

# UNDERSTANDING THE IMPACT OF THE SECURE ACT ON INHERITED IRAS

For many families, an Individual Retirement Account (IRA) represents a significant portion of their accumulated wealth, intended to provide for loved ones for generations. However, a critical change in tax law, the SECURE Act has created a significant challenge for those inheriting these assets.

## The Problem: The End of the “Stretch IRA”

Before the SECURE Act, non-spousal beneficiaries (such as children or grandchildren) could “stretch” distributions from an inherited IRA over their own lifetime. This allowed the inherited funds to continue growing tax deferred for decades, with only small annual withdrawals required. This strategy maximized the long term value of the inheritance.

The SECURE Act eliminated this valuable “stretch” option for most non-spousal beneficiaries. Now, the entire inherited IRA balance must be distributed within 10 years of the original owner’s death. This accelerated timeline can have severe tax consequences.

## Why It’s a “Trap”

When a beneficiary in their peak earning years inherits a large IRA, the forced distributions over just 10 years are added to their regular income. This can push them into higher income tax brackets, leading to:

- Substantial Income Tax Bills: A large portion of the inheritance can be lost to federal and state income taxes.
- Reduced Net Inheritance: The actual amount of wealth passed down to your loved ones is significantly diminished.
- Compounded Tax Effects: Higher income can trigger other adverse tax consequences, such as increased Medicare premiums or limitations on tax deductions.

## The Solution: Proactive Legacy Planning

Fortunately, there are strategic planning solutions available to help mitigate the Inheritance Tax Trap and ensure your legacy is transferred as efficiently as possible. These strategies focus on converting potentially heavily taxed retirement assets into a tax efficient benefit for your heirs.

By working with us, you can explore options that may include:

- Strategic Asset Repositioning: Converting taxable IRA assets into a dedicated, tax free death benefit for your beneficiaries.
- Optimized Distribution Planning: Structuring distributions to minimize tax impact on heirs.
- Enhanced Wealth Transfer: Ensuring your family receives the maximum possible inheritance, free from the burden of accelerated income taxes.

Don’t let your hard earned retirement savings fall into the Inheritance Tax Trap. Proactive planning can make a profound difference in the financial future of your loved ones, transforming a potential tax liability into a secure, tax efficient legacy.

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