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## How a Roth IRA can save your heirs tax dollars

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When beneficiaries other than your spouse or children inherit your non-Roth IRA, they will have to withdraw the funds based on your life expectancy. And the distributions will be considered taxable income to the recipients.

However, with a Roth IRA, the original account holder's age is not a factor when determining the pay-out schedule since the Required Minimum Distribution Rule does not apply.

Rather it is based on your heirs' life expectancy. Therefore, your beneficiaries have the opportunity to leave more money in the Roth and for a longer period of time than they could with a non-Roth IRA.

For example, suppose you left your Roth IRA to your 30-year-old granddaughter. She would have the option to take withdrawals during the next 53 years instead of over your shorter life expectancy. She will, however, have to make the first withdrawal by Dec. 31 of the year after your death to qualify for the lifetime income stream.

As long as the assets have been in a Roth for at least five years, money coming out of the account is income tax free, no matter who takes it out. Nor does it matter how much they withdraw.

But the more money that can stay in the account, the more that can accumulate tax-free. This tax-free compounding can possibly mean greater growth when compared to taking the non-Roth inherited funds over a shorter period of time then investing in a taxable account.

No one particularly likes to pay income taxes. And when you convert your IRA to a Roth, you will have to pay on the total transferred.

But look at it this way: You're paying today to help your heirs build a tax-free nest egg for the future.

By Warren Wall, president

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