

Analyzing trusts as IRA beneficiaries

With the enactment of the SECURE (Setting Every Community Up for Retirement Enhancement) Act effective for deaths after December 31, 2019, navigating the maze of IRA (Individual Retirement Account) beneficiary plan payouts is more complex than ever – especially when it comes to trusts named as IRA beneficiaries.

STEP-BY-STEP ANALYSIS OF TRUST AS IRA BENEFICIARY

STEP 1 Is it a qualifying (or see-through) trust?

Yes

- The trust is valid under state law.
- The trust is irrevocable or becomes irrevocable upon death of original IRA owner.
- The beneficiaries are identifiable.
- The IRA custodian was provided trust documents by 10/31 of the year following death.

No

- A non-qualifying trust is considered a non-designated beneficiary. ([Get more information on IRA beneficiary analysis](#))

IF YES, MOVE ON TO STEP 2.

STEP 2 Which tier is the beneficiary in?

First tier – Any beneficiary who could receive amounts in the trust that is not contingent on the death of another beneficiary.

Second tier – Any beneficiary who could receive amounts in the trust only after the death of a first-tier trust beneficiary.

Third tier – Any beneficiary who could receive amounts in the trust only after the death of a first and second-tier beneficiary.

STEP 3 Is the trust a conduit or accumulation trust?

Conduit – A trust that passes required minimum distributions (RMDs) and distributions directly to the beneficiary – where no assets remain in the trust and distributions are taxed at the beneficiary's ordinary income tax rates.

Accumulation – A trust that does not pay out RMDs or distributions directly to the beneficiary, but rather a trustee has discretion over when to pay out all, some or none.

STEP 4 Analyze payout option based on type of trust

Conduit trust

Assess the beneficiary category for first-tier beneficiary only to determine plan payout option. Disregard second and third-tier beneficiaries.

Accumulation trust

Assess the category for first and second-tier beneficiary. The payout option will be based on the beneficiary with the shortest available distribution period. Disregard third-tier beneficiary.

[\(Get more information on IRA beneficiary analysis\)](#)

Please note that there are special rules that govern certain trusts with minor, disabled or chronically ill individuals named as beneficiary; therefore, it is always important that clients consult with their attorney and tax professional on all available options in these scenarios.



Questions?

For more information or specific questions, please contact advancedsales@securian.com.

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