

How to Name Beneficiaries of your IRA

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This Weekly Newsletter
is brought to you by

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Beneficiary designations are an essential part of your estate plan, especially if you have an IRA. As with life insurance policies, naming beneficiaries to inherit your IRA upon your death is an effective way to avoid probate and to ensure that your loved ones become the direct recipients of the account. Properly designating your IRA beneficiaries will lead to better tax consequences for your heirs; therefore, it is important to understand and carefully consider your options.

Although it may seem like a simple solution to name your estate as beneficiary of your IRA – or to not name a beneficiary at all – this will most likely result in unfavorable tax consequences. Some more favorable beneficiary designation strategies are as follows:

1. Designate your spouse as beneficiary.

Many individuals will simply name their spouse as beneficiary of their IRAs. This means that upon the account owner's death, the spouse may roll over the funds from the deceased spouse's IRA into his or her own IRA. The spouse may then begin taking distributions based on his or her own life expectancy when he or she reaches age 70 1/2 (if the deceased spouse had already reached that age), or the year the deceased spouse would have reached age 70 1/2.

2. Designate another individual (who is not your spouse) as beneficiary.

If you designate an individual who is not your spouse, that individual may take distributions from the inherited IRA based on his or her own life expectancy. This generally allows the individual to "stretch" distributions for a longer time period, extending the potential tax-deferred growth of the assets in the account. Note that if the account owner dies before his or her "required beginning date," however, then the individual who inherits the IRA may be required to withdraw all of the assets over a period of 5 years.

3. Designate a trust as beneficiary.

Depending on family dynamics and a host of other factors, sometimes it's not the best idea to leave an IRA to an individual outright. If the person you would

How to Name Beneficiaries of your IRA (con't)

like to name as a beneficiary is a minor, a spendthrift, or a recipient of SSI or Medicaid, for example, then the IRA most likely should be left to a trust for the benefit of that individual rather than to the individual outright. There are special rules relating to naming a trust as beneficiary of an IRA.

4. Designate multiple beneficiaries.

If you name multiple individuals as primary beneficiaries of your IRA (for example, your children), the life expectancy of the oldest will typically be used to determine the timing and amount of distributions to all beneficiaries after the account owner's death. It is possible for each beneficiary, however, to create his or her own IRA ("Inherited IRA") after the original owner's death. If done by December 31st of the year following the owner's death, each Inherited IRA owner will be able to take distributions based on his or her own life expectancy.

Regardless of who you choose as primary beneficiary, be sure to name a contingent beneficiary, to ensure that if something happens to your primary beneficiary, the IRA goes to the individuals you want to receive it. Contact the professionals at the Hook Law Center for more information on how to designate beneficiaries of your IRA.



Dogs' Feelings

Hook Law Center: Kit Kat, do dogs have feelings?

Kit Kat: The latest research is indicating that they do. More and more, animals such as dogs are the subjects of research. As science has become more sophisticated, researchers are applying techniques for studying humans to dogs. One scientist named Gregory Berns of Emory University has begun to conduct MRI scans on dogs' brains. He cleverly has enlisted the help of dog trainer Mark Spivak. Interestingly, they do this without using any sedation right in Berns' own living room.

What Dr. Berns has found is that both dogs and people possess many of the same physiological processes that control emotions. For instance, they both have similar caudate nucleuses, the area of the brain responsible for positive reactions and emotions. He said, "The ability to experience positive emotions, like love and attachment, would mean that dogs have a level of sentience comparable to that of a human child. And this ability suggests a rethinking of how we treat dogs." If this belief becomes more accepted, it could mean that dogs (and of course us cats) can no longer be considered mere property. Wow!!! What a change that would make! It looks like the field of animals rights is only in its infancy.

(<http://health.yahoo.net/articles/mental-health/brain-scans-prove-it-dogs-have-feelings-too>) (10-7-2013)

Upcoming Events

- Hook Law Center is presenting a seminar on the Affordable Care Act at Marian Manor, 5345 Marian Lane, Virginia Beach, VA 23462-1883 on **November 13, 2013** at **2:00 pm**.
- Hook Law Center will be presenting on Estate and Long-Term Care Planning at the Medicare Health Fair at the Virginia Beach Convention Center, 1000 19th Street, Virginia Beach, VA on **November 16, 2013**. This event, hosted by Senior Services of Southeastern Virginia, is free and open to the public.
- Hook Law Center will be presenting a seminar on Special Needs Trusts to the Parkinson's Young Onset Support Group at their bi-weekly meeting in Virginia Beach, VA on **November 16, 2013**.
- Hook Law Center will present a seminar to Wall, Einhorn & Chernitzer P.C. on **November 18, 2013**.
- Hook Law Center will present a seminar on Health Care Reform at Senior Advocate's Lunch & Learn at the Envoy of Thorton Hall, 827 Norview Avenue in Norfolk, VA on **November 21, 2013**.
- Hook Law Center will be presenting a webinar on the Affordable Care Act and Elder Law and Special Needs Planning on **December 4, 2013**. This webinar will be hosted by Interactive Legal.
- Shannon Laymon-Pecoraro, Esq. will speak at the Parkinson's and Caregivers Coffee Break on medical/legal issues concerning elders and those with significant health issues. The coffee break will take place at St. Andrew's United Methodist Church, 717 Tucson Rd., Virginia Beach, VA 23462 on February 5, 2014 from 10AM-12:00PM.
- Hook Law Center is a sponsor of the American Heart Association Ball which will take place on March 8, 2014 at the Norfolk Botanical Gardens. For event information, contact Stephanie Phipps at 757-628-2608
- Hook Law Center will be presenting a live webinar on POAs, AMDs and the Ethics of It All in Charlottesville, VA on **April 10, 2014**. This webinar will be hosted by Virginia Continuing Legal Education.



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