Turn Your IRA into a Multi-Generational Wealth-Building Tool!

You have an opportunity to make your IRA last your entire lifetime, and then provide annual distributions for your heirs, by following a few simple and practical steps to prepare your IRA for "The Stretch." This strategy makes an IRA multi-generational, stretching out distributions over years that exceed the original owner's life.

1. Name a designated beneficiary for your IRA.

This is critical because an inherited IRA may only be stretched over the lifetime of a "designated beneficiary" who can only be a person (not a charity, your estate, or a trust).

2. Name contingent beneficiaries.

If your primary beneficiary predeceases you, this is crucial. Even if that is not the case, naming a contingent beneficiary may actually assist in stretching your IRA even further.

For example, if you named your daughter as the sole beneficiary of your IRA, and she determined that she would not need the money and chose to disclaim rights as a beneficiary, then her share would pass to the contingent beneficiary. A designated beneficiary is allowed to stretch the distributions over a period that approximates his or her projected lifetime, so the younger the beneficiary the longer the stretch.

3. Make sure your IRA custodian allows your beneficiary to name a beneficiary.

Review a copy of your current custodial agreement.

4. Follow these basic strategies to maximize the value of your IRA at your death.

- Start saving in your IRA at the youngest age possible.
- Invest as much as possible, as soon as possible each year.
- Diversify, and seek higher rates of return.
- Rollover company accounts to an IRA when possible.
- Never withdraw money other than required amounts, and take your distributions as late each year as permitted.
- Convert to Roth IRAs whenever possible for tax-free distributions.

Have questions about IRAs? The Shopoff Group can help!

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Creating Wealth Through
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The Stretch at Work...
Getting the Most Out of Your IRA

Most people are amazed to learn that an IRA may grow even faster after the owner dies and the beneficiary begins taking distributions. This is true when the owner was already taking Required Minimum Distributions (RMD), and the beneficiary is younger. The beneficiary will now begin computing RMDs using his or her longer life expectancy in the initial year of distribution, and then subtract 1.0 in each future year to calculate a new distribution amount.

Although the annual distributions may be smaller in the early years for a younger beneficiary, this allows more assets to continue compounding, resulting in far greater total distributions over a much longer period of time.

Case Studies – The ability of The Stretch to create wealth and the impact of the ages of the beneficiaries are shown in these examples where the beneficiary inherits $100,000 in an IRA, which grows 8% annually.

Example 1: Susan, age 57 when her mother dies, is the sole beneficiary of her mother's IRA. She must begin taking distributions in the following year, when she is 58. She finds her Life Expectancy of 27.0 in IRS Publication 590, Table I, lowering that figure by 1.0 in each following year.

- Susan takes distributions for 27 years, through age 84.
- Her total distributions are $364,852 (or more than 3.6x the value of the IRA when it was inherited).

Example 2: Here Susan disclaims her claim as beneficiary, so that the contingent beneficiary, her three-month-old granddaughter, Jennifer, may become the designated beneficiary. Jennifer must begin taking distributions the following year, when she turns one.

Jennifer receives distributions for 82 years.

- Her total distributions are $9,842,546.
- The incredible growth results in average annual distributions that exceed $120,000...so her average distribution for 82 years is greater than the beginning amount in the account!
- Jennifer's total distributions are 27 times as great as Susan's.

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