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IRA/RETIREMENT ACCOUNT PROTECTION

How to ensure a legacy of lifetime income for your loved ones.

If you currently have individuals named as beneficiaries for your retirement account, don't be surprised if what you're about to read makes you a bit uncomfortable.

But, please understand, we're not trying to scare you. We only want to make you aware of a potential mistake and an additional way to protect your money from creditors and predators (which, as you'll soon find out, can even include family members).

Retirement accounts remain most people's most valuable asset. As such, they remain a target for creditors and predators, which can include those who win a lawsuit against you and even your family members. Protection strategies depend on a number of factors, including your retirement account and whether you inherited the assets or earned the funds yourself.

First, understand retirement accounts are not designed as wealth transfer tools. Their intended purpose is to encourage savings and lessen your need for social security. From a government perspective, the ideal situation is you use all your retirement and then pass away when your account reaches $0.

However, with today's tax-deferred plans a popular choice for retirement savings, a scenario where you have leftover money is likely. So having a plan to distribute your retirement assets when you die is an important facet of proper estate planning.

What Happens to Your Retirement When You Pass Away?

When you die and have an individual designated as the beneficiary for your IRA, that person can take a lump sum payment and get access to all your money at once. For some individuals, this scenario is no big deal.

But for anyone wanting to leave a financial legacy, the situation presents problems. Fortunately, recent changes in the way the IRS governs minimum required distributions makes it easier to spread your wealth to subsequent generations. The IRS changed the way it governs minimum distributions from IRAs to trusts. From a planning perspective, the modification was good news because it allows trust beneficiaries to "stretch out" the taxable required minimum distributions, in some situations over multiple lifetimes.

So how does this affect you?

If you currently have a beneficiary listed for your retirement account, here are several potential problems you face:

- An individual beneficiary may take out more than the required minimum distributions (RMDs) because he doesn't know the tax rules, or he gets bad advice, or he simply wants to spend the money (or his spouse or another party influences him to spend it), and thereby causes taxation to occur much earlier, lose years of tax-free compounding, and essentially blow the "stretch out" and your hard earned money;

- You lose control of who eventually inherits your IRA assets after the primary beneficiary;

- The beneficiary has poor money management skills, be a spendthrift or too young or disabled to manage money;

- The IRA is exposed to your beneficiary's spouse in a divorce;

- The beneficiary of your retirement account is receiving government benefits and could lose them;

- Lawsuits against the beneficiary and his creditors could grab the IRA; and

- Even if none of the above occurs, what could be a substantial sum when your beneficiary dies may be subject to substantial estate taxes when it moves to the next generation.

The good news is you can eliminate these potential problems by naming a trust on behalf of your beneficiary.

Through an IRA Protection Trust, your beneficiaries receive larger inheritances by leveraging the income tax deferral over a long period. It can also …

- Protect your loved ones from losing your IRA to a divorce, lawsuit, creditors or government claims.
- Allow your IRA to grow income tax-free so future generation can benefit from your financial legacy.
- Prevent your beneficiaries with poor money management skills from blowing your wealth hat took you a lifetime to create.

Few people are aware of this retirement planning option. In fact, we're one of only a few law firms in Louisiana offering this service.

Since no one has a crystal ball and we can't predict the situation when you die, you should have as many tools in place as possible to address potential problems. For many people, perhaps you, the bulk of their wealth is in a retirement account. If you simply name your wife and kids as beneficiaries of your retirement account there's nothing to keep them from taking all the money out and blowing it. There is nothing to protect your hard earned money from nursing homes and creditors. Well, now there is!

Don't put your wealth at risk any longer. Schedule your private, no-obligation ***Retirement Planning Review Session*** with one of our experienced attorneys today by calling (318) 445-4516. <u>The advice is FREE and anything discussed remains confidential.</u>