



The original ‘Inherited Stretch IRA’ has been eliminated. Now What Do You Do?

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The SECURE ACT (Setting Every Community Up for Retirement Enhancement Act) became law at the beginning of 2020. The legislation was mainly intended to expand opportunities for people to increase their retirement savings, which obviously is a good thing. However, the act also included one big tax law change that will cost most inheritors additional taxes, and that was the elimination of the ‘Inherited Stretch IRA’. So, now what do you do?

The majority of money that is saved for retirement and eventually passed on to heirs is done in a pre-taxed basis. This means of course that money inherited from a traditional IRA, SEP IRA, 401k or 403b is fully taxable at ordinary income tax rates to the inheritor. Thus, many inheritors do proper estate planning to reduce the tax liability on inherited money.

One of the main estate planning moves here was to establish an Inherited Stretch IRA upon inheriting retirement account money. This allowed the inheritor to keep the money in a tax-deferred account and prevent the taxation on this money all at once. You were able to pay tax on the money as you withdrew it, or on a small required minimum distribution each year. For money inherited in 2019 or before, you are allowed to keep your inherited stretch IRA as it was grandfathered in. For any money inherited on Jan 1, 2020 and later, the inherited stretch IRA is not available as it was before.

The new law says that all inherited money in retirement accounts, including Roth IRAs, has to be liquidated by the end of the tenth year after inheriting the money. So that means the taxes owed on this money has to be paid within 10 years. You get flexibility within that 10 years to pay taxes as you wish; so you could pay it all the first year, wait until the tenth year, or any combination within the 10 years. This new law will now require a lot of estate plans to be revised to come up the proper payout strategy and look at alternative ways to inherit money in order to save as much tax as possible. So, the key question is – ‘What Do You Do Now?’. Join me this weekend on The Retirement Money Matters Show

as we share with you some alternative strategies to the ‘inherited stretch IRA’ strategy and ways to limit the tax owed on inherited money.

The show airs Saturday morning at 6 on WIBC (93.1 FM), Saturday morning at 8 on 930 AM The Answer in Sarasota, Sunday morning at 8:00 on WWKI (100.5 FM) or anytime online at www.theretirementmoneymattersshow.com. You can also obtain this information by reaching out to us at Hayes Advisory Group at 452-PLAN (7526), 800-939-1603 or brian@hayesadvisorygroup.com.

FOUNDER & PRESIDENT

T. Brian Hayes is the Founder, Owner, and CEO of Hayes Advisory Group, boasting over 30 years of experience in guiding clients towards their retirement goals. Specializing in pre-retirees and retirees, he ensures clients understand their planning options and tailor’s strategies to their unique needs. A strong advocate for education, Hayes regularly writes and speaks on financial topics, hosts a weekly radio show on retirement, and instructs for The Prepare Institute, a 501-3 non-profit educational institution. He holds memberships in prestigious financial organizations like The Indiana Network of Estate Planning Professionals and The National Association of Insurance and Financial Advisors. Hayes is a distinguished member of the Million Dollar Roundtable (MDRT), with multiple honors recognizing his professional expertise and ethical standards. Based in Central Indiana, he serves clients across the U.S. and Canada, residing with his wife and three children.

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