PRESENTED AT

19th Annual Changes & Trends Affecting Special Needs Trusts

February 8-10, 2023
Austin, TX

IRA Administration for SNTs

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TABLE OF CONTENTS

I. Introduction

Special Needs Trusts (SNTs) are unique trust vehicles. SNT trustees provide vital services for what may perhaps be the most underserved, yet most deserving, population in our country. A SNT allows a person with a disability the opportunity to protect funds for supplemental needs while still qualifying for crucial means-tested public benefits.

As the U.S. population continues to age, there is even more need for competent Special Needs Trust (SNT) administration. SNT trustees are uniquely situated to assist. This presentation will outline the opportunities available to SNT trustees and their counsel in managing Individual Retirement Accounts (IRAs) for trusts for people with disabilities. It will cover taxation of IRAs as well as exciting new planning opportunities afforded under the Setting Every Community Up for Retirement Enhancement (SECURE) Act (and its new successor - the SECURE Act 2.0 passed in late December, 2022).

II. Demographics

Retirement savings in the United States continue to grow. Additionally, approximately 76 million baby boomers are living in the U.S. today. The choices baby boomers will make in terms of retirement and how they pass on their retirement savings will have a significant impact on trustees of all types of trusts, but potentially most significantly on trustees of SNTs.

According to research from ICI, at the end of the second quarter of 2020, there was $10.8 trillion in IRAs, representing 34% of all U.S. total retirement assets. This means that the remaining 66% of retirement assets, or approximately $31.8 trillion, are in employer-sponsored retirement plans (401(k)s, 403(b)s, 457(b)s, profit-sharing plans, non-qualified deferred compensation plans, SEP plans, etc.). Additionally, the ICI research shows that about 82 million households (or 64% of the U.S.) had some type of tax-advantaged retirement savings. These figures suggest that there is a robust opportunity for SNT trustees who administer inherited IRAs for the benefit of SNTs.

It is important to note, however, that many people in the U.S. live much longer than the average of 78.7 years. According to the Social Security Administration, a healthy 65-year-old woman has a very good chance to live until age 86. This advanced life expectancy may translate into smaller inherited IRA assets. Additionally, more Americans are dipping into their retirement funds early. A recent TD Ameritrade survey showed that 44% of Americans ages 40 to 79 have taken money out of a retirement account. Accordingly, those counting on Social Security to fund post-retirement life may be in for a shock. The Social Security program is only guaranteed to be funded through 2035; according to *Business Insider*, after 2035, it may only be three quarters funded. This may mean that people already taking money from Social Security may see a drop in payments while new retirees may have trouble getting any money at all. Also, the number of people in the U.S. 65 and older is projected to increase from approximately 56 million today to more than 78 million by 2035. More people may, therefore, be receiving benefits from Social Security while fewer people will be paying into the fund.

III. IRAs - General

An IRA is a tax-advantaged savings account that individuals can use to save for retirement. Any person who has earned income can fund an IRA. An IRA is very similar to an