

What Nuances Must Be Navigated When Considering Naming Beneficiaries on Retirement Accounts?

Secure Act and the Secure Act 2.0 have created some negative consequences for beneficiaries when they're named as an heir in an IRA, a 401k, or other retirement account. The type of beneficiary that they are will be important because it'll determine how long they can or should be able to take distributions for, once that account is assigned to them, as well as the type and an amount of income tax they might pay.

So planning needs to go into who you should name as a beneficiary, especially a trust, which probably is the worst answer for many people. In addition, if you're philanthropic, actually the best heir could be charity because they're not going to pay a tax. In addition, many people are now considering converting IRAs to Roth IRAs during life because paying that tax currently will alleviate that burden from the beneficiary later on.

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