

# THE PLAIN DEALER

MONDAY, MAY 31, 2004



## ASK THE EXPERT

**Scott Snow**, senior manager, Personal Financial Counseling/Investment Advisory Services, Ernst & Young, Cleveland

**Credentials:** Certified financial planner, Certified public accountant, certified investment management analyst

**Experience:** 10 years in financial services, eight as a personal financial counselor

**Assets under management:** \$140 million

**Question:** *I have received conflicting advice on how to set up beneficiaries on my IRA. I would like to name my spouse and my two grandchildren as beneficiaries. I would also like my grandchildren to have the option to withdraw the minimum required distribution, based on their ages, upon my death.*

**Advice:** The IRS has made major simplifications to the minimum distribution rules, including the calculation of the minimum required distributions during a person's lifetime and the determination of a designated beneficiary for distributions after death.

The new approach does several things:

- Eliminates the need to fix the amount of the distributions during the individual's lifetime - based on the beneficiary designated - on the required beginning date (RBD). The RBD continues to be April 1 following the year that the individual reaches age 70½.
- Eliminates the need to elect recalculation (or no recalculation) of life expectancies at the RBD.
- Provides additional guidance on the RBD for taxpayers who are not yet retired.

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- Specifies the use of the Uniform Distribution Table regardless of who is the individual's beneficiary (other than a spouse who is more than 10 years younger) or even if the individual has no beneficiary.

To accomplish your goals now—without relying on others to separate your IRA account for each beneficiary after your death I would consider the following strategy to provide flexibility and maximize the tax-deferred growth of your IRA:

First, separate your current IRA account into three IRAs. Second, name your spouse and grandchildren as individual beneficiaries for each respective IRA account.

If you die before your RBD, the proposed strategy will allow your grandchildren to distribute your IRA balance over their own life expectancies, starting generally within a year. And your spouse will have the flexibility of rolling your IRA into his/her own IRA and deferring distributions until his or her RBD.