Altshuler and Spiro
EST. 1959

9301 WILSHIRE BOULEVARD, SUITE 504
BEVERLY HILLS, CALIFORNIA 90210-5412
(310) 275-4475 – (323) 272-5339
FAX (310) 858-6763

Bruce J. Altshuler*
Randy M. Spiro

* a professional corporation

Leo Altshuler
(1919-1999)
James J. Brown
(1918- 1987)

STRETCHING OUT YOUR RETIREMENT PLAN
By Randy Spiro

What happens to a retirement account or IRA after the participant's death? The capital gain (profit) in most assets is forgiven when the owner dies because the inheritor receiving a new cost or basis equal to the value of the asset on the old owner's death. (IRC§ 1014). But gain is not forgiven for retirement plan assets or IRA assets. (IRC§ 691).

A participant can designate who receives his or her retirement plan/IRA proceeds at death by signing a beneficiary designation form. Treasury Regulation 1.401(a)(9)-4 prescribes how distributions may be taken by the beneficiary after the participant's death. This is important because the longer the allowable period over which distributions can be taken, the longer the assets can continue to build up on a tax deferred basis.

When a qualified trust is designated as beneficiary, distribution can be taken over the life expectancy of the oldest beneficiary (in many cases the oldest child). But some retirement plans do not allow for this stretch out, instead mandating distribution to be taken over a much shorter period.

A qualified trust (or a non-spouse individual who has been named as beneficiary) now has another choice. The beneficiary can direct that the plan proceeds be transferred directly to an IRA in the name of the now deceased participant. This is different from a roll-over by a spouse because when the participant dies the roll-over goes into an IRA of the spouse.

Non-spouse beneficiaries who direct the distribution of assets of a retirement plan to an IRA in the name of the deceased person effectively remove assets from a plan where there may be little or no stretch out available to a plan where the full stretch out can be facilitated. This is true whether the non-spouse beneficiary is an individual or a qualified trust.