ED SLOTT'S IRA ADVISOR

January 2006

Tax & Estate Planning For Your Retirement Savings

New for 2006!
Ed Slott's Exclusive 2-Day IRA Workshop
See page 8

"Here's something to think about: How come you never see a headline like 'Psychic Wins Lottery'?"
- Jay Leno

Attention: You May Have Already Won $1 million!

Just answer this question:
Do you have a pulse?
If yes, then Congratulations! You are a winner.

No, this is not that email lottery spam scam or another desperate message from Nigerian royalty. This is the real deal. By being alive to read this in 2006, you have just made $500,000. If you are married, that's a $1 million increase in the amount you can pass to heirs estate tax free. That's because the estate tax exemption rises to $2 million from the 2005 amount of $1.5 million. Imagine, a tax break just for being able to still fog a mirror? What a country.

More of your IRA can now pass to beneficiaries free of federal estate and generation skipping taxes.

Our feature article ***"Estate Planning for 2006"*** addresses the new planning options. There is a good chance that many estate plans should be revised, not only to make sure that the new exemption amounts are incorporated, but to avoid leaving a spouse with less than anticipated or being subject to unexpected state estate taxes as a result of states decoupling from the federal estate tax law. More of your IRA can also now pass to beneficiaries free of federal estate and generation skipping taxes.

This month's guest IRA expert is attorney Philip Kavesh, of Kavesh, Minor & Otis, a law firm in Torrance, California. Phil has created The IRA Inheritance Trust℠, a unique trust crafted by Phil to specifically work within the IRS guidelines to qualify as a see-through trust and provide post-death flexibility for IRA beneficiaries. His article ***"The IRA Inheritance Trust℠ Gains IRS Approval"*** provides the details on IRS Private Letter Ruling 200537044 which was obtained by Phil based on his own creation, The IRA Inheritance Trust. This ruling shows you how to properly set up a trust to inherit an IRA.

For more IRA information, visit our website at ***www.irahelp.com***.

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WHAT'S INSIDE?

Feature Article

Estate Planning for 2006

Guest IRA Expert

Estate Planning for 2006

Planning With a $2 Million Exemption

More of your IRA and other property can now pass estate tax free to your non-spouse beneficiaries like your children or grandchildren. Although most spouse beneficiaries can inherit an unlimited amount of property through the marital deduction, leaving everything to a spouse is not always the best move, especially for larger estates that could be subject to estate tax when that second spouse dies.

The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), brought many changes that are still kicking in with every new year. For 2006, the estate tax exemption rises to $2 million and under current law will remain at that level for the next three years (2006-2008). A married couple now has $4 million of estate tax protection if the estate plan is set up to take advantage of each spouse's $2 million exemption. The increase should eliminate estate tax for millions more families who may have been subject to the tax when the exemption was lower. This paves the way for larger amounts of IRAs to pass to children and other beneficiaries, estate tax free.

Summary of Key Points

- Estate and GST exemptions increase to $2 million in 2006
- Gift tax exemption remains at $1 million
- More IRA funds can pass to children and grandchildren, free of estate and GST taxes
- Revise estate plans now, old estate plans may leave surviving spouse with too little
- Watch out for state estate tax in states that have decoupled (they do not allow the full federal estate tax exemption)

The same $2 million exemption applies to the Generation Skipping Transfer (GST) tax which makes the stretch IRA more powerful. Beginning in 2006, you can leave more of your IRA or Roth IRA, free of any GST tax, to grandchildren. Their longer life expectancies will allow the IRA to grow tax-deferred or even tax free (with a Roth IRA) for greater wealth build-up, over time, in stretch IRAs.

Gift Tax vs. Estate Tax

The Gap Widens

Although the estate and GST tax exemptions increase to $2 million, the gift tax exemption remains at $1 million, drastically widening that gap. It's true that last year there was also a gap, but now the gap has doubled from $500,000 to $1 million.

This puts a damper on doing any gifting that would trigger a gift tax, especially if the property would have been exempt from estate tax after death. But making gifts up to the $1 million gift tax exemption is still a viable strategy since the tax cost of gifting is still less than the tax cost of inheriting.

The annual gift tax exclusion also increases in 2006 to $12,000 a year, from $11,000 in 2005. You can now give up to $12,000 a year to as many people as you wish, totally free of any gift tax. If you are married and your spouse consents to joining in on the gift with you (known as gift splitting), you can double the exclusion to $24,000 per year to an unlimited number of people.

Estate Planning Basics Using the Federal Estate Tax Exemption

A major goal of your estate plan should be to make sure that you or both you and your spouse take advantage of the applicable federal estate tax exemption. Each person is entitled to an estate tax exemption. Married couples can take one exemption for each spouse, doubling their protection from estate tax, but most married couples waste the first exemption because they leave everything to each other. If your estate exceeds the exemption amount you generally do not want to waste that exemption.

Now that the federal estate exemption is $2 million, the actual cash cost of wasting the exemption in the first spouse's estate is an astounding $920,000! That is the estate tax on a $4,000,000 estate in 2006 where only one $2 million exemption is available because the first spouse left everything to the surviving spouse. If the spouses had each left an estate of $2 million (rather than $4 million in the estate of the second spouse to die), there would be no federal estate tax. Imagine how beneficiaries will feel when they write a check for $920,000 to IRS for no reason other than this issue was not addressed in the estate plan. Of course this is only a problem if you have an estate in excess of $2 million, but if you do, you want to avoid voluntarily paying any estate tax if you can.

The applicable federal estate tax exemption is actually a credit better known as the "credit shelter amount." There are two ways to use this exemption. You can use it during life (up to the gift exemption amount) or after your death. Transfers during your life are gifts as opposed to an inheritance which is a transfer upon your

death. Estate and gift tax rates are the same (until 2010), but the tax you actually pay (the effective rate) is NOT. The effective tax on gifts is less.

How can the tax be different if the tax rates are the same?

Both the estate tax and the gift tax are calculated using the same unified table, but the actual tax paid is different. That's because when you make a gift, you pay gift tax on the amount of the gift actually received. When someone inherits from your estate, the estate pays an estate tax on the value of the transfer, PLUS the estate tax, resulting in a much higher cost to inherit the property as opposed to gifting it during your life.

Increased Estate Exemption May Create Two Other Problems

While the increase in the federal estate tax exemption is good news, it could trigger two bad things if planning is not addressed.

1. A spouse could receive less.

2. There could be an increase in state estate taxes.

How Much Will Your Spouse Receive Now?

If you are married and have set up a typical credit shelter trust estate plan (also known as a by-pass trust), that should be reviewed now. Under this type of estate plan, amounts up to the federal estate exemption ($2 million in 2006) will go to the credit shelter trust and any excess over that amount will either go directly to your spouse or a marital trust for your spouse's benefit.

IRAs that are part of a credit shelter estate plan should also be looked at now...

You can set this up under your will or living trust as a way to make sure that you take advantage of both spouse's federal estate exemptions. But for many couples, this was set up when the estate exemption was much lower. In a perfect estate plan, each spouse would use their entire exemption amount, paying the lowest possible estate tax after both spouses die.

Many estate plans have credit shelter trusts that were set up when the exemption was $1 million (and some still have plans set up when the exemption was $600,000). If your plan was set up when the exemption was $1 million and your estate was $2 million, that would have been perfect since $1 million would go to the credit shelter trust (using the first spouse's $1 million exemption) and the other $1 million would go to the surviving spouse. When she died (assuming her estate at death was $1 million, just to keep our ideal example), her $1 million exemption would be used so the couple would pass their entire $2 million estate totally free of federal estate tax to their heirs.

But what would happen now if that same couple (with a $2 million estate) had a typical credit shelter plan? If they had a typical will that says that assets up to the amount of the federal estate exemption will be placed in the credit shelter trust, then all $2 million will be placed in that trust and the surviving spouse could end up with much less than expected, in this case, nothing. That may be a worst case scenario but it is probably not what most couples in this position would want.

It is true that the spouse can most likely invade the principal of the credit shelter trust, but that may trigger legal issues as to exactly how much the spouse can take out of the trust (depending on the trust terms) and may cause friction with children, trustees or worse, children of a prior marriage who may be beneficiaries of that trust who might want to interpret a poorly written or ambiguous trust to limit the spouse's access to the trust funds.

The will and estate plan should be revised, either to state a specific amount that should go to the credit shelter trust or to divide the property so that the spouse receives the amount that he or she desires. IRAs that are part of a credit shelter estate plan should also be looked at now to see how much of the IRA you would want to pass to the non-spouse beneficiaries (or a credit shelter trust) and how much should go to the surviving spouse.

IRAs that are left to non-spouse beneficiaries will use up the credit shelter amount. This could have implications either way. You may have a large IRA but have only left $1.5 million to the children and the rest to the spouse to stay under last year's exemption amount. Now you can revise the plan and leave $2 million of the IRA to the children and the rest to the spouse, continuing to have the maximum amount of the IRA pass to the children free of federal estate tax. But this could trigger state estate tax if your state has decoupled from the federal system (see below).

You might also want to lower the amount of the IRA going to non-spouse beneficiaries, even if it turns out to be less than the estate exemption amount, in order to leave the spouse with more of the IRA.

Disclaimer Planning Allows Flexibility

One strategy to put the surviving spouse in control and still gain the best possible estate tax outcome is to build a disclaimer plan into your estate plan. The spouse would inherit everything and can disclaim the amount that can pass to contingent beneficiaries free of federal and /or state estate tax, or even disclaim less if the spouse needs to receive more.

This gives the surviving spouse total financial security, not having to worry about asking a trustee for money later on. Naming contingent beneficiaries, say the children, grandchildren or a credit shelter trust is essential for this disclaimer strategy to work. This disclaimer strategy allows you to change your plan after the first spouse dies taking into account the needs of the surviving spouse and whatever the current estate tax exemption is at that time.

This strategy won't work for single individuals since they only have one estate tax exemption. They have no spouse to leave property to above the exemption amount.

Each situation should be addressed now taking the current $2 million federal estate exemption into account.

Increased State Estate Tax Cost of Decoupling

Eighteen states and the District of Columbia have decoupled from the federal estate tax system. They are: Connecticut, Illinois, Kansas, Maine, Maryland, Massachusetts, Minnesota, Nebraska, New Jersey, New York, North Carolina, Ohio, Oregon, Rhode Island, Vermont, Virginia, Washington and Wisconsin.

These states want no part of the increasing federal estate tax exemption and have gone their own way taxing estates of lower values. They generally chose to remain at the exemption effective under prior law (before EGTRRA 2001 increased the federal estate tax exemption beyond $1 million). If you have an estate of $2 million in 2006, there will be no federal estate tax but if you live (or I should say "die") in a state that has decoupled, the state estate tax is $99,600 (up from $64,400 in 2005). For example, in New York, one of the states that has decoupled, only $1 million is exempt from New York State estate tax, even though up to $2 million will escape federal estate tax.

You should know how much of your IRA can pass free of both federal and state estate taxes.

This scenario presented problems before, but now that the gap between the federal and state estate tax exemptions is widening, the state estate tax effect is growing as well. The heirs of someone dying in a state that does not allow the full federal estate exemption amount will pay a price if they want to use any of the federal exemption above the state exempt amount. For example, an estate of $2 million will be exempt from federal estate tax, but in New York and some other states that have decoupled, the state exemption will be only $1 million triggering a state estate tax of $99,600 and could go even higher in some circumstances.

The same disclaimer strategy described in the section above on disclaimer planning could work here as well, where everything is left to the spouse, who can then disclaim the amount that will pass free of any state estate tax.

If you are married and your combined estate exceeds the federal exemption amounts, then you want to make sure to take advantage of both spouse's federal estate tax exemptions, even though that may trigger a state estate tax. The only downside to doing this would be if the estate tax were actually repealed, as is the plan so far for 2010. But don't count on that and don't put off your planning in the hope that we will see full estate tax repeal one day. You may die before that day comes.

One dramatic step you could take is to move to a state that has no estate tax, but don't be surprised if they change their estate tax law the minute you arrive.

What to Do Now

You should make sure that your estate plan is looked over once again. "But Ed, we just did all that 2 years ago when the exemption went to $1.5 million. Why do we need to go through this again?" Because the tax law changes the rules as the game goes along. That is why everyone should look again at how the new exemption levels apply to them.

Check Your Net Worth

This may have changed in the past few years, given the value of homes, IRAs and other property. Most people underestimate the size of their estate. This would be a good time to take inventory again using current values of all your assets. Before you can plan with the new limits, you have to know how much you have and have some idea of the future value of your estate.

You should know how much of your IRA can pass free of both federal and state estate taxes. The more of your IRA that can pass untouched by any estate taxes, the more it will grow as a stretch IRA in the hands of your beneficiaries. You should plan to not let the power of the stretch IRA be eroded by either federal or state estate tax. Your plan should also take into account the amount your spouse will need after you die. Not everything is about taxes. Using the full estate exemption is good tax planning, but not at the cost of leaving your spouse with too little.

Once you go through these basics, then your new planning options for 2006 should become clearer. But as we now know, planning may have to be addressed yet again depending on how the current estate tax law plays out, including any potential future changes.

What Did Not Change

The IRS life expectancy tables do not change with the new year. IRA owners and beneficiaries use the same tables as last year. ■

Your Estate Planning Resource Center

LISI (Leimberg Information Services, Inc.)
www.leimbergservices.com

For more estate planning information, tax strategies and almost daily details on how to make the most of the new estate planning opportunities created by the increase in the estate tax exemption, I highly recommend you sign up with LISI. You'll gain access to this incredible e-mail/database resource which contains a wealth of up-to-the-minute information and analysis on employee benefit planning, IRA, pension, and estate planning cases, rulings, and legislation. You'll receive fast, frank, incisive commentary by the nation's leading experts in each specific area and a virtual daily newsletter. Amazingly, all of these services are included in the $24.95 monthly fee. Take a free look and then sign up for LISI at www.leimbergservices.com.

NumberCruncher
Estate, Tax and Financial Planning Software

"NumberCruncher," is an estate and financial planning program created by Stephan R. Leimberg and Robert T. LeClair that is essential for every financial advisor. I use this program for all the estate, income tax and compound interest computations in my books, newsletters and advisor course manuals, but most of all we use it to do planning for our clients and you should too."NumberCruncher" includes a financial planning module in addition to the estate-planning module. It's the only program professional advisors need to instantly put real numbers on any type of planning situation. It includes every imaginable tax and financial planning calculation. It sells for $395 (plus shipping and handling) and can be ordered at www.leimberg.com.

2006 Estate and Plan Limits

2006 Exemption Amounts

Estate Tax	$2,000,000
Generation Skipping Tax	$2,000,000
Gift Tax	$1,000,000
Annual Gift Tax Exclusion	$12,000

2006 Contribution Limits

IRA and Roth IRA	$4,000 / $5,000 with catch-up
SEP IRA	$44,000

2006 Deferral Limits

401(k), 403(b), 457 Plan	$15,000/ $20,000 w/catch-up
SIMPLE IRA	$ 10,000 / $12,500 w/catch-up

Catch-up amounts allowed for those who reach age 50 by year-end.

Guest IRA Expert

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The IRA Inheritance Trust℠ Gains IRS Approval

In an ideal world, Mom and Dad would accumulate substantial amounts in their IRAs. After one spouse died, the survivor would combine the two IRAs into a single account, which would be left to their children. The kids would stretch required minimum distributions (RMDs) over their life expectancies, enjoying the fruits of decades of tax deferral.

So far this sounds simple, or at least as simple as anything can be under the Internal Revenue Code. Life, though, is seldom that simple. IRA beneficiaries may take rapid withdrawals for lavish spending or unwise investments. Divorcing spouses, creditors, and plaintiffs in lawsuits might try to snare some or all of the cash in these accounts. Moreover, in some cases inheriting an IRA outright could jeopardize a beneficiary's needs-based government benefits such as Medicaid and Supplemental Security Income (SSI).

Therefore, leaving a sizable IRA to a trust may be desirable in order to protect beneficiaries. That's true even for IRA owners who are not concerned about their beneficiaries following through on the stretchout of RMDs. Final IRS regulations, though, make it difficult to enjoy both the protection of a trust and maximum tax deferral.

Only certain types of trusts may qualify as IRA beneficiaries. Among those acceptable trusts are "accumulation" trusts that give the trustee the discretion to retain money in the trust, where the desired asset protection will be provided.

With such accumulation trusts, however, (RMDs) may be accelerated due to the IRS' interpretation of the rules determining the oldest trust beneficiary. The older the beneficiary, the shorter the life expectancy, and the speedier the required payout.

The IRA Inheritance Trust℠ Ruling

Our law firm has come up with a model for tailoring trusts as IRA beneficiaries that delivers the best of both worlds: asset protection and extended tax deferral. A

favorable IRS Private Letter Ruling (PLR 200537044) has been issued on what we call, "The IRA Inheritance Trust℠." This model calls for comprehensive IRA beneficiary planning where:

1. an IRA can be left to multiple trusts, which spring out of one master trust. From the master trust, there will be one trust for each IRA beneficiary (provided the IRA beneficiary designation also has been done properly.)
2. the trusts designated as IRA beneficiaries can be created as "conduit trusts," requiring the full pass-through of RMDs to individual trust beneficiaries.
3. an independent trust protector has the power to convert a conduit trust to an accumulation trust within nine months of the IRA owner's death.

Similarly, if a beneficiary's circumstances warrant a different strategy, a trust created as an accumulation trust can be switched to a conduit trust in the same time frame. The result is the flexibility to do some post-mortem planning, provided the proper formalities have been followed and the parties involved are aware of the choices involved.

How the Trust Works

The process begins with the IRA owner creating one master revocable trust that will divide into irrevocable sub-trusts at the owner's death, one for each primary IRA beneficiary. This master revocable trust is in addition to any revocable trust the IRA owner might ordinarily want for probate avoidance and incapacity protection. Suppose, for example, a hypothetical Paul Young has created a revocable trust and transferred various assets into it. Paul has two children, Alan and Beth, his intended IRA beneficiaries.

The process begins with the IRA owner creating one master revocable trust that will divide into irrevocable sub-trusts at the owner's death...

Under this model, Paul would create an additional revocable trust, the Paul Young IRA Inheritance Trust that divides into two trusts: one in which Alan was the sole primary beneficiary and one in which Beth was the sole primary beneficiary. Call them, for this example, the Alan Young Trust and the Beth Young Trust. (These trusts are not funded during the IRA owner's lifetime.)

Typically, these sub-trusts are established as conduit trusts. That is, they are required to pass through all distributions from an inherited IRA to the primary trust beneficiary. In our example, this would permit Alan and Beth to each use his or her own life expectancy while calculating their RMDs.

As long as the primary beneficiary is a competent adult aware of the benefits of extended tax deferral, he or she would be named the sole trustee of his or her own sub-trust. Otherwise, a co-trustee or another trustee would have to be named.

Coping With the IRA Custodians

Next, Paul would revise his IRA beneficiary form. Assuming he desires an even split, he would state that the Alan Young Trust, created as a separate share under the Paul Young IRA Inheritance Trust, would inherit 50% of his IRA. He would do the same for the Beth Young Trust on the IRA beneficiary form.

If possible, it's better to work with modifying an IRA custodian's standard beneficiary designation form rather than prepare a custom form. Generally, custodians are willing to cooperate although it may be necessary to work through this with the financial firm's legal department.

Some IRA custodians have asked for "hold harmless" clauses because of the uncertainty surrounding this area of the law. Now that a positive PLR has been issued, financial institutions are more likely to accept this strategy.

This process might become cumbersome, say, if someone has IRAs with three different custodians and wants to divide each one among four beneficiaries. We've generally been able to convince our clients to consolidate IRAs with one custodian. This helps with recordkeeping and makes the process simpler.

Post-Mortem Planning

Using the Trust Toggle Switch

At Paul's death his IRA would be split. The two accounts would each retain Paul Young's name but now be for the benefit of (FBO) the Alan Young and the Beth Young trusts. Now, if both Alan and Beth are doing fine, there will be no need to change from a conduit trust to an accumulation trust. They can stretch RMDs over their life expectancies.

Suppose, though, that Paul is in a troubled marriage while Beth is concerned about creditors. The trust we've designed has a "toggle switch" that enables a conduit trust to become an accumulation trust. The trust document permits a "trust protector" to make this decision, with the benefit of hindsight. This trust protector must be unrelated to the trust beneficiary. This is done so third parties will find it difficult to attack the trust by claiming the beneficiary pulled the toggle switch personally in order to avoid creditors.

In the PLR, the trust protector has the power to void the provision in the sub-trust that mandates the

immediate payout of IRA distributions to the primary trust beneficiary. Thus, the trustee will gain the discretion to accumulate funds and make suitable distributions.

Who can be an independent trust protector? Ideally, it will be someone familiar with the benefits of an IRA stretch-out, such as an attorney, a CPA, a financial advisor, etc. When the trust is first created a default trust protector can be named. Our firm usually names itself as temporary trust protector until another has been properly appointed (and the trust provides that no additional fee will be charged for providing this service.)

After the IRA owner's death, the trustee of each sub-trust can name a different but still independent trust protector. However, if this trustee is also the primary beneficiary of the sub-trust, the trustee must name an unrelated "special trustee," who'll name the new trust protector. Again, this is intended to protect against third-party claims that the beneficiary's own actions are somehow defrauding creditors.

Toggle to an Accumulation Trust

In the above example, a conduit trust is being "toggled" to an accumulation trust, to protect the trust beneficiary. The problem with an accumulation trust, though, is that the IRS will look to the life expectancy of the oldest possible trust beneficiary when calculating RMDs.

The problem with an accumulation trust, though, is that the IRS will look to the life expectancy of the oldest possible trust beneficiary when calculating RMDs.

Suppose that Alan's trust includes a number of contingent beneficiaries, including Alan's aunt. If she is now 70 years old with a 17-year life expectancy, the IRA will have to be depleted on a 17-year schedule. That's true even if Alan is then 47 with a 37-year life expectancy.

To avoid such an occurrence, sub-trusts must be drawn up with care. If Alan has a younger wife and two children, the trust protector could be given the authority to add a provision that no principal or income be distributed to anyone older than the primary trust beneficiary. In that situation, Alan would be the oldest possible beneficiary and his 37-year life expectancy can be used.

On the other hand, if there are not many younger contingent beneficiaries, some slightly older individuals might be named in the trust document. Even if Alan's sister Beth is named as a contingent beneficiary and she is then 50, switching to an accumulation trust would only accelerate the RMDs to Beth's 34.2-year life expectancy.

That would provide much more tax deferral than a 17-year schedule. Even though some tax-deferred wealth building opportunities would be lost by switching from Alan's life expectancy to Beth's, the trust protector might judge this relatively small sacrifice to be worthwhile in order to protect Alan's share of the inherited IRA from creditors.

Toggle to a Conduit Trust

So far, the example has shown conduit trusts that might be switched to accumulation trusts. The toggle can go the other way, too. Suppose that Alan Young is in a troubled marriage when his father creates the IRA Inheritance Trust. In that situation, the Alan Young trust might be established as an accumulation trust.

By the time Alan inherits the IRA, he may be divorced with no further clouds on his financial horizon. If this is the case, the trust protector could toggle the trust to a conduit trust for extended tax deferral.

9-Month Toggle Switch Deadline

Toggling between accumulation and conduit trusts can't go on forever. You only get one switch; by our reading of the Regulations that switch might take place up to September 30 of the year after the IRA owner dies. However, the PLR allows a switch up to nine months after death (like the exercise of a disclaimer) so that's the more conservative approach, at least for now.

The previous example shows an IRA being left to children. What if a spouse is the intended beneficiary of part or all of an IRA? We prefer to name the spouse as an outright beneficiary rather than use a trust. There are many income tax advantages to outright spousal inheritance of an IRA; you may be able to defer the start of RMDs and you can use a more favorable IRS table. However, if the spouse needs the protection of a trust and the trust is named as the contingent beneficiary of the IRA, the spouse may disclaim, the trust will become the beneficiary, and a process similar to the above can be implemented.

What if an IRA might be divided among a current spouse and children from a previous marriage?
If a trust is established as the initial beneficiary and the spouse is the primary beneficiary of that trust, the spouse must use a less favorable life expectancy table and the children will be forced to use the spouse's remaining life expectancy when the spouse dies. In addition, the IRA may be dissipated by the spouse before it even gets to the children.

We prefer to leave the IRA to one side or the other, either to the surviving spouse or to the children. If the IRA goes to the children, their shares of an IRA Inheritance Trust can be named as IRA beneficiaries. The spouse can be left assets other than the IRA. If that won't be sufficient, the IRA owner's life might be insured, payable to the heirs that won't be inheriting the IRA.

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Another use of life insurance might make sense assuming the IRA owner is in fairly good health. The insurance might be payable to the children. Then the IRA can be left to the grandchildren, using an IRA Inheritance Trust. Leaving an IRA to grandchildren rather than children might provide over five times as much wealth to the family.

The bottom line? Anyone who has at least $200,000 in an IRA or in other tax-deferred accounts that may be rolled over to an IRA should consider this IRA Inheritance Trust[SM]. ■

IRA Ruling Update

On page 4 of our December 2005 newsletter, we mentioned a new unnumbered IRA ruling providing an annuity payout option for non-spouse plan beneficiaries. For your reference, those rulings (actually two rulings, one for each beneficiary) were released by IRS on December 2, 2005. The ruling numbers are 200548027 and 200548028. ■

Phil Kavesh, of Kavesh, Minor & Otis, a law firm in Torrance, California, is a nationally recognized attorney, authority, speaker, educator and technical innovator in estate planning, as well as visionary and pioneer in establishing a true multi-disciplinary financial planning practice. He was one of three attorney co-founders of the American Academy of Estate Planning Attorneys. He has also been an honorary member of the National Network of Estate Planning Attorneys and is currently a member of WealthCounsel. Phil has created or co-created numerous technical advances in estate planning, including the Personal Asset Trust[SM] and the IRA Inheritance Trust[SM]. He co-wrote and co-presented the "Million Dollar Producer Boot Camp" for financial planners, with Tom Gau. Most recently, Phil has developed and presented a new approach to bringing estate planning attorneys and financial planners together successfully, at his "Missing Link" Boot Camp. You can visit his website at www.kaveshlaw.com/IRAInheritanceTrust.html or contact Phil at 310-961-8070.