What are You Leaving Your Children – A Legacy or a Tax Bill?

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Over their lifetimes, many investors have been able to accumulate significant assets using stocks, mutual funds, bonds, annuities, IRAs and CDs. Even with market declines, many find that they have more money than they plan to spend and expect to pass that along to their heirs as a legacy.

Few investors realize that what they are really leaving with their IRA or company-sponsored retirement account is a huge tax bill that will greatly reduce their lifetime savings. At their death, these assets may be subject to income taxes, state taxes and estate taxes causing a large portion to go to the government – not their heirs.

One mistake is giving their IRA to their children in a lump sum. Seniors can now take advantage of the 2002 IRS revised distribution rules so inherited IRAs can avoid a large tax bill. Additionally, the IRA will continue to grow, allowing children to receive over triple the amount they would inherit as a lump sum. A second mistake seniors make is procrastination. Failure to have a plan in place now to properly pass an IRA to children is like sitting on a railroad track waiting for the train to hit them. A third mistake is naming their Living Trust as the beneficiary of their IRA. It does not avoid the large taxation upon death and may push the inheritance into the highest tax bracket making matters worse.

An IRA approved Wealth Transfer Plan will allow seniors to effectively pass more money to their children with less taxes. If you would like more information on Lifeguard Financial's Multi-Generation Wealth Transfer Program, please call us today at (800) 942-1936.