a)(9).”
- “In making distribution decisions among multiple beneficiaries with respect to retirement account assets held by this trust, my Trustee may but shall not be required to consider the relative income tax brackets of the beneficiaries so as to minimize the overall income taxes payable with respect to such benefits.”
- “My Trustee shall make the spousal election under IRC § 401(a)(9)(B)(iv) (or comparable successor provision) for any retirement account assets held by this Trust, if such election is available.”



Planning Considerations for Children

Tax

Income tax situations shortly after death may make complete withdrawal beneficial for the beneficiary.

Administrative and Compliance Concerns

Small account balances or RMD compliance concerns may justify immediate full withdrawal.

Use of Assets for Gifts or Personal Purchases

Beneficiaries may withdraw to invest in gifts or personal assets not allowed in retirement accounts.

Immediate Expense Prioritization

Significant expenses like college tuition may require quick access to retirement funds over deferral.

A photograph of three pumpkins of different sizes on a wooden surface. The pumpkins are orange and have green stems. The background is dark and out of focus.


Scenario 3

Unmarried with Adult Children

Jack predeceases Sally, and she rolls his \$3 million non-Roth IRA into her own IRA via a spousal rollover. Juniper and Junior are both in their 40s.

1. **Outright** – Simple. Each can manage distributions independently. Separate account treatment applies. *Inherited IRAs are exposed to children's creditors in most states.*
2. **Trust FBO Children with Immediate Payout** – More complicated, but allows better contingency planning especially if a child predeceases Sally. *Again, creditor protection may be limited.*
3. **Conduit Trust FBO Children** – Protections of trust but large distributions likely required.
4. **Accumulation Trust FBO Children** – Have to manage income tax.

DRAFTING TIP: Express language re pro rata division of IRAs for separate account treatment?



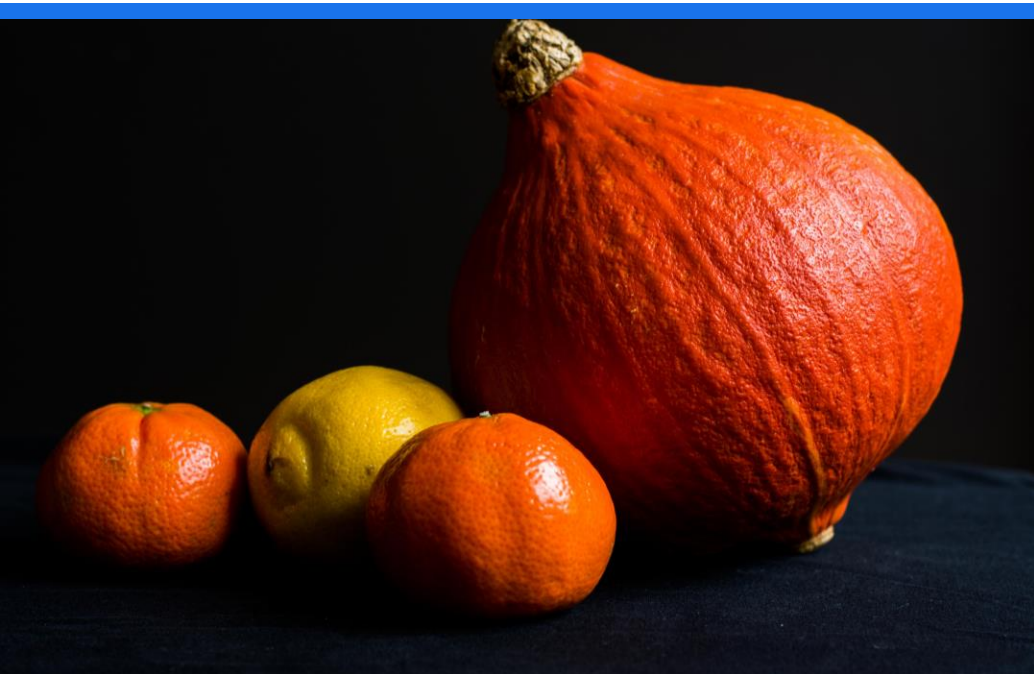
Scenario 4

Married with Minor Children

Jack and Sally are in their 50s. Both participate in their workplace retirement plans. They have three children, Juniper (age 21), Junior (age 16) and Jake (age 14). Jack has a \$600,000 401(k) Plan account balance and a \$500,000 rollover IRA balance outside his employer's plan. Sally has a \$700,000 403(b) Plan account balance. They name each other as primary beneficiary (generally required for employer retirement plans). Options for children's designation:

1. **Outright is Bad?** Yes. Court must appoint guardian for Junior and Jake. Also, could result from "LDPS" selection on beneficiary designation form.
2. **UTMA is Better?** Can do UTMA 18/21, or UTMA 25 if available. Managed by UTMA custodian, and IRD is taxed at child's tax rate. Some IRAs include a default UTMA payment option for minors in account agreement. **CAVEAT:** Ability to name specific custodian in advance may be limited by IRA provider.
3. **Trust is Best?** Provides most robust control and protection. Tradeoff is likelihood of higher taxes. Probably use an Accumulation Trust for reasons discussed earlier.

Assuming Accumulation Trust with no separate account treatment and no older or non-DB countable beneficiaries, then RMDs use Juniper's LE and IRA must be fully distributed to the Trust by the time Jake turns 31.



Scenario 5

Minor Grandchildren

Back to original fact pattern. Jack predeceases Sally, and she rolls over his \$3 million non-Roth IRA to her own IRA via a spousal rollover. Their children are grown and well off. Sally wants to leave her IRA to her grandchildren, Salem, Sabrina, and Sam, who are all minors. After considering her options, she names wants to name an Accumulation Trust as her beneficiary.

- Assuming no D/CIs, the grandchildren will not get EDB treatment.
- Trust termination at age 31 allows disregard of problematic contingent beneficiaries like charities or older DBs. RMDs depend on timing of Sally's death:
 - **Pre-RBD death:** 10-Year Rule
 - **Post-RBD death:** 10-Year Rule with ALAR using oldest grandchild's LE, or each grandchild's LE if separate accounts

Scenario 6

Unmarried and No Descendants



Jack (age 65) never married. He names his siblings Jill (age 67) and Jasper (age 60) as the beneficiaries of his \$3 million non-Roth IRA. Options:

1. **Outright** – Simple. Each can manage distributions independently. Separate account rule easily applies.
2. **Trust FBO Siblings with Immediate Payout** – More complicated but allows better contingency planning especially if a sibling predeceases Jack. Separate account treatment if no Trustee discretion on division.

Jill and Jasper are both EDBs—neither is more than 10 years younger than Jack. RMDs depend on timing of Jack's death assuming separate account treatment:

- **Pre-RBD death:** Jill/Jasper's LE
- **Post-RBD death:** Longer of Jack's ghost LE or Jill/Jasper's LE

Scenario 7

Strong Charitable Interests



Jack and Sally's combined estate is approaching \$12 million, including Jack's \$3 million non-Roth IRA that names Sally as his primary beneficiary. Their children are adults and secure in their finances and relationships. They would like to leave a significant charitable legacy.

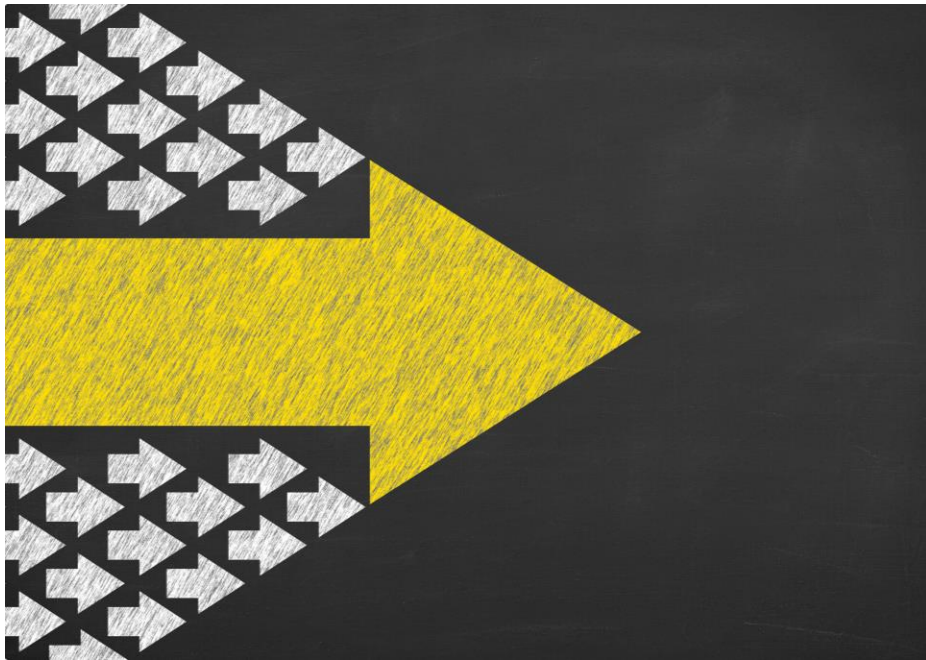
Option 1 - Name preferred charity(ies) as 100% or partial contingent beneficiary(ies) directly on IRA beneficiary designation. Ideal approach; preserves non-IRD assets for children. **NOTE:** Pecuniary designation may not be an option with many IRA providers.

Option 2 - Name survivor's revocable living trust as contingent beneficiary and specify in trust that the charities' shares should be funded with the IRA. Raises more tax and administrative complexities, particularly if Jack and Sally are targeting a fixed \$ gift to charity.

CAVEAT: Roth IRAs are ideal assets to leave to individual beneficiaries, not charitable beneficiaries!

Sample Trust/Will Language:

Directing Retirement Account to Charity



"Any gift to a charitable beneficiary under this [trust/will] shall be funded, to the maximum extent possible, first with property that constitutes income in respect of a decedent for federal income tax purposes (for example, individual retirement accounts and qualified retirement plans) or the proceeds thereof and second with any income generated by making the gift, so that this [trust/estate] is entitled to claim a charitable income tax deduction under IRC § 642(c) (or similar successor provisions). My [Trustee/Executor] shall satisfy any such gifts to a charity no later than September 30 of the year following my death."

Charitable Beneficiary Collection Delays?

- Some IRA providers require charitable beneficiaries to provide extensive information or set up a new account
- RIFT (Release IRA Funds Timely) project is a resource:
<https://charitablegiftplanners.org/rift-database-ira-custodians>
- Some states have enacted protective legislation

**Understanding
the new rules
can help
prevent RMD
nightmares**



Additional Resources

- Leimberg Information Systems
- Kitces.com
- ACTEC
- Natalie Choate's *Life and Death Planning for Retirement Benefits*
- Ed Slott and Company
- Benefitslink
- KEEP REGS HANDY!

Questions?



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