

# PUBLICATION

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## Whose Life Expectancy is it Anyway? IRS Relaxes Position for Accumulation Trust RMD Determination

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In a recent [Letter Ruling](#), the IRS relaxed its position regarding which beneficiaries of an accumulation trust must be taken into account when determining which beneficiary's life expectancy should be used to determine required minimum distributions (RMDs).

Under Treasury regulations, if retirement benefits are left to certain trusts known as "see-through trusts," the benefits can be distributed in annual installments over the life expectancy of the oldest trust beneficiary. If the trust is required to distribute all RMDs to certain beneficiaries (a conduit trust), the rules are clear as to which beneficiaries must be considered in determining who is the oldest. If the trust is not required to distribute all RMDs (an accumulation trust), the pool of beneficiaries which must be considered is less clear.

Under previous Letter Rulings, a succession of contingent remainder beneficiaries were considered when determining which beneficiary is the oldest, until a beneficiary was found that would receive the trust assets outright with no conditions (such as attaining a certain age). The beneficiary pool to consider could then include an heir-at-law, not specifically mentioned in the document, with a remote contingent interest in the trust. The unnamed heir-at-law could have a very short life expectancy which would be the determining one for calculating the RMDs.

In this recent Letter Ruling, PLR 201320021, the IRS held that the child of the participant was the only beneficiary that needed to be taken into account for purposes of determining the RMDs, even though under the terms of the testamentary trust a child of the participant would not receive the trust assets outright until he attains the age of 35.

As a general rule a trust may not be named as designated beneficiary of an IRA unless it meets the following requirements as a see-through trust:

1. the trust is valid under state law or would be, but for the fact there are no trust assets;
2. the trust is irrevocable or will, by its terms, become irrevocable on the death of the employee;
3. the beneficiaries of the trust who are beneficiaries with respect to retirement plan assets are identifiable from the trust instrument; and
4. relevant documentation has been timely provided to the retirement plan administrator or IRA custodian.

If you have any questions concerning this ruling or the application of the above-referenced authorities to your retirement plan or IRA, please contact one of the attorneys in the Firm's Tax Department.