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Talk To Your Parents About Your Inheritance

BY [Sagicor Life](#) Posted [December 02, 2020](#) In [Sagicor Life USA Tips](#)

As you know, the holiday season is a perfect time to talk with your parents about the future. While retirement security should be their top priority, many financially secure retirees intend to pass wealth to their children. Lack of proper planning could potentially create new tax risk for you and your siblings.

Tax laws regarding inherited IRA and retirement plan assets changed in 2020, when the SECURE Act (Setting Every Community Up for Retirement Enhancement) went into effect.

Before the SECURE Act	 After the SECURE Act
Adult children could inherit a parent's IRA or other retirement plan assets and minimize their tax risk by stretching withdrawals from these accounts over their lifetime.	Adult children who inherit a parent's IRA or other retirement plan assets must liquidate the account by the end of the tenth year after the passing of their parent.

Inheriting your mom or dad's IRA could have significant financial consequences.

Depending on your income and the amount of money in your parent's IRA or retirement plan, inheriting these assets could potentially:

- Increase your income tax and capital gains tax exposure
- Move you to a higher tax bracket
- Raise your modified adjusted gross income

Are there more efficient options?

If your parents have sufficient retirement income, then they should look at a smarter way to use their IRA and qualified plan assets to create a tax-efficient legacy for you, their kids.

Remember to consult a tax advisor and financial professional to determine the best strategy to meet your goals.

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Form Number: 9550