

TAX TIPS

INHERITING AN IRA

Your IRA is a great tax-shelter, and you don't have to pay taxes on it or its earnings until you take distributions, maybe not until the year after you turn 70 1/2. Ideally, whether you leave the IRA to heirs—or inherit an IRA—you want to keep it sheltered as long as possible. Follow the rules.

A spouse can simply retitle an inherited account into his or her own name and let it sit until he/she turns 70 1/2. Special rules let younger spouses get at the money early without penalty.

Children or non-spouses must retitle the account, too, with the decedent's name "for the benefit of" the inheritor(s). A certain withdrawal is required, based on age, though you can take more out if you want. (That money is taxed.) Whatever's left can be bequeathed to the next generation and, if retitled correctly, stay tax-deferred for decades. Be sure not to have the money paid to you; it's taxable, and there's no rollover protection.

How bequests are handled can have important tax consequences. Talk to the know-how folks at
