HAYES ADVISORY GROUP
RETIREMENT PLANNING

Knowledge is Power

How Do You Inherit Money Properly Based On The New Inheritance Rules?

The rules for inheriting assets and money have changed and may be changing more. In 2020, the inherited stretch IRA was eliminated, causing most people inheriting retirement account money to pay much more in taxes. Now there is talk of eliminating the stepped-up basis in value. This will cause more taxation. So, what can you do?

The majority of money that is inherited comes in the form of inherited retirement accounts, such as IRAs and 401(k)s. And this is the type of money the substantial changes have stemmed from due to the SECURE Act. Before the SECURE Act, beneficiaries of these types of accounts were able to establish an inherited stretch IRA to avoid having to pay federal income tax on all this money at once in the year of inheritance. This gave people a lot of control as to how and when they could pay taxes on this money, and obviously, the goal and strategy was to set up and control the inherited stretch IRA account in a way to pay the least amount of federal tax as possible.

Unfortunately, as of January 2020, the inherited stretch IRA is no longer an option when inheriting retirement account money because this option was eliminated in the SECURE Act bill. Beneficiaries of all types of retirement accounts can still establish an inherited IRA, but that account must now be liquidated by the end of the 10th year after the account was inherited. Thus, you now need an adjusted strategy to figure out the best way to liquidate these types of accounts over a 10-year period to minimize the taxes owed. And this may very well need to be incorporated into your retirement plan now to minimize the taxation of this money when you expect to inherit it.

What about other types of assets and money accounts? Well, there is discussion that tax changes may be coming to assets and accounts that generally pass on to heirs via a will and or trust. Currently, inheritors get a stepped-up basis in value on these types of assets, but that may change soon. If the stepped-up basis in value gets eliminated, that will be another major tax increase.

Again, retirement planning rules, laws, and options continue to change. Thus, if you do not update your retirement plan to adjust and adapt to these new rules, it could cause you to inherit substantially less than you would have under the old laws.

Join me this weekend on The Retirement Money Matters Show as we get into the details of all these changes and share with you what you can do to adjust and adapt properly to save as much tax as possible. The show airs on Saturday afternoon at 4 on WFRN (93.7 FM), Sunday morning at 8:00 on WWKI (100.5 FM) or anytime online at www.theretirementmoneymattersshow.com. You can also obtain this information by reaching out to us at Hayes Advisory Group at 765-452-PLAN (7526), 800-939-1603 or brian@hayesadvisorygroup.com.