

**NOTE: DO NOT PRINT THIS PAGE**

	Singular	Possesive	Current Age	Assumed Age @ Death
First Name	Jane E.	Jane's	60	60
Last Name	Dough			
Oldest Beneficiary's Name	Roger	Roger's	37	N/A
Youngest Beneficiary's Name	Taylor	Taylor's	10	N/A
First Year of Analysis / Year of IRA Owner's Death	2007			
Federal Income Tax Rate	35.00%			
Federal Capital Gains Rate	15.00%			
State Income Tax Rate	5.00%			
State Capital Gains Rate	5.00%			
IRA Balance	\$ 500,000			
Outside Assets Balance	\$ -			
Growth Rate	8.00%			
Turnover on Growth	50.00%			
5-Year Payout Option (IRA Owner < 70)	Lump-Sum			

**Denotes mandatory inputs**

*Jane E. Dough*  
**Inherited IRA Analysis**  
**Overview**

The Inherited IRA Analysis is a comprehensive income tax analysis designed to show the additional wealth that can be transferred through deferral. In particular, this analysis looks at six of the most common scenarios which affect IRA owners. These scenarios can be summarized as follows.

**Immediate Distribution**

In this scenario, it is assumed the IRA is liquidated in the year of death with the after-tax proceeds being re-invested in a taxable non-qualified account. This scenario is analogous to qualified retirement plan situations whereby the beneficiary is required, under the provisions of the qualified retirement plan, to take the entire balance out as one lump-sum.

**IRA Payable to Non-Qualified Designated Beneficiary**

This scenario assumes that the IRA is payable to a non-qualified beneficiary (e.g. estate, non-qualified trust, etc.). To the extent that the decedent-IRA owner is less than age 70½ at the time of death, the IRA must be fully distributed by December 31st of the year containing the fifth anniversary of the IRA owner's death. To the extent that the decedent-IRA owner is 70½ or older at the time of death, the IRA is payable over the decedent-IRA owner's "ghost" life expectancy. In this case, the factor used in the first year is determined by reference to the Single Life Table using the age of the decedent-IRA owner in the year of death. This factor is then reduced by one every year thereafter.

**IRA Payable to Oldest Non-Spousal Beneficiary**

This scenario assumes that a qualified non-spousal beneficiary (e.g. child, grandchild, brother, sister, etc.) inherits the IRA from the decedent-IRA owner. In this case, the first annual IRA distribution is determined by reference to the Single Life Table using non-spousal beneficiary's age in the year following the year of the decedent-IRA owner's death. Every year thereafter, the life expectancy factor is reduced by one. Further, to the extent that the decedent-IRA owner is older than age 70½ at the time of death, the distribution for the year of death is determined by reference to the Uniform Lifetime Table using the decedent-IRA owner's age in the year of death.

**IRA Payable to Youngest Non-Spousal Beneficiary**

This scenario assumes that a qualified non-spousal beneficiary (e.g. child, grandchild, brother, sister, etc.) inherits the IRA from the decedent-IRA owner. In this case, the first annual IRA distribution is determined by reference to the Single Life Table using non-spousal beneficiary's age in the year following the year of the decedent-IRA owner's death. Every year thereafter, the life expectancy factor is reduced by one. Further, to the extent that the decedent-IRA owner is older than age 70½ at the time of death, the distribution for the year of death is determined by reference to the Uniform Lifetime Table using the decedent-IRA owner's age in the year of death.

*Jane E. Dough*  
**Inherited IRA Analysis**  
**Assumptions**

First Year of Analysis / Year of Death	2007
Jane's Age	60
Roger's Age	37
Taylor's Age	10
Total IRA Account Balance	\$500,000
Outside Assets Balance	\$0
Growth Rate	8.00%
Turnover on Growth	50.00%
Federal Income Tax Rate	35.00%
State Income Tax Rate	5.00%
Effective Income Tax Rate	<u>40.00%</u>
Federal Capital Gains Tax Rate	15.00%
State Capital Gains Tax Rate	5.00%
Effective Capital Gains Tax Rate	<u>20.00%</u>

*Jane E. Dough*  
**Inherited IRA Analysis**  
**Immediate Distribution**

Jane's Age	RMD Factor	Year	Beginning IRA Balance	Required Distribution	Growth @ 8.00%	Ending IRA Balance	Beginning Outside Balance	Net IRA Receipts 40.00%	Growth @ 8.00%	Taxes on Growth @ 20.00%	Ending Outside Balance	Net Wealth to Family
60	N/A	2007	\$ 500,000	\$ (500,000)	\$ -	\$ -	\$ -	\$ 300,000	\$ 24,000	\$ (2,400)	\$ 321,600	\$ 321,600
	N/A	2008				\$ 321,600	\$ -	\$ 25,728	\$ (2,573)	\$ 344,755	\$ 344,755	
	N/A	2009				\$ 344,755	\$ -	\$ 27,580	\$ (2,758)	\$ 369,578	\$ 369,578	
	N/A	2010				\$ 369,578	\$ -	\$ 29,566	\$ (2,957)	\$ 396,187	\$ 396,187	
	N/A	2011				\$ 396,187	\$ -	\$ 31,695	\$ (3,169)	\$ 424,713	\$ 424,713	
	N/A	2012				\$ 424,713	\$ -	\$ 33,977	\$ (3,398)	\$ 455,292	\$ 455,292	
	N/A	2013				\$ 455,292	\$ -	\$ 36,423	\$ (3,642)	\$ 488,073	\$ 488,073	
	N/A	2014				\$ 488,073	\$ -	\$ 39,046	\$ (3,905)	\$ 523,214	\$ 523,214	
	N/A	2015				\$ 523,214	\$ -	\$ 41,857	\$ (4,186)	\$ 560,886	\$ 560,886	
	N/A	2016				\$ 560,886	\$ -	\$ 44,871	\$ (4,487)	\$ 601,269	\$ 601,269	
	N/A	2017				\$ 601,269	\$ -	\$ 48,102	\$ (4,810)	\$ 644,561	\$ 644,561	
	N/A	2018				\$ 644,561	\$ -	\$ 51,565	\$ (5,156)	\$ 690,969	\$ 690,969	
	N/A	2019				\$ 690,969	\$ -	\$ 55,278	\$ (5,528)	\$ 740,719	\$ 740,719	
	N/A	2020				\$ 740,719	\$ -	\$ 59,258	\$ (5,926)	\$ 794,051	\$ 794,051	
	N/A	2021				\$ 794,051	\$ -	\$ 63,524	\$ (6,352)	\$ 851,222	\$ 851,222	
	N/A	2022				\$ 851,222	\$ -	\$ 68,098	\$ (6,810)	\$ 912,510	\$ 912,510	
	N/A	2023				\$ 912,510	\$ -	\$ 73,001	\$ (7,300)	\$ 978,211	\$ 978,211	
	N/A	2024				\$ 978,211	\$ -	\$ 78,257	\$ (7,826)	\$ 1,048,642	\$ 1,048,642	
	N/A	2025				\$ 1,048,642	\$ -	\$ 83,891	\$ (8,389)	\$ 1,124,145	\$ 1,124,145	
	N/A	2026				\$ 1,124,145	\$ -	\$ 89,932	\$ (8,993)	\$ 1,205,083	\$ 1,205,083	
	N/A	2027				\$ 1,205,083	\$ -	\$ 96,407	\$ (9,641)	\$ 1,291,849	\$ 1,291,849	
	N/A	2028				\$ 1,291,849	\$ -	\$ 103,348	\$ (10,335)	\$ 1,384,862	\$ 1,384,862	
	N/A	2029				\$ 1,384,862	\$ -	\$ 110,789	\$ (11,079)	\$ 1,484,572	\$ 1,484,572	
	N/A	2030				\$ 1,484,572	\$ -	\$ 118,766	\$ (11,877)	\$ 1,591,461	\$ 1,591,461	
	N/A	2031				\$ 1,591,461	\$ -	\$ 127,317	\$ (12,732)	\$ 1,706,047	\$ 1,706,047	
	N/A	2032				\$ 1,706,047	\$ -	\$ 136,484	\$ (13,648)	\$ 1,828,882	\$ 1,828,882	
	N/A	2033				\$ 1,828,882	\$ -	\$ 146,311	\$ (14,631)	\$ 1,960,561	\$ 1,960,561	
	N/A	2034				\$ 1,960,561	\$ -	\$ 156,845	\$ (15,684)	\$ 2,101,722	\$ 2,101,722	
	N/A	2035				\$ 2,101,722	\$ -	\$ 168,138	\$ (16,814)	\$ 2,253,046	\$ 2,253,046	
	N/A	2036				\$ 2,253,046	\$ -	\$ 180,244	\$ (18,024)	\$ 2,415,265	\$ 2,415,265	
	N/A	2037				\$ 2,415,265	\$ -	\$ 193,221	\$ (19,322)	\$ 2,589,164	\$ 2,589,164	
	N/A	2038				\$ 2,589,164	\$ -	\$ 207,133	\$ (20,713)	\$ 2,775,584	\$ 2,775,584	
	N/A	2039				\$ 2,775,584	\$ -	\$ 222,047	\$ (22,205)	\$ 2,975,426	\$ 2,975,426	
	N/A	2040				\$ 2,975,426	\$ -	\$ 238,034	\$ (23,803)	\$ 3,189,657	\$ 3,189,657	
	N/A	2041				\$ 3,189,657	\$ -	\$ 255,173	\$ (25,517)	\$ 3,419,312	\$ 3,419,312	
	N/A	2042				\$ 3,419,312	\$ -	\$ 273,545	\$ (27,354)	\$ 3,665,503	\$ 3,665,503	
	N/A	2043				\$ 3,665,503	\$ -	\$ 293,240	\$ (29,324)	\$ 3,929,419	\$ 3,929,419	
	N/A	2044				\$ 3,929,419	\$ -	\$ 314,353	\$ (31,435)	\$ 4,212,337	\$ 4,212,337	
	N/A	2045				\$ 4,212,337	\$ -	\$ 336,987	\$ (33,699)	\$ 4,515,625	\$ 4,515,625	
	N/A	2046				\$ 4,515,625	\$ -	\$ 361,250	\$ (36,125)	\$ 4,840,750	\$ 4,840,750	

# Jane E. Dough

## Inherited IRA Analysis

### IRA Payable to Non-Qualified Designated Beneficiary (i.e. 5-Year Rule)

Jane's Age	RMD Factor	Year	Beginning IRA Balance	Required Distribution	Growth @ 8.00%	Ending IRA Balance	Beginning Outside Balance	Net IRA Receipts 40.00%	Growth @ 8.00%	Taxes on Growth @ 20.00%	Ending Outside Balance	Net Wealth to Family
60	N/A	2007	\$ 500,000	\$ -	\$ 40,000	\$ 540,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 540,000
	N/A	2008	\$ 540,000	\$ -	\$ 43,200	\$ 583,200	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 583,200
	N/A	2009	\$ 583,200	\$ -	\$ 46,656	\$ 629,856	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 629,856
	N/A	2010	\$ 629,856	\$ -	\$ 50,388	\$ 680,244	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 680,244
	N/A	2011	\$ 680,244	\$ -	\$ 54,420	\$ 734,664	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 734,664
	N/A	2012	\$ 734,664	\$ (734,664)	\$ -	\$ -	\$ -	\$ 440,798	\$ 35,264	\$ (3,526)	\$ 472,536	\$ 472,536
	N/A	2013	\$ -	\$ -	\$ -	\$ -	\$ 472,536	\$ -	\$ 37,803	\$ (3,780)	\$ 506,558	\$ 506,558
	N/A	2014	\$ -	\$ -	\$ -	\$ -	\$ 506,558	\$ -	\$ 40,525	\$ (4,052)	\$ 543,031	\$ 543,031
	N/A	2015	\$ -	\$ -	\$ -	\$ -	\$ 543,031	\$ -	\$ 43,442	\$ (4,344)	\$ 582,129	\$ 582,129
	N/A	2016	\$ -	\$ -	\$ -	\$ -	\$ 582,129	\$ -	\$ 46,570	\$ (4,657)	\$ 624,042	\$ 624,042
	N/A	2017	\$ -	\$ -	\$ -	\$ -	\$ 624,042	\$ -	\$ 49,923	\$ (4,992)	\$ 668,973	\$ 668,973
	N/A	2018	\$ -	\$ -	\$ -	\$ -	\$ 668,973	\$ -	\$ 53,518	\$ (5,352)	\$ 717,139	\$ 717,139
	N/A	2019	\$ -	\$ -	\$ -	\$ -	\$ 717,139	\$ -	\$ 57,371	\$ (5,737)	\$ 768,773	\$ 768,773
	N/A	2020	\$ -	\$ -	\$ -	\$ -	\$ 768,773	\$ -	\$ 61,502	\$ (6,150)	\$ 824,125	\$ 824,125
	N/A	2021	\$ -	\$ -	\$ -	\$ -	\$ 824,125	\$ -	\$ 65,930	\$ (6,593)	\$ 883,462	\$ 883,462
	N/A	2022	\$ -	\$ -	\$ -	\$ -	\$ 883,462	\$ -	\$ 70,677	\$ (7,068)	\$ 947,071	\$ 947,071
	N/A	2023	\$ -	\$ -	\$ -	\$ -	\$ 947,071	\$ -	\$ 75,766	\$ (7,577)	\$ 1,015,260	\$ 1,015,260
	N/A	2024	\$ -	\$ -	\$ -	\$ -	\$ 1,015,260	\$ -	\$ 81,221	\$ (8,122)	\$ 1,088,359	\$ 1,088,359
	N/A	2025	\$ -	\$ -	\$ -	\$ -	\$ 1,088,359	\$ -	\$ 87,069	\$ (8,707)	\$ 1,166,721	\$ 1,166,721
	N/A	2026	\$ -	\$ -	\$ -	\$ -	\$ 1,166,721	\$ -	\$ 93,338	\$ (9,334)	\$ 1,250,725	\$ 1,250,725
	N/A	2027	\$ -	\$ -	\$ -	\$ -	\$ 1,250,725	\$ -	\$ 100,058	\$ (10,006)	\$ 1,340,777	\$ 1,340,777
	N/A	2028	\$ -	\$ -	\$ -	\$ -	\$ 1,340,777	\$ -	\$ 107,262	\$ (10,726)	\$ 1,437,313	\$ 1,437,313
	N/A	2029	\$ -	\$ -	\$ -	\$ -	\$ 1,437,313	\$ -	\$ 114,985	\$ (11,499)	\$ 1,540,800	\$ 1,540,800
	N/A	2030	\$ -	\$ -	\$ -	\$ -	\$ 1,540,800	\$ -	\$ 123,264	\$ (12,326)	\$ 1,651,737	\$ 1,651,737
	N/A	2031	\$ -	\$ -	\$ -	\$ -	\$ 1,651,737	\$ -	\$ 132,139	\$ (13,214)	\$ 1,770,662	\$ 1,770,662
	N/A	2032	\$ -	\$ -	\$ -	\$ -	\$ 1,770,662	\$ -	\$ 141,653	\$ (14,165)	\$ 1,898,150	\$ 1,898,150
	N/A	2033	\$ -	\$ -	\$ -	\$ -	\$ 1,898,150	\$ -	\$ 151,852	\$ (15,185)	\$ 2,034,817	\$ 2,034,817
	N/A	2034	\$ -	\$ -	\$ -	\$ -	\$ 2,034,817	\$ -	\$ 162,785	\$ (16,279)	\$ 2,181,324	\$ 2,181,324
	N/A	2035	\$ -	\$ -	\$ -	\$ -	\$ 2,181,324	\$ -	\$ 174,506	\$ (17,451)	\$ 2,338,379	\$ 2,338,379
	N/A	2036	\$ -	\$ -	\$ -	\$ -	\$ 2,338,379	\$ -	\$ 187,070	\$ (18,707)	\$ 2,506,742	\$ 2,506,742
	N/A	2037	\$ -	\$ -	\$ -	\$ -	\$ 2,506,742	\$ -	\$ 200,539	\$ (20,054)	\$ 2,687,228	\$ 2,687,228
	N/A	2038	\$ -	\$ -	\$ -	\$ -	\$ 2,687,228	\$ -	\$ 214,978	\$ (21,498)	\$ 2,880,708	\$ 2,880,708
	N/A	2039	\$ -	\$ -	\$ -	\$ -	\$ 2,880,708	\$ -	\$ 230,457	\$ (23,046)	\$ 3,088,119	\$ 3,088,119
	N/A	2040	\$ -	\$ -	\$ -	\$ -	\$ 3,088,119	\$ -	\$ 247,050	\$ (24,705)	\$ 3,310,464	\$ 3,310,464
	N/A	2041	\$ -	\$ -	\$ -	\$ -	\$ 3,310,464	\$ -	\$ 264,837	\$ (26,484)	\$ 3,548,817	\$ 3,548,817
	N/A	2042	\$ -	\$ -	\$ -	\$ -	\$ 3,548,817	\$ -	\$ 283,905	\$ (28,391)	\$ 3,804,332	\$ 3,804,332
	N/A	2043	\$ -	\$ -	\$ -	\$ -	\$ 3,804,332	\$ -	\$ 304,347	\$ (30,435)	\$ 4,078,244	\$ 4,078,244
	N/A	2044	\$ -	\$ -	\$ -	\$ -	\$ 4,078,244	\$ -	\$ 326,259	\$ (32,626)	\$ 4,371,877	\$ 4,371,877
	N/A	2045	\$ -	\$ -	\$ -	\$ -	\$ 4,371,877	\$ -	\$ 349,750	\$ (34,975)	\$ 4,686,652	\$ 4,686,652
	N/A	2046	\$ -	\$ -	\$ -	\$ -	\$ 4,686,652	\$ -	\$ 374,932	\$ (37,493)	\$ 5,024,091	\$ 5,024,091

*Jane E. Dough*  
**Inherited IRA Analysis**  
**IRA Payable to Oldest Non-Spousal Beneficiary**

Jane's Age	Roger's Age	RMD Factor	Year	Beginning IRA Balance	Required Distribution	Growth @ 8.00%	Ending IRA Balance	Beginning Outside Balance	Net IRA Receipts	Growth @ 8.00%	Taxes on Growth @ 20.00%	Ending Outside Balance	Net Wealth to Family
60	37	N/A	2007	\$ 500,000	\$ -	\$ 40,000	\$ 540,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 540,000
	38	45.6	2008	\$ 540,000	\$ (11,842)	\$ 42,253	\$ 570,411	\$ -	\$ 7,105	\$ 568	\$ (57)	\$ 7,617	\$ 578,027
	39	44.6	2009	\$ 570,411	\$ (12,789)	\$ 44,610	\$ 602,231	\$ 7,617	\$ 7,674	\$ 1,223	\$ (122)	\$ 16,391	\$ 618,622
	40	43.6	2010	\$ 602,231	\$ (13,813)	\$ 47,073	\$ 635,492	\$ 16,391	\$ 8,288	\$ 1,974	\$ (197)	\$ 26,456	\$ 661,947
	41	42.6	2011	\$ 635,492	\$ (14,918)	\$ 49,646	\$ 670,220	\$ 26,456	\$ 8,951	\$ 2,833	\$ (283)	\$ 37,956	\$ 708,176
	42	41.6	2012	\$ 670,220	\$ (16,111)	\$ 52,329	\$ 706,437	\$ 37,956	\$ 9,667	\$ 3,810	\$ (381)	\$ 51,051	\$ 757,489
	43	40.6	2013	\$ 706,437	\$ (17,400)	\$ 55,123	\$ 744,161	\$ 51,051	\$ 10,440	\$ 4,919	\$ (492)	\$ 65,919	\$ 810,079
	44	39.6	2014	\$ 744,161	\$ (18,792)	\$ 58,029	\$ 783,398	\$ 65,919	\$ 11,275	\$ 6,175	\$ (618)	\$ 82,752	\$ 866,150
	45	38.6	2015	\$ 783,398	\$ (20,295)	\$ 61,048	\$ 824,151	\$ 82,752	\$ 12,177	\$ 7,594	\$ (759)	\$ 101,764	\$ 925,915
	46	37.6	2016	\$ 824,151	\$ (21,919)	\$ 64,179	\$ 866,411	\$ 101,764	\$ 13,151	\$ 9,193	\$ (919)	\$ 123,189	\$ 989,600
	47	36.6	2017	\$ 866,411	\$ (23,672)	\$ 67,419	\$ 910,157	\$ 123,189	\$ 14,203	\$ 10,991	\$ (1,099)	\$ 147,285	\$ 1,057,442
	48	35.6	2018	\$ 910,157	\$ (25,566)	\$ 70,767	\$ 955,358	\$ 147,285	\$ 15,340	\$ 13,010	\$ (1,301)	\$ 174,333	\$ 1,129,692
	49	34.6	2019	\$ 955,358	\$ (27,612)	\$ 74,220	\$ 1,001,967	\$ 174,333	\$ 16,567	\$ 15,272	\$ (1,527)	\$ 204,645	\$ 1,206,612
	50	33.6	2020	\$ 1,001,967	\$ (29,820)	\$ 77,772	\$ 1,049,918	\$ 204,645	\$ 17,892	\$ 17,803	\$ (1,780)	\$ 238,560	\$ 1,288,478
	51	32.6	2021	\$ 1,049,918	\$ (32,206)	\$ 81,417	\$ 1,099,129	\$ 238,560	\$ 19,324	\$ 20,631	\$ (2,063)	\$ 276,451	\$ 1,375,580
	52	31.6	2022	\$ 1,099,129	\$ (34,783)	\$ 85,148	\$ 1,149,494	\$ 276,451	\$ 20,870	\$ 23,786	\$ (2,379)	\$ 318,728	\$ 1,468,222
	53	30.6	2023	\$ 1,149,494	\$ (37,565)	\$ 88,954	\$ 1,200,883	\$ 318,728	\$ 22,539	\$ 27,301	\$ (2,730)	\$ 365,838	\$ 1,566,721
	54	29.6	2024	\$ 1,200,883	\$ (40,570)	\$ 92,825	\$ 1,253,138	\$ 365,838	\$ 24,342	\$ 31,214	\$ (3,121)	\$ 418,273	\$ 1,671,411
	55	28.6	2025	\$ 1,253,138	\$ (43,816)	\$ 96,746	\$ 1,306,067	\$ 418,273	\$ 26,290	\$ 35,565	\$ (3,557)	\$ 476,572	\$ 1,782,639
	56	27.6	2026	\$ 1,306,067	\$ (47,321)	\$ 100,700	\$ 1,359,446	\$ 476,572	\$ 28,393	\$ 40,397	\$ (4,040)	\$ 541,322	\$ 1,900,768
	57	26.6	2027	\$ 1,359,446	\$ (51,107)	\$ 104,667	\$ 1,413,006	\$ 541,322	\$ 30,664	\$ 45,759	\$ (4,576)	\$ 613,169	\$ 2,026,175
	58	25.6	2028	\$ 1,413,006	\$ (55,196)	\$ 108,625	\$ 1,466,435	\$ 613,169	\$ 33,117	\$ 51,703	\$ (5,170)	\$ 692,819	\$ 2,159,254
	59	24.6	2029	\$ 1,466,435	\$ (59,611)	\$ 112,546	\$ 1,519,370	\$ 692,819	\$ 35,767	\$ 58,287	\$ (5,829)	\$ 781,044	\$ 2,300,414
	60	23.6	2030	\$ 1,519,370	\$ (64,380)	\$ 116,399	\$ 1,571,389	\$ 781,044	\$ 38,628	\$ 65,574	\$ (6,557)	\$ 878,688	\$ 2,450,077
	61	22.6	2031	\$ 1,571,389	\$ (69,530)	\$ 120,149	\$ 1,622,007	\$ 878,688	\$ 41,718	\$ 73,633	\$ (7,363)	\$ 986,676	\$ 2,608,683
	62	21.6	2032	\$ 1,622,007	\$ (75,093)	\$ 123,753	\$ 1,670,668	\$ 986,676	\$ 45,056	\$ 82,539	\$ (8,254)	\$ 1,106,016	\$ 2,776,684
	63	20.6	2033	\$ 1,670,668	\$ (81,100)	\$ 127,165	\$ 1,716,733	\$ 1,106,016	\$ 48,660	\$ 92,374	\$ (9,237)	\$ 1,237,813	\$ 2,954,546
	64	19.6	2034	\$ 1,716,733	\$ (87,588)	\$ 130,332	\$ 1,759,476	\$ 1,237,813	\$ 52,553	\$ 103,229	\$ (10,323)	\$ 1,383,272	\$ 3,142,748
	65	18.6	2035	\$ 1,759,476	\$ (94,595)	\$ 133,190	\$ 1,798,071	\$ 1,383,272	\$ 56,757	\$ 115,202	\$ (11,520)	\$ 1,543,712	\$ 3,341,782
	66	17.6	2036	\$ 1,798,071	\$ (102,163)	\$ 135,673	\$ 1,831,580	\$ 1,543,712	\$ 61,298	\$ 128,401	\$ (12,840)	\$ 1,720,570	\$ 3,552,151
	67	16.6	2037	\$ 1,831,580	\$ (110,336)	\$ 137,700	\$ 1,858,943	\$ 1,720,570	\$ 66,202	\$ 142,942	\$ (14,294)	\$ 1,915,420	\$ 3,774,363
	68	15.6	2038	\$ 1,858,943	\$ (119,163)	\$ 139,182	\$ 1,878,963	\$ 1,915,420	\$ 71,498	\$ 158,953	\$ (15,895)	\$ 2,129,976	\$ 4,008,938
	69	14.6	2039	\$ 1,878,963	\$ (128,696)	\$ 140,021	\$ 1,890,288	\$ 2,129,976	\$ 77,218	\$ 176,575	\$ (17,658)	\$ 2,366,111	\$ 4,256,399
	70	13.6	2040	\$ 1,890,288	\$ (138,992)	\$ 140,104	\$ 1,891,400	\$ 2,366,111	\$ 83,395	\$ 195,960	\$ (19,596)	\$ 2,625,871	\$ 4,517,271
	71	12.6	2041	\$ 1,891,400	\$ (150,111)	\$ 139,303	\$ 1,880,592	\$ 2,625,871	\$ 90,067	\$ 217,275	\$ (21,727)	\$ 2,911,485	\$ 4,792,077
	72	11.6	2042	\$ 1,880,592	\$ (162,120)	\$ 137,478	\$ 1,855,950	\$ 2,911,485	\$ 97,272	\$ 240,701	\$ (24,070)	\$ 3,225,387	\$ 5,081,337
	73	10.6	2043	\$ 1,855,950	\$ (175,090)	\$ 134,469	\$ 1,815,329	\$ 3,225,387	\$ 105,054	\$ 266,435	\$ (26,644)	\$ 3,570,233	\$ 5,385,562
	74	9.6	2044	\$ 1,815,329	\$ (189,097)	\$ 130,099	\$ 1,756,331	\$ 3,570,233	\$ 113,458	\$ 294,695	\$ (29,470)	\$ 3,948,917	\$ 5,705,247
	75	8.6	2045	\$ 1,756,331	\$ (204,225)	\$ 124,169	\$ 1,676,275	\$ 3,948,917	\$ 122,535	\$ 325,716	\$ (32,572)	\$ 4,364,596	\$ 6,040,871
	76	7.6	2046	\$ 1,676,275	\$ (220,562)	\$ 116,457	\$ 1,572,169	\$ 4,364,596	\$ 132,337	\$ 359,755	\$ (35,975)	\$ 4,820,713	\$ 6,392,882

**Jane E. Dough**  
**Inherited IRA Analysis**  
**IRA Payable to Youngest Non-Spousal Beneficiary**

Jane's Age	Taylor's Age	RMD Factor	Year	Beginning IRA Balance	Required Distribution	Growth @ 8.00%	Ending IRA Balance	Beginning Outside Balance	Net IRA Receipts	Growth @ 8.00%	Taxes on Growth @ 20.00%	Ending Outside Balance	Net Wealth to Family
60	10	N/A	2007	\$ 500,000	\$ -	\$ 40,000	\$ 540,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 540,000
	11	71.8	2008	\$ 540,000	\$ (7,521)	\$ 42,598	\$ 575,077	\$ -	\$ 4,513	\$ 361	\$ (36)	\$ 4,837	\$ 579,915
	12	70.8	2009	\$ 575,077	\$ (8,123)	\$ 45,356	\$ 612,311	\$ 4,837	\$ 4,874	\$ 777	\$ (78)	\$ 10,410	\$ 622,721
	13	69.8	2010	\$ 612,311	\$ (8,772)	\$ 48,283	\$ 651,822	\$ 10,410	\$ 5,263	\$ 1,254	\$ (125)	\$ 16,802	\$ 668,624
	14	68.8	2011	\$ 651,822	\$ (9,474)	\$ 51,388	\$ 693,736	\$ 16,802	\$ 5,684	\$ 1,799	\$ (180)	\$ 24,106	\$ 717,841
	15	67.8	2012	\$ 693,736	\$ (10,232)	\$ 54,680	\$ 738,184	\$ 24,106	\$ 6,139	\$ 2,420	\$ (242)	\$ 32,422	\$ 770,606
	16	66.8	2013	\$ 738,184	\$ (11,051)	\$ 58,171	\$ 785,304	\$ 32,422	\$ 6,630	\$ 3,124	\$ (312)	\$ 41,865	\$ 827,169
	17	65.8	2014	\$ 785,304	\$ (11,935)	\$ 61,870	\$ 835,239	\$ 41,865	\$ 7,161	\$ 3,922	\$ (392)	\$ 52,555	\$ 887,794
	18	64.8	2015	\$ 835,239	\$ (12,889)	\$ 65,788	\$ 888,137	\$ 52,555	\$ 7,734	\$ 4,823	\$ (482)	\$ 64,630	\$ 952,767
	19	63.8	2016	\$ 888,137	\$ (13,921)	\$ 69,937	\$ 944,154	\$ 64,630	\$ 8,352	\$ 5,839	\$ (584)	\$ 78,237	\$ 1,022,391
	20	62.8	2017	\$ 944,154	\$ (15,034)	\$ 74,330	\$ 1,003,449	\$ 78,237	\$ 9,021	\$ 6,981	\$ (698)	\$ 93,540	\$ 1,096,989
	21	61.8	2018	\$ 1,003,449	\$ (16,237)	\$ 78,977	\$ 1,066,189	\$ 93,540	\$ 9,742	\$ 8,263	\$ (826)	\$ 110,719	\$ 1,176,908
	22	60.8	2019	\$ 1,066,189	\$ (17,536)	\$ 83,892	\$ 1,132,545	\$ 110,719	\$ 10,522	\$ 9,699	\$ (970)	\$ 129,970	\$ 1,262,515
	23	59.8	2020	\$ 1,132,545	\$ (18,939)	\$ 89,089	\$ 1,202,695	\$ 129,970	\$ 11,363	\$ 11,307	\$ (1,131)	\$ 151,509	\$ 1,354,204
	24	58.8	2021	\$ 1,202,695	\$ (20,454)	\$ 94,579	\$ 1,276,820	\$ 151,509	\$ 12,272	\$ 13,102	\$ (1,310)	\$ 175,573	\$ 1,452,394
	25	57.8	2022	\$ 1,276,820	\$ (22,090)	\$ 100,378	\$ 1,355,108	\$ 175,573	\$ 13,254	\$ 15,106	\$ (1,511)	\$ 202,423	\$ 1,557,532
	26	56.8	2023	\$ 1,355,108	\$ (23,858)	\$ 106,500	\$ 1,437,751	\$ 202,423	\$ 14,315	\$ 17,339	\$ (1,734)	\$ 232,343	\$ 1,670,094
	27	55.8	2024	\$ 1,437,751	\$ (25,766)	\$ 112,959	\$ 1,524,943	\$ 232,343	\$ 15,460	\$ 19,824	\$ (1,982)	\$ 265,644	\$ 1,790,588
	28	54.8	2025	\$ 1,524,943	\$ (27,827)	\$ 119,769	\$ 1,616,885	\$ 265,644	\$ 16,696	\$ 22,587	\$ (2,259)	\$ 302,669	\$ 1,919,555
	29	53.8	2026	\$ 1,616,885	\$ (30,054)	\$ 126,947	\$ 1,713,778	\$ 302,669	\$ 18,032	\$ 25,656	\$ (2,566)	\$ 343,792	\$ 2,057,570
	30	52.8	2027	\$ 1,713,778	\$ (32,458)	\$ 134,506	\$ 1,815,826	\$ 343,792	\$ 19,475	\$ 29,061	\$ (2,906)	\$ 389,422	\$ 2,205,248
	31	51.8	2028	\$ 1,815,826	\$ (35,055)	\$ 142,462	\$ 1,923,233	\$ 389,422	\$ 21,033	\$ 32,836	\$ (3,284)	\$ 440,008	\$ 2,363,240
	32	50.8	2029	\$ 1,923,233	\$ (37,859)	\$ 150,830	\$ 2,036,204	\$ 440,008	\$ 22,715	\$ 37,018	\$ (3,702)	\$ 496,039	\$ 2,532,243
	33	49.8	2030	\$ 2,036,204	\$ (40,888)	\$ 159,625	\$ 2,154,942	\$ 496,039	\$ 24,533	\$ 41,646	\$ (4,165)	\$ 558,053	\$ 2,712,994
	34	48.8	2031	\$ 2,154,942	\$ (44,159)	\$ 168,863	\$ 2,279,646	\$ 558,053	\$ 26,495	\$ 46,764	\$ (4,676)	\$ 626,635	\$ 2,906,281
	35	47.8	2032	\$ 2,279,646	\$ (47,691)	\$ 178,556	\$ 2,410,511	\$ 626,635	\$ 28,615	\$ 52,420	\$ (5,242)	\$ 702,428	\$ 3,112,939
	36	46.8	2033	\$ 2,410,511	\$ (51,507)	\$ 188,720	\$ 2,547,724	\$ 702,428	\$ 30,904	\$ 58,667	\$ (5,867)	\$ 786,132	\$ 3,333,856
	37	45.8	2034	\$ 2,547,724	\$ (55,627)	\$ 199,368	\$ 2,691,465	\$ 786,132	\$ 33,376	\$ 65,561	\$ (6,556)	\$ 878,513	\$ 3,569,978
	38	44.8	2035	\$ 2,691,465	\$ (60,077)	\$ 210,511	\$ 2,841,899	\$ 878,513	\$ 36,046	\$ 73,165	\$ (7,316)	\$ 980,408	\$ 3,822,306
	39	43.8	2036	\$ 2,841,899	\$ (64,884)	\$ 222,161	\$ 2,999,176	\$ 980,408	\$ 38,930	\$ 81,547	\$ (8,155)	\$ 1,092,730	\$ 4,091,906
	40	42.8	2037	\$ 2,999,176	\$ (70,074)	\$ 234,328	\$ 3,163,430	\$ 1,092,730	\$ 42,045	\$ 90,782	\$ (9,078)	\$ 1,216,478	\$ 4,379,908
	41	41.8	2038	\$ 3,163,430	\$ (75,680)	\$ 247,020	\$ 3,334,770	\$ 1,216,478	\$ 45,408	\$ 100,951	\$ (10,095)	\$ 1,352,742	\$ 4,687,512
	42	40.8	2039	\$ 3,334,770	\$ (81,735)	\$ 260,243	\$ 3,513,278	\$ 1,352,742	\$ 49,041	\$ 112,143	\$ (11,214)	\$ 1,502,711	\$ 5,015,990
	43	39.8	2040	\$ 3,513,278	\$ (88,273)	\$ 274,000	\$ 3,699,005	\$ 1,502,711	\$ 52,964	\$ 124,454	\$ (12,445)	\$ 1,667,684	\$ 5,366,689
	44	38.8	2041	\$ 3,699,005	\$ (95,335)	\$ 288,294	\$ 3,891,964	\$ 1,667,684	\$ 57,201	\$ 137,991	\$ (13,799)	\$ 1,849,077	\$ 5,741,041
	45	37.8	2042	\$ 3,891,964	\$ (102,962)	\$ 303,120	\$ 4,092,122	\$ 1,849,077	\$ 61,777	\$ 152,868	\$ (15,287)	\$ 2,048,435	\$ 6,140,557
	46	36.8	2043	\$ 4,092,122	\$ (111,199)	\$ 318,474	\$ 4,299,397	\$ 2,048,435	\$ 66,719	\$ 169,212	\$ (16,921)	\$ 2,267,446	\$ 6,566,843
	47	35.8	2044	\$ 4,299,397	\$ (120,095)	\$ 334,344	\$ 4,513,646	\$ 2,267,446	\$ 72,057	\$ 187,160	\$ (18,716)	\$ 2,507,947	\$ 7,021,593
	48	34.8	2045	\$ 4,513,646	\$ (129,702)	\$ 350,715	\$ 4,734,659	\$ 2,507,947	\$ 77,821	\$ 206,861	\$ (20,686)	\$ 2,771,944	\$ 7,506,603
	49	33.8	2046	\$ 4,734,659	\$ (140,079)	\$ 367,566	\$ 4,962,147	\$ 2,771,944	\$ 84,047	\$ 228,479	\$ (22,848)	\$ 3,061,622	\$ 8,023,769

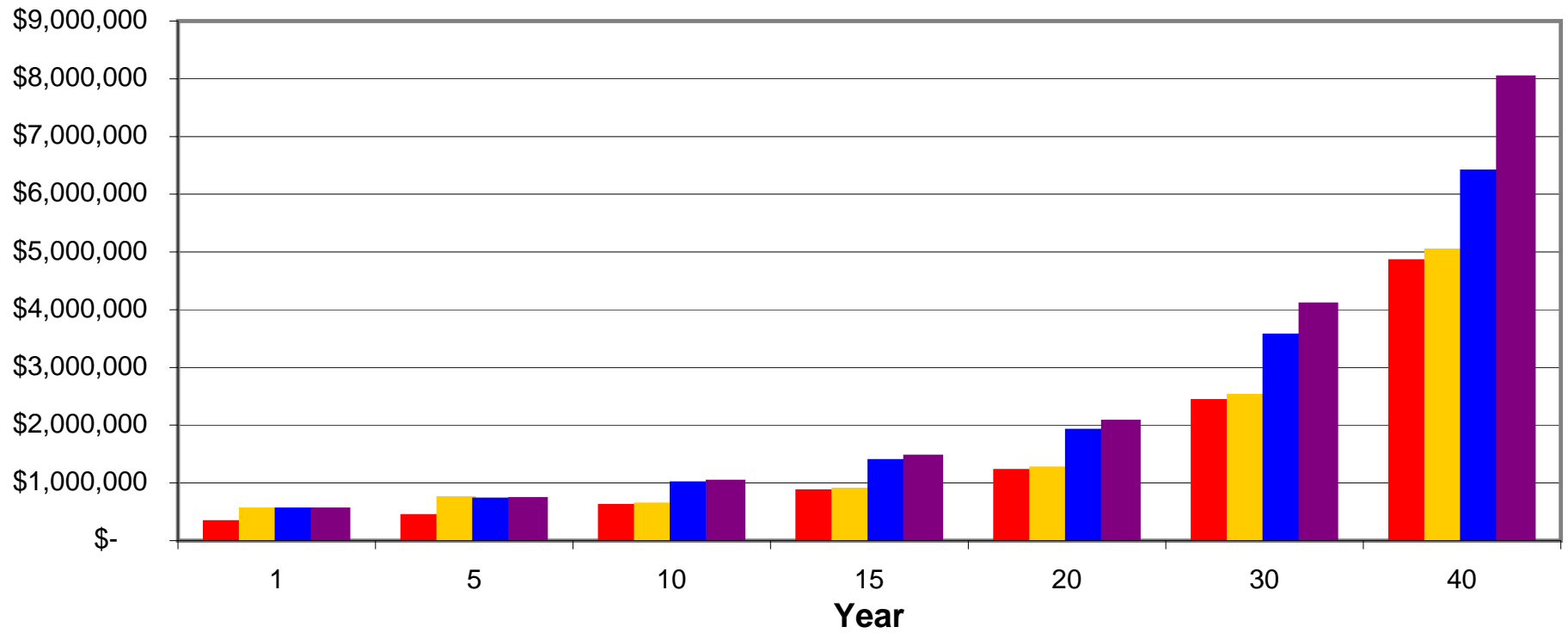
# *Jane E. Dough*

## Inherited IRA Analysis

### IRA Transfer to Family Summary

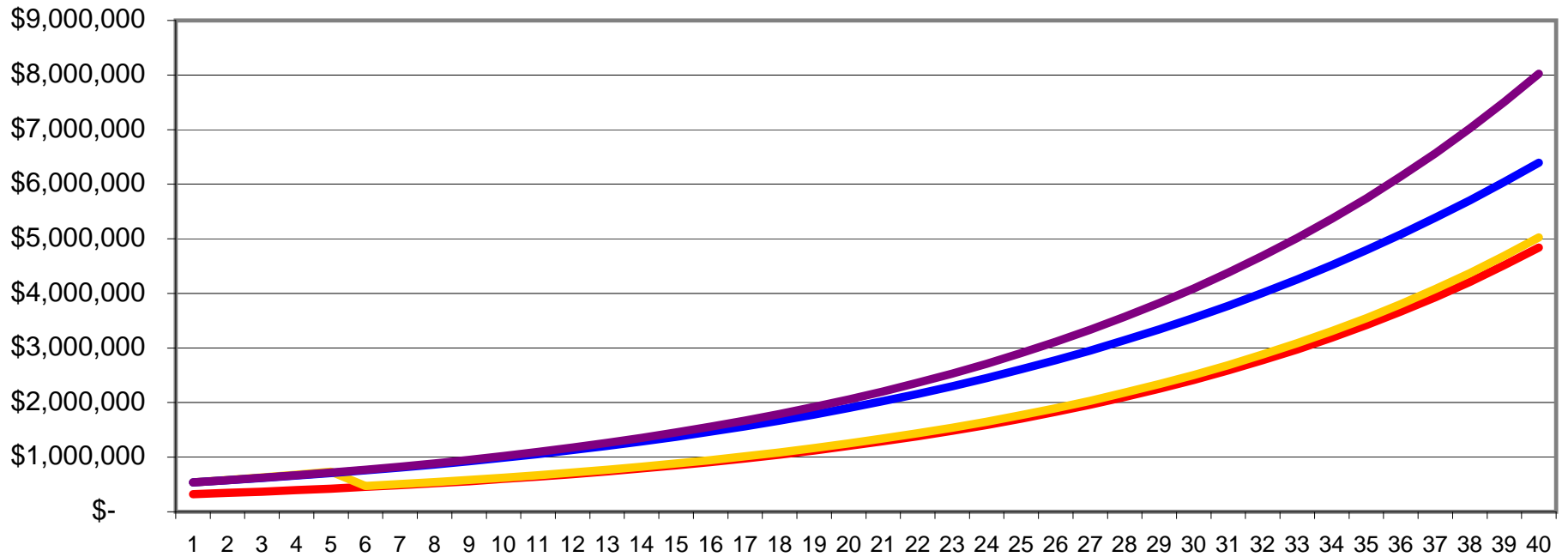
Year	Immediate Distribution	IRA Payable to Non-Qualified Designated Beneficiary (i.e. 5 Year Rule)	IRA Payable to Oldest Non-Spousal Beneficiary	IRA Payable to Youngest Non-Spousal Beneficiary
2007	\$ 321,600	\$ 540,000	\$ 540,000	\$ 540,000
2008	\$ 344,755	\$ 583,200	\$ 578,027	\$ 579,915
2009	\$ 369,578	\$ 629,856	\$ 618,622	\$ 622,721
2010	\$ 396,187	\$ 680,244	\$ 661,947	\$ 668,624
2011	\$ 424,713	\$ 734,664	\$ 708,176	\$ 717,841
2012	\$ 455,292	\$ 472,536	\$ 757,489	\$ 770,606
2013	\$ 488,073	\$ 506,558	\$ 810,079	\$ 827,169
2014	\$ 523,214	\$ 543,031	\$ 866,150	\$ 887,794
2015	\$ 560,886	\$ 582,129	\$ 925,915	\$ 952,767
2016	\$ 601,269	\$ 624,042	\$ 989,600	\$ 1,022,391
2017	\$ 644,561	\$ 668,973	\$ 1,057,442	\$ 1,096,989
2018	\$ 690,969	\$ 717,139	\$ 1,129,692	\$ 1,176,908
2019	\$ 740,719	\$ 768,773	\$ 1,206,612	\$ 1,262,515
2020	\$ 794,051	\$ 824,125	\$ 1,288,478	\$ 1,354,204
2021	\$ 851,222	\$ 883,462	\$ 1,375,580	\$ 1,452,394
2022	\$ 912,510	\$ 947,071	\$ 1,468,222	\$ 1,557,532
2023	\$ 978,211	\$ 1,015,260	\$ 1,566,721	\$ 1,670,094
2024	\$ 1,048,642	\$ 1,088,359	\$ 1,671,411	\$ 1,790,588
2025	\$ 1,124,145	\$ 1,166,721	\$ 1,782,639	\$ 1,919,555
2026	\$ 1,205,083	\$ 1,250,725	\$ 1,900,768	\$ 2,057,570
2027	\$ 1,291,849	\$ 1,340,777	\$ 2,026,175	\$ 2,205,248
2028	\$ 1,384,862	\$ 1,437,313	\$ 2,159,254	\$ 2,363,240
2029	\$ 1,484,572	\$ 1,540,800	\$ 2,300,414	\$ 2,532,243
2030	\$ 1,591,461	\$ 1,651,737	\$ 2,450,077	\$ 2,712,994
2031	\$ 1,706,047	\$ 1,770,662	\$ 2,608,683	\$ 2,906,281
2032	\$ 1,828,882	\$ 1,898,150	\$ 2,776,684	\$ 3,112,939
2033	\$ 1,960,561	\$ 2,034,817	\$ 2,954,546	\$ 3,333,856
2034	\$ 2,101,722	\$ 2,181,324	\$ 3,142,748	\$ 3,569,978
2035	\$ 2,253,046	\$ 2,338,379	\$ 3,341,782	\$ 3,822,306
2036	\$ 2,415,265	\$ 2,506,742	\$ 3,552,151	\$ 4,091,906
2037	\$ 2,589,164	\$ 2,687,228	\$ 3,774,363	\$ 4,379,908
2038	\$ 2,775,584	\$ 2,880,708	\$ 4,008,938	\$ 4,687,512
2039	\$ 2,975,426	\$ 3,088,119	\$ 4,256,399	\$ 5,015,990
2040	\$ 3,189,657	\$ 3,310,464	\$ 4,517,271	\$ 5,366,689
2041	\$ 3,419,312	\$ 3,548,817	\$ 4,792,077	\$ 5,741,041
2042	\$ 3,665,503	\$ 3,804,332	\$ 5,081,337	\$ 6,140,557
2043	\$ 3,929,419	\$ 4,078,244	\$ 5,385,562	\$ 6,566,843
2044	\$ 4,212,337	\$ 4,371,877	\$ 5,705,247	\$ 7,021,593
2045	\$ 4,515,625	\$ 4,686,652	\$ 6,040,871	\$ 7,506,603
2046	\$ 4,840,750	\$ 5,024,091	\$ 6,392,882	\$ 8,023,769

# IRA Transfer to Family



- Immediate Distribution
- IRA Payable to Non-Qualified Designated Beneficiary (i.e. 5-Year Rule)
- IRA Payable to Oldest Non-Spousal Beneficiary
- IRA Payable to Youngest Non-Spousal Beneficiary

# IRA Transfer to Family



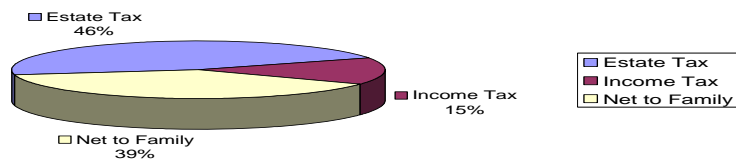
- Immediate Distribution
- IRA Payable to Non-Qualified Designated Beneficiary (i.e. 5-Year Rule)
- IRA Payable to Oldest Non-Spousal Beneficiary
- IRA Payable to Youngest Non-Spousal Beneficiary

*Jane E. Dough*  
**Inherited IRA**

**INTRODUCTION**

For many, qualified retirement assets represent a substantial portion of their wealth. Balances within IRAs have grown substantially and will likely continue to grow. The benefits afforded by allowing assets growing in a tax-deferred environment have given rise to tremendous wealth accumulation during the life of the owner and, if structured properly, will give rise to tremendous wealth accumulation for the owner's family. This memo will discuss and illustrate the power of allowing retirement assets to grow in a tax-deferred environment and how retirement assets can be structured to provide the greatest benefit to Jane's family.

Failure to properly structure Jane's IRA may result in the loss of the benefits afforded by tax deferral, namely additional accumulation in a tax-free environment. In addition, an estate tax may be generated at Jane's death, which would significantly reduce the net IRA proceeds passing to the family after factoring in the income tax. This can be shown as follows:



Thus, it will be imperative that the IRA be structured to minimize both income and estate tax. The "Inherited IRA" concept recognizes and takes into consideration these objectives, maximizing the legislative grace allowed in the Tax Code. Prior to explaining the Inherited IRA concept, we should first review the IRA distribution provisions of the law.

**BASIC IRA DISTRIBUTION RULES**

The law allows Jane to contribute pre-tax dollars to an IRA, which may continue to grow on a tax-deferred basis. Upon distribution of the IRA assets, the distribution will be taxed as ordinary income to the recipient. Congress intended that IRAs be used as retirement rather than as general wealth accumulation vehicles. Thus, rules were created that require certain amounts of the IRA to be distributed after the IRA owner reaches a specified age.

The date by which Jane must begin forced distributions is known as the "Required Beginning Date" (RBD). This is generally defined as the April 1st following the calendar year in which Jane reaches age 70 ½. The failure to take a distribution will result in a 50-percent penalty on the amount that should have been distributed.

Your applicable life expectancy factor is determined by reference to the "Uniform Lifetime Table" and your "Required Minimum Distribution" (RMD) is calculated in the following fashion:

$$\text{Required Minimum Distribution} = \frac{\text{Prior Year December 31}^{\text{st}} \text{ IRA Balance}}{\text{Life Expectancy Factor}}$$

For example, assume that Jane is age 70 and has an IRA balance on December 31st of the previous year of \$500,000 and a life expectancy factor of 27.4. The RMD for this year would be \$18,248 (\$500,000 / 27.4).

**CHOICE OF BENEFICIARY**

The rules allow Jane to choose a beneficiary based solely on whom Jan wants to leave the death benefits to. There is no concern that leaving benefits to the beneficiary who is the best choice for post-death distributions will accelerate required distributions during the participant's lifetime.

## **DESIGNATED BENEFICIARY**

For post-death required minimum distributions, it must be possible to identify an age in order to calculate a life expectancy factor. Therefore, the designated beneficiary must generally be an individual with a determinable life expectancy.

A beneficiary is the person, persons or entity that will receive the remaining balance in the IRA or qualified retirement plan upon Jane's death. However, for IRAs and qualified retirement plans, it is critical that the beneficiary qualifies under the law as a "designated beneficiary". Only individuals and certain types of trusts qualify under the law as a "designated beneficiary". Estates and charities do not. The failure to have a designated beneficiary will result in either of the following:

1. If Jane dies before the RBD, the IRA must be distributed no later than December 31st of the fifth anniversary year of Jane's death, OR
2. If Jane dies after the RBD, the IRA must be distributed based upon Jane's life expectancy in the year of death. This factor is reduced by one for each succeeding year.

Thus, it is critical that a qualified designated beneficiary be named.

Required distributions to the beneficiaries who inherit the benefits are based on the life expectancies of those beneficiaries. The designated beneficiary is determined based on the beneficiaries designated as of September 30th of the calendar year following the calendar year of Jane's death. Any person who was a beneficiary as of the date of Jane's death, but is not a beneficiary as of that later date (e.g., because the person disclaims entitlement to the benefit to which the person is entitled before that date) is not taken into account in determining Jane's designated beneficiary for purposes of determining the distribution period for RMDs after Jane's death.

Under the regulations, post-death distributions are taken out over the life expectancy of the designated beneficiary by referencing the Single Life Table.

### **Multiple Beneficiaries**

If there are multiple beneficiaries where "separate accounts" were not established, and all are individuals (even if one is the spouse), the beneficiaries must take distributions over the oldest beneficiary's life expectancy. This determination is made based on the beneficiary's age on his or her birthday in the year following the year of death. For each succeeding year, this factor is reduced by one. Distributions must begin no later than December 31st of that same year. If Jane dies after the required beginning date, a RMD must be taken for the year of death based upon Jane's age in the year of death.

If the IRA is carved into "separate accounts" by December 31st of the year following the year of the account owner's death, each beneficiary can independently calculate his or her RMDs based on his or her individual life expectancy.

### **Year of Death Distribution**

If Jane dies on or after the RBD, the minimum distribution for the year in which Jane dies is based on the required distribution schedule. If Jane had not yet taken the minimum distribution for the year of death, the beneficiaries must take out that distribution before the end of the year in which the death occurred.

## **INHERITED IRA CONCEPT**

The Inherited IRA concept contemplates arranging Jane's assets in such a way so that the IRA balance can be inherited intact by children and/or grandchildren or a trust for their benefit. A previously discussed, the key advantage of this strategy is that it allows the beneficiaries to keep the IRA in a tax-deferred environment. If properly executed, this strategy can create substantial wealth transfer opportunities for Jane's family

In order for this technique to be successful, there must be another source of cash flow, other than the IRA, to cover any estate taxes liability. Typically, the IRA will be structured to avoid estate tax at the first death.

## **USE OF ILIT TO PAY ESTATE TAX**

A key element to making the Inherited IRA work is to ensure that it remains intact. Unless the estate tax can come from some other source, the IRA will have to be "invaded" in order to pay the tax liability. The withdrawal from the IRA to cover the estate tax will cause an income tax which, in turn, will require an additional withdrawal from the IRA, thereby causing a "negative tax spiral" to occur. In some circumstances, there might be enough non-IRA assets to pay the estate tax. However, in many cases, IRA or qualified plan assets represent the bulk of the estate. It is therefore important to consider how the estate tax will be paid. Accordingly, purchasing life insurance will facilitate the liquidity necessary to keep the IRA "intact".

The Inherited IRA strategy is complemented by establishing an irrevocable life insurance trust (ILIT) with children as beneficiaries. Jane will then make annual exclusion gifts of cash to the trust and the trustee will acquire a insurance policy. At Jane's death, the life insurance proceeds are paid to the trust. The ILIT could either loan proceeds to, or purchase assets from, the estate. This will prevent the need to withdraw funds from the IRA in order to pay the tax.

By structuring the ILIT to avoid estate tax inclusion, the proceeds of the ILIT remain outside of Jane's estate. However, the liquidity provided by the ILIT will be the source from which estate taxes are paid. Thus, the IRA may remain intact for the beneficiaries.

The steps to accomplish an inherited IRA are as follows:

Step 1. Children and/or grandchildren are designated primary beneficiaries of the IRA. Consideration should be given to splitting the IRA into separate IRAs for the benefit of each primary beneficiary. With proper planning, the creation of separate IRAs can be accomplished after death.

Step 2. Create an ILIT, whereupon a portion of the IRA distributions made to the owner are gifted to the ILIT.

Step 3. The trustee of the ILIT uses the cash gifts to purchase a life insurance policy.

Step 4. Ensure that proper tax apportionment clauses are in place.

Step 5. At Jane's death, the children and/or grandchildren begin minimum distributions over their own life expectancies.

Step 6. The primary beneficiaries use the life insurance proceeds to pay the estate tax liability and the IRA remains intact.

Step 7. Each of the primary beneficiaries enjoys distributions from the IRA over his or her own single life expectancy.

## **CONCLUSION**

The Inherited IRA concept offers a tremendous opportunity for those individuals who have had the foresight to accumulate wealth in a tax-deferred vehicle.