



The SECURE Act

Presented by Jay V. Knighton, II

Step One

- Does the SECURE Act Effect me?
- If you have a Retirement Benefits Trust, then YES
- Exists in Will and Revocable Trust Based Plans

C. **Retirement Benefits Trusts.** Notwithstanding any provision in this Will to the contrary, my Trustee shall hold the benefits and distributions from any Retirement Plan (referred to in this Section as "retirement benefits") which are payable to the Trustee of any trust created under this Will, or which are payable to a beneficiary subject to the terms of this Section (in the case of a Beneficiary of a trust created under Article V, such retirement benefits shall be treated for purposes of this Section as having been set aside from such beneficiary's trust created under Article V), in a separate trust (referred to in this Section as a "retirement benefits trust") created under this Section. Each such separate retirement benefits trust shall have identical terms as the trust from which such retirement benefits were set aside, except as follows: (1) with regard to a trust created under Article V, the Beneficiary of the trust from which such retirement benefits were set aside shall be the sole beneficiary of such retirement benefits trust during such beneficiary's lifetime, and all retirement benefits distributed to my Trustee shall be paid directly to such beneficiary upon receipt by my Trustee so that my Trustee shall serve as a conduit only; (2) with regard to a trust created under Article X, Section B, all retirement benefits distributed to my Trustee shall be paid directly to the Ward of such trust upon receipt by my Trustee so that my Trustee shall serve as a conduit only; (3) any power of appointment granted to the beneficiary of such retirement benefits trust shall be exercisable only by specific reference in such beneficiary's Will or revocable trust upon such beneficiary's death; and (4) notwithstanding the foregoing provisions of this Section, my Trustee shall not withdraw from such Retirement Plans any funds which exceed the greater of any required minimum distributions or the amounts otherwise required or permitted to be distributed by my Trustee to the beneficiary of such retirement benefits trust. Each such separate retirement benefits trust shall be known by the name of the beneficiary of the trust from which such retirement benefits were set aside followed by the words "Retirement Benefits Trust." Any provisions of this Will which may conflict with or fail to satisfy the intentions of this Section shall be disregarded, reconciled, or amplified to accomplish such intentions. Further, if a retirement benefits trust is not considered a qualifying trust for purposes of the "minimum distribution rules" of Section 401(a)(9) of the Code, my Trustee shall have the power to amend such retirement benefits trust (by acknowledged instrument and without the requirement of a court order approving such amendment) so that the trust will achieve those ends.

Step Two: Income Tax Effects

Amount of Inherited IRA	\$1,000,000.00
IRA Beneficiaries (Children)	2
Inherited IRA per Beneficiary	\$500,000.00
Trust Income Tax Rate (Income over \$12,950)	37%

Married Filing Joint Income Tax Bracket

\$19,750 - \$80,250	12%
\$80,251 - \$171,050	22%
\$171,051 - \$326,600	24%
\$326,601 - \$414,700	32%
\$414,701-\$622,050	35%

Individual Income Tax Bracket

\$9,875- \$40,125	12%
\$40,126 - \$85,525	22%
\$85,526 - \$163,300	24%
\$163,301 - \$207,350	32%
\$207,351 - \$518,400	35%

Example One: Adam

Married Filing Joint Tax Bracket	
Household Adjusted Gross Income	\$100,000.00
Year One IRA Distribution	\$50,000.00
Income Tax Due with IRA Dist. In Trust	\$18,500.00
Income Tax Due With IRA Dist. Outright	\$11,000.00
Difference	\$7,500.00

Example Two: Bill

Individual Tax Bracket	
Adjusted Gross Income	\$80,000.00
Year One IRA Distribution	\$50,000.00
Income Tax Due with IRA Dist. In Trust	\$18,500.00
Income Tax Due With IRA Dist. Outright	\$11,889.50
Difference	\$6,610.50

Step Three: Decision Matrix

	Potential for Additional Income Tax	
Trust Benefits	Acceptable	Not Acceptable
Important	Amend Estate Planning	Amend Estate Planning
NOT Important	Update Beneficiary Designation	Update Beneficiary Designation

Step Four: Mitigate Income Tax

- Aggressive Roth Conversions
- Obtain Life Insurance Policy
- Charitable Remainder Trust