

TAX TIPS

January 29, 2001

YOUR IRA AND ESTATE TAXES

Your IRA is part of your estate, and for many people it may be the largest single asset in that estate. Early planning can minimize the income and estate taxes that may be due on it.

If the estate is large enough that estate taxes are an issue, it's wise to provide a means to pay that tax, perhaps with insurance or assets earmarked for that purpose. Otherwise, the IRA beneficiary may be called upon to pay (and perhaps pay taxes on the IRA income as well), or other assets needed for bequests may be stripped. In some cases, the beneficiaries have paid the estate tax out of other funds, rather than deplete the tax-deferred IRA.

It's easier to leave an IRA to a spouse who can roll it over into his or her own IRA, but the money may last longer if the beneficiary is younger and can withdraw the money slowly over a lifetime. Most vital: don't leave your IRA to your estate. It has no life expectancy over which to compute distributions.