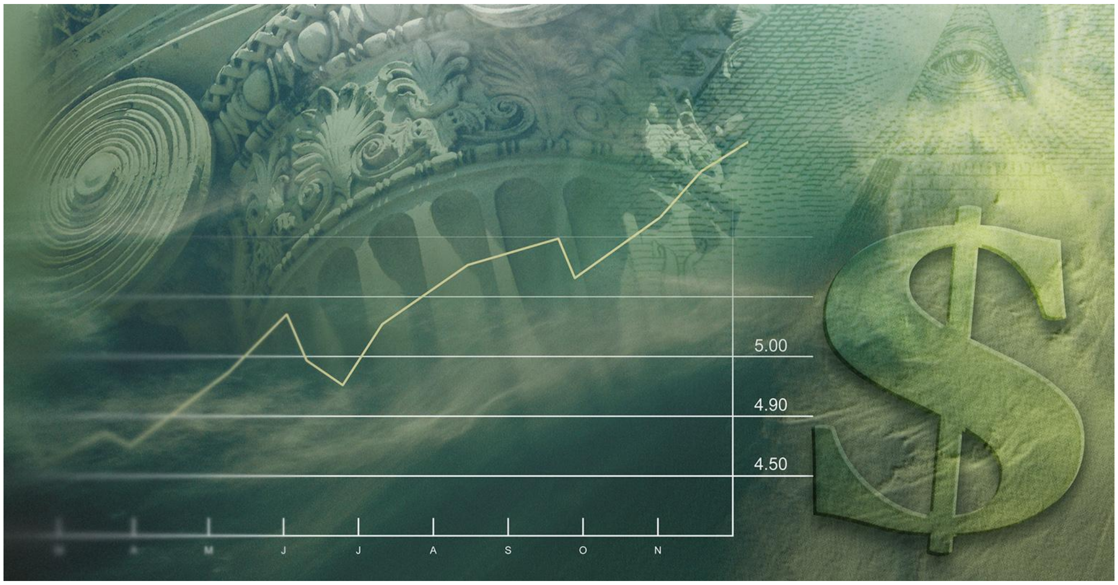

Five Ways Trusteed IRAs Can Keep A Good Thing Going

Combine the tax advantages of an IRA with the flexibility and control of a Trust.

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WealthManagement.com

As a wise man once said, "you get to decide the legacy that you leave."

Your clients have spent a lifetime building wealth through hard work and disciplined savings. As their financial focus shifts to transferring their assets to future heirs, some thoughtful introspection is in order. In wealth transfer, mistakes are painfully common and oftentimes legacies do not turn out as intended. Why? One reason is that the grantor may not fully anticipate the risks or the opportunities in the decisions they make, and may unwittingly lose out on potential benefits for their heirs.

One of the most common transfers of wealth that may lead to unintended consequences involves the transfer of qualified assets. When IRA assets transfer to heirs, one wrong move and the entire IRA can become fully taxed, rather than tax-deferred over time. In a recent study, TD Ameritrade and Pershing estimated that approximately 80 percent of IRA retirement assets that vanish will take flight within 18 months of when a client passes away, because beneficiaries will either spend down the asset or change advisors.

A Trusteed IRA can potentially help reduce this risk. It combines the tax advantages of an IRA with the flexibility and control of a Trust. A Trusteed IRA delivers the benefits of tax-deferred accumulation along with the ability to control how, when and in what amounts assets are distributed to heirs.

Here are five potential ways that a Trusteed IRA can help keep a legacy in check:

1. **Ensures security in the event of incapacity.** If the person who established a typical IRA becomes incapacitated, the family must scramble to gain access to the asset. Forward-looking advisors counsel clients to establish a Durable Power of Attorney with appropriate provisions signed by the client in advance to protect against the threat of incapacity. If no such forethought was given when establishing an IRA, the family must petition the court to name a guardian, costing time, money and elevated stress. If the client has set up a Trusteed IRA, however, no such action need be taken if the client's health fails. If the client so chooses, the trustee has discretion over the investment of the IRA assets, ensures required minimum distributions are made, pays bills as appropriate and addresses other needs.

2. **Resolves planning concerns associated with blended families.** The modern family structure has evolved and become more complex. According to the U.S. Census Bureau, blended families now outnumber traditional families. For previously married couples, particularly those with children from prior marriages, inheritance conflicts arise if there is not a clear plan for the distribution of assets upon the death of one spouse and then the other. A Trusteed IRA offers a simplified way to provide income to the client's current spouse (as the primary beneficiary) while ensuring that biological and step children receive the intended inheritance (as contingent beneficiaries), with distributions clearly defined and in accordance with the IRA owner's guidelines. After the owner's death, these elections are irrevocable.

3. **Overcomes concerns about heirs' readiness to inherit wealth.** A Trusteed IRA helps clients who have misgivings about the financial readiness of their heirs, and for those clients with heirs who have psychological issues, struggle with dependencies, or exhibit patterns of fiscal irresponsibility. Required distributions after the client's death pass to the beneficiary gradually over their life expectancy, allowing the balance of the IRA assets to continue to grow tax-deferred. The beneficiary must take annual distributions, but the grantor (IRA owner) elects what additional distributions can be made, as specified in the Trust.

4. **Stretches the benefits of the IRA to the next generation.** Described as a way to intersect retirement and estate planning, a Trusteed IRA enables clients to preserve the unique tax advantages of these assets and pass them on to succeeding generations. With most IRAs, the

original beneficiary may withdraw any amount, for any reasons, at any time — potentially jeopardizing one probable goal of extending tax benefits for future generations. The Trusteed IRA allows clients to regulate distributions over the lifetime of the beneficiary and can even split it into separate accounts for individual beneficiaries with different distributions amounts for each.

5. **Builds a bridge to the next generation of clients.** In a comprehensive study of wealth transfer needs and services commissioned by The MassMutual Trust Company, GDC Research describes the flight of clients and assets once the primary client dies. The study offers insights for advisors to better meet wealth transfer needs while preparing the next generation to steward inherited wealth. One effective tactic involves the use of "sticky assets," like a Trusteed IRA, to provide continuity of support while the advisor demonstrates value-added service, and works to solidify relationships with heirs for their benefit and to help ensure that the legacy of the initial client can live on as intended.

Keep in mind, a Trusteed IRA may not be appropriate for every client, especially those with potentially federal taxable estates, special needs beneficiaries or whose wealth is spread out over a variety of unique assets. Furthermore, it is not intended to replace a revocable trust where one is warranted or is already part of the client's estate plan.

Every time an advisor anticipates a spoken need or brings a previously unspoken need to the surface, a bond can strengthen. The Trusteed IRA is a proven option which helps to build relationships with current clients and provides advisors with a natural entry point to provide value-added services to future generations.

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