

Beyond the Bounty

BY BRAD MORGAN

Unlocking Stretch IRA Opportunities with Subtrusts

The **SECURE Act of 2019** reshaped how IRAs are inherited, ending the “stretch IRA” for most non-spouse beneficiaries. Instead of lifetime tax deferral, many heirs now face a **10-year window** to fully distribute inherited retirement accounts — significantly accelerating taxes and reducing flexibility.

But recent IRS regulations have created a meaningful opportunity for proactive families: **subtrusts** that preserve stretch treatment for certain beneficiaries.

What’s New — and Why It Matters

Before the 2024 IRS guidance, naming a **trust** as the beneficiary of your IRA often meant **everyone** in the trust defaulted to the 10-Year Rule — even if some were eligible for more favorable treatment.

Now, if that trust **splits into subtrusts upon death**, each subtrust may apply its own distribution rules:

- **Eligible Designated Beneficiaries (EDBs)** — like surviving spouses, chronically ill heirs, or minor children — can still stretch distributions over life expectancy.
- **Non-Eligible Designated Beneficiaries (NEDBs)** — such as adult children — follow the 10-Year Rule.

This means estate plans can now better align tax treatment with each beneficiary’s unique needs.

Who Needs to Pay Attention?

This planning opportunity is especially relevant for:

- Families who’ve named a **trust as the IRA beneficiary**
- Parents of **minor children** or **special needs dependents**
- Individuals concerned about **beneficiaries’ financial discipline, divorces, or creditors**
- Anyone with a **large IRA or Roth IRA** wanting to preserve tax deferral for the next generation

3 Key Actions to Take Now

1. Review Your Trust Documents

- Does your trust include language allowing subtrusts at death?
- Does it qualify as a “see-through trust” under IRS rules?
- Trusts drafted before the SECURE Act may be outdated — and unintentionally harmful.

2. Check IRA Beneficiary Designations

- Are your IRAs still naming a trust as beneficiary?
- Would individual designations now make more sense?

3. Coordinate with Your Advisory Team

- Your estate attorney, financial advisor, and tax professional should work together.
- The goal: protect your legacy while minimizing tax burdens for your heirs.


Why This Matters

This isn’t just about compliance — it’s about **preserving your wealth and intentions** across generations.

- **Stretch IRAs are still possible**, but only with intentional trust design.
- Subtrust planning gives you **greater control**, tax deferral, and peace of mind.
- Taking action now may help avoid unnecessary tax erosion later.

Let’s Talk

If you’ve named a trust as your IRA beneficiary — or just want to make sure your estate plan still reflects your goals — now is the time to act.


 Reach out to schedule a review. We’ll collaborate with your estate attorney to make sure your plan is coordinated and future-proof.

For a deeper dive, read:

 [Kitces: How Subtrusts Can Preserve Stretch IRA Treatment](#)



Brad Morgan

 Wealth Manager, Savvy Advisors

savvywealth.com