

## **Inheriting an IRA**

If you inherit a traditional individual retirement account (IRA), you basically inherit the income taxes that will be payable when money is withdrawn from the account. Your tax liability could be significant if you take all the money out of the IRA right away. You might come out ahead in the long run by choosing another option.

### **Make It Your Own**

If you are the sole designated beneficiary of your *spouse's* IRA, you have the option to leave the account as is and designate yourself as the account owner. Or you can roll the funds over into your own traditional IRA.

Either way, you won't *have* to take any money from your IRA until after you reach age 70½. Then, the tax law requires annual withdrawals of minimum amounts (called "required minimum distributions"). As long as you meet the required minimum, however, you'll have the flexibility to leave money in the IRA if you want to — allowing the balance to continue growing tax deferred.

Just be aware that any distributions you take before age 59½ could be subject to a 10% penalty in addition to income taxes. So you might be better off *not* treating the IRA as your own if you think you'll have to make pre-age-59½ withdrawals. If you decide to be treated as the IRA *beneficiary* (discussed next), the penalty doesn't apply.

### **The Beneficiary Route**

A nonspouse designated beneficiary can also stretch out withdrawals — and the related taxes — by setting up an inherited IRA. Minimum withdrawal amounts are calculated using an IRS life expectancy table, and the deadline for the first withdrawal is December 31 of the year after the year the account owner died. (A surviving spouse who decides to be treated as the IRA beneficiary can wait to start withdrawing funds until December 31 of the year the account owner would have reached age 70½.)

All of these rules are tricky — and different rules may apply if an IRA passes through an estate instead of directly to a designated beneficiary. We can help you sort through your options.