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**1/1/20 - IRA Payable to a Trust -  
New Law May Adversely Impact your Planning**

If you have named a trust as the beneficiary of your IRA, the new Secure Act (effective 1/1/20) may have a significant impact on how quickly your IRA must be distributed to your trust beneficiary after your death.

Previously, if your trust was properly drafted, the IRA could be withdrawn and paid to your trust beneficiary over the beneficiary's lifetime. That allowed your trustee to take small annual withdrawals from the IRA (based on the beneficiary's age), which were automatically paid to the beneficiary. That allowed the IRA funds to continue to grow tax-deferred within the IRA, and the trustee was required to distribute a relatively small annual amount to the beneficiary.

The new law provides (in most cases) that the IRA must be withdrawn within ten years of the IRA owner's passing. If you are naming a trust as beneficiary of your IRA, it is likely that you value controlling how the funds are paid to your beneficiary, and you may not want the beneficiary receiving all of your IRA funds within ten years of your passing.

It is possible to update your trust documents to allow your trustee to accumulate the IRA funds within the trust, rather than automatically paying out all IRA distributions directly to the beneficiary. You should know that when income (including IRA distributions) is accumulated in a trust, the trust is likely to pay income tax at a higher rate than the beneficiary would pay had the income been paid to the beneficiary, but the tax rate may be less of a concern than controlling how/when your trust beneficiary receives IRA funds.

In a nutshell, if you have designated a trust as the beneficiary of your IRA, you should have your estate plan reviewed to ensure that you understand the impact of the new law to allow you to make any desired modifications to ensure your assets pass in the manner you desire.

Disclaimer: This Article is intended as general, informative advice. Do not take any steps without consulting a qualified attorney.