

REASONS FOR STANDALONE IRA TRUST

These are the technical reasons why a standalone trust is preferred:

1. There are a number of regular provisions in a living trust that will disqualify it as a designated beneficiary trust, such that the beneficiaries will not be able to use their own life expectancy for calculating RMDs and may be forced to use a life expectancy as short as 5 years. These provisions include but are not limited to payment of debts, expenses and taxes, accounting for principal and income, and charitable beneficiaries.
2. Although it is possible to firewall some or all of these provisions when a beneficiary is given a conduit trust, the process of firewalling becomes much more complicated if an accumulation trust will be used.
3. Since a standalone IRA Trust with the toggle switch feature can allow the protective benefits of an accumulation trust if needed in the future and the free-standing IRA Inheritance Trust® has already received a PLR stating it qualifies as a designated beneficiary trust, if total IRAs (husband and wife) exceed a \$150,000, it makes more sense to use this standalone trust than take the risk that a 5-year RMD rule could apply and that future protection may be lost.

Here's some practical reasons why to use a standalone trust:

1. Standalone trust in its very first page is clearly established to meet the requirements of a designated beneficiary trust, it's much easier for a custodian to read, understand and implement it. When these designated beneficiary trust provisions are buried inside a larger living trust, it often winds up with the custodian delegating their decision to their legal department which can hold up the process of implementing the trust in a timely manner.
2. By having a standalone trust, it alerts the beneficiaries to the fact that IRAs have special treatment and makes it less likely that the beneficiaries (including a beneficiary that may be serving as Trustee) will immediately go to the custodian and cash out the IRA or take other actions that may have adverse tax consequences. When we do our IRA Inheritance Trust®, it comes with a checklist of actions for the Trustee and beneficiary to follow, in order to avoid these types of inadvertent mistakes.