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Top IRA and Retirement Plan Mistakes:

1. Failure to name a Contingent Beneficiary.
2. Naming “my estate” as beneficiary.
3. Naming a normal Revocable Trust as beneficiary.
4. Failing to require the executor to pro-rate the payment of estate taxes from your gross estate, including IRAs and retirement plans.
5. Leaving your retirement plan with previous employer.
6. Failing to rollover a large retirement plan to an IRA. Often retirement plan language does not allow for heirs to stretch out distributions.
7. Keogh (sole proprietor retirement plans) cannot continue after death of owner. Bad news for non-spouse beneficiaries.
8. Children beneficiaries can elect to pay income tax on the whole IRA and ruin the magic of compounding. You can force them to elect a stretch-out of the distributions by using a specially worded trust (not your normal revocable trust).
9. Using a special trust also gives children protection from creditors and divorce.
10. Children fail to take advantage of substantial IRD deduction on their income tax return.
11. Non-spouse beneficiaries cannot rollover an IRA. The IRA will continue to be titled in your name, “for the benefit of child’s name.”
12. IRA custodians lose your beneficiary designation form. Send it certified mail and keep the receipt.
13. Spousal consent is required for retirement plans before owner’s rolling over to an IRA and also if naming a non-spouse beneficiary to your retirement plan. Spousal consent is NOT required for naming non-spouse beneficiary to an IRA.
14. Failure to change beneficiary of IRA after a divorce.
15. Investments do not have to be 100% in stocks, but you will need a special IRA custodian.
16. Defined Benefit retirement plans can become overfunded (i.e., exceed the actuarial limits of growth) and subject to 50% penalty. Before that happens, switch to a Profit Sharing Plan; or create an investment loss (not hard to do in this market!)

Top Revocable Trust Mistakes:

1. Fail to fund trust (i.e., title assets in name of trust).
2. Titling wrong assets in the name of your trust (Not IRAs or Retirement Plans).
3. For married people, failure to divide trust into subtrusts at the death of a spouse.
4. Failure to take advantage of generation skipping exemptions (currently $1,000,000 per person for any # of grandchildren).
5. Failure to amend trust to keep up with significant family changes or changes in law.