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## STRETCHING IRA DISTRIBUTIONS

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If an IRA owner dies with multiple non-spousal beneficiaries, the required minimum distributions will be based on the life expectancy of the oldest beneficiary—which probably means the shortest period. With proper planning after the owner dies, these distributions can be based on each beneficiary’s own life expectancy.

### How It Works

By December 31st of the year after the owner dies, the original IRA is split into separate IRAs, one for each beneficiary. The account balance in each IRA can then be distributed over each beneficiary’s life expectancy rather than the life expectancy of the oldest.

### When It Is Used

- An IRA owner wants to leave unused IRA assets to multiple beneficiaries.
- The beneficiaries want to delay payment of income taxes as long as possible.

### Where Life Insurance Fits

- At the owner’s death, the IRA balance is included in the owner’s taxable estate. If the beneficiaries must use the IRA to pay taxes and other expenses, they lose the opportunity to defer growth on the account balance. Life insurance can provide the cash to pay the taxes and keep the IRAs intact.

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### Advantages

- Longer distribution periods mean that account balances can remain invested on a tax-deferred basis for a longer period of time.
- Paying distributions over the life expectancy of the beneficiary supplements the beneficiary’s other income, and increases financial security.

### Disadvantages

- It requires careful planning to limit the amount paid to the beneficiaries after the IRA owner’s death to only the required minimum distributions.
- Because of the longer distribution period, withdrawals will be smaller which may not suit the needs of all beneficiaries.

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**Key Tax Considerations**

- Balances within an IRA remain income tax deferred until removed from the plan.
- All distributions are taxed in the year received.

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