Take Charge of Your Money

A University of Hawai'i Cooperative Extension Service Project

www.ctahr.hawaii.edu/tcym
Course Objectives

- Increase your knowledge about financial planning
- Improve your ability to make informed decisions
Estate Planning Considerations
Presenter

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Lesson Objectives

- Understand how your retirement plans fit into your estate plan
- Learn how to effectively transfer your retirement assets
Included when determining the taxable estate at death
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<td>2004 &amp; 2005</td>
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Inheriting an IRA

Different rules apply depending on:

• Whether the IRA owner died before or after their Required Beginning Date
• Who the beneficiary is
Payout Rules for Recipient (Non-Roth)

- Beneficiaries are determined as of the participant’s death
- Non-individual beneficiaries may limit payout options
  - Can be eliminated by disclaimer or distribution by Sept 30 following the year of IRA holder death
- Multiple beneficiaries can create separate accounts by Dec 31 following the year of IRA holder death
Best Practices for Designating Beneficiaries

- Name individuals
- Don’t name charities on the same policy with individuals (split the account to name the charity by itself)
- If you name a minor, name a custodian on the same form:
  - e.g., Susan Smith, as Custodian for Suzie Smith
Revocable Living Trust Tips

- If possible, don’t name a revocable trust as the beneficiary.
- If a trust is named, identify a specific sub-trust.
  - e.g., Trust for the benefit of Child, created under Article 1-9 of the Parent’s Revocable Living Trust.
• Get your attorney’s advice first
• The trust must be valid under state law and irrevocable upon the participant’s death
• The beneficiaries must be clearly identifiable from the instrument
  • No accumulation for remainder beneficiaries
  • No charities or non-profit organizations named
Converting from IRA to Roth IRA

- Anyone can convert IRA assets to a Roth
- No income limitations
- Converted amount will be taxed as income
- When earnings are low, systematically convert regular IRAs into ROTH IRAs
Estate Planning with a Roth IRA

- No minimum withdrawal rules
- Paying the tax on conversion
- Inheriting a ROTH IRA
Estate Planning with a Roth IRA Example

- Husband is 65, converts his traditional IRA to a Roth and lives for 8 years never withdrawing any funds
- Wife inherits the Roth at age 70 and treats the IRA as her own, and does not withdraw any funds
- Wife dies at 87 and leaves the Roth IRA to her daughter who is 55. Daughter needs to start withdrawing over her life expectancy of 30 years
- Account “lives” 55 years in all
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- University of Hawai'i at Mānoa
  - College of Tropical Agriculture & Human Resources, Cooperative Extension Service, Department of Family & Consumer Sciences
  - Information Technology Services-Academic Technologies
- Central Pacific Bank