

# IRA Qualified Plan

IRA / Qualified Plan Trusts are revocable trusts designed for qualified (pre-taxed) investments such as IRA, 401(k), 403(b), SEP, SARSEP, and KEOGH plans.

There are several types of trusts that provide solutions such as:

- ◆ Enable the surviving spouse to fully utilize the spouse's federal estate tax exclusion, therefore lowering the survivor's taxable estate. This will allow you to maximize estate tax savings.
- ◆ Protect funds for children in blended marriages while providing for a surviving spouse.
- ◆ Providing an income for the surviving spouse and then passing to the children of the IRA owner.
- ◆ "Stretch" the payouts for children or grandchildren.
- ◆ Control the distribution of qualified money to children who may have money management problems.

There are 5 types of IRA / Qualified Trusts that can be customized to suit your individual needs. As part of your overall estate planning, these trusts structure distributions to prolong the payout period, and reduce income taxes, thus increasing wealth to future generations.

If you have set up other trusts in your estate plan, such as a living trust, you may be tempted to name those trusts as IRA beneficiaries, rather than creating a new one for this purpose. The living trust language is suitable in other contexts but can be detrimental where an IRA is concerned.

## *Highlights of three IRA Qualified Plan Trusts*

**IRA/Qualified Plan Q-TIP Trust:** Designed to be the beneficiary of an IRA/Qualified Plan, particularly in second marriages where the IRA/Qualified Plan owner desires that the spouse be the beneficiary upon his or her death, but upon the surviving spouses death, pass any of the balance of the IRA/Qualified Plan to the owner's children.

**IRA/Qualified Plan Trust for the Benefit of Spouse and Children:** Designed to preserve the IRA/Qualified Plan for the spouse and children. This trust protects the IRA/Qualified Plan from estate taxes by minimizing the decedent spouse's estate tax exemption and ensuring maximum tax deferral.

**IRA/Qualified Plan Trust for the Benefit of Children or Grandchildren:** Designed to be funded with IRA/Qualified Plan and other retirement funds upon the Trustor's death. Principal and income distributions will be made for health, education, maintenance, or support for the children or grandchildren at the discretion of the Trustee.

### **DISCLAIMER**

These materials are for informational purposes only and not for the purpose of providing legal advice. Please contact a licensed attorney to obtain advice with respect to any particular issue or problem.