



## IRAs, Distributions, and Trusts

Many individuals may not understand that their will or trust normally does not control the distribution of assets in IRAs. Most IRA agreements are “custodial” agreements with a beneficiary designation, and at the owner’s death, the IRA proceeds go to the named beneficiary or beneficiaries – with “no strings attached!”

The beneficiary is free to invest, withdraw, use, and spend the assets any way he or she pleases, without regard for tax consequences or the wishes of the IRA’s original owner. Also, the beneficiary could lose all or some of the assets as a result of a divorce or lawsuit.

One solution may be a “Trusteed IRA,” where the IRA is controlled by a trustee, rather than a custodian, who can control distributions.

But Trusteed IRAs have drawbacks too. The trustee may charge a current trustee’s fee, which may be more expensive than a custodial IRA during the owner’s lifetime. The Trusteed IRA account has a limited number of distribution options and may not match the owner’s goals. The beneficiaries of a Trusteed IRA may not have the ability to replace the trustee, and the Trusteed IRA may not adequately address the need to defer distributions or make discretionary distributions.

An alternative solution is to name a trust as the primary or contingent beneficiary of the IRA. A properly drafted trust may offer the greatest flexibility in terms of distribution options, planning for distributions to beneficiaries with different needs, and making sure that the disposition of IRA and non-IRA assets is coordinated. A typical trust might have an individual as a co-trustee; this is not possible with a Trusteed IRA. An estate attorney should be consulted to draft the trust.

There is no “one-size-fits-all” solution that is right for everyone. If your IRA is one of your larger assets and if you would like to direct the use of your IRA funds beyond your death, you can discuss with your tax and legal advisors whether naming a trust as IRA beneficiary is appropriate for you.

► For more information on IRAs and Trust Services, please contact your Stifel Financial Advisor.

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