

Spousal Advantage with Retirement Plans

Spouse as Beneficiary

- Rollover into IRA in spouse's name; don't have to take distributions until age 70 ½
- Establish an Inherited IRA
 - No 10% penalty for distributions prior to age 59 ½
 - Can allocate a portion into Inherited IRA and another portion into IRA in spouse's name
 - Once spouse reaches age 59 ½, can rollover Inherited IRA into spouse's own IRA

Non-Spouse as Beneficiary

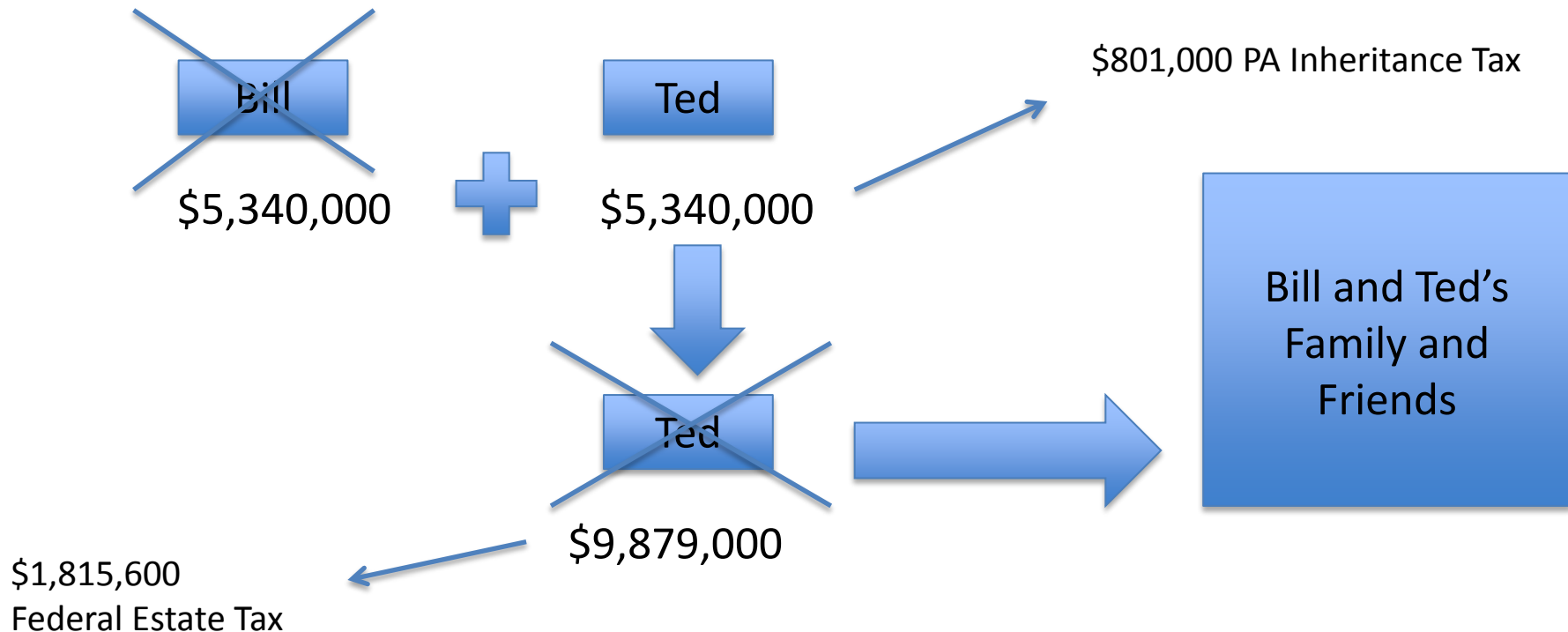
- Establish an Inherited IRA
 - Must start taking distributions over beneficiary's expectancy by December 31 of year following death of account owner
- Withdraw full account within 5 years
- Lump Sum Distribution
- Accounts can be divided and distributed on pro-rata basis to multiple beneficiaries

* Distributions taken prior to age 59 ½ are subject to a 10% penalty

* At Age 70 ½, an IRA owner must begin to take Required Minimum Distributions (RMD) from an IRA account

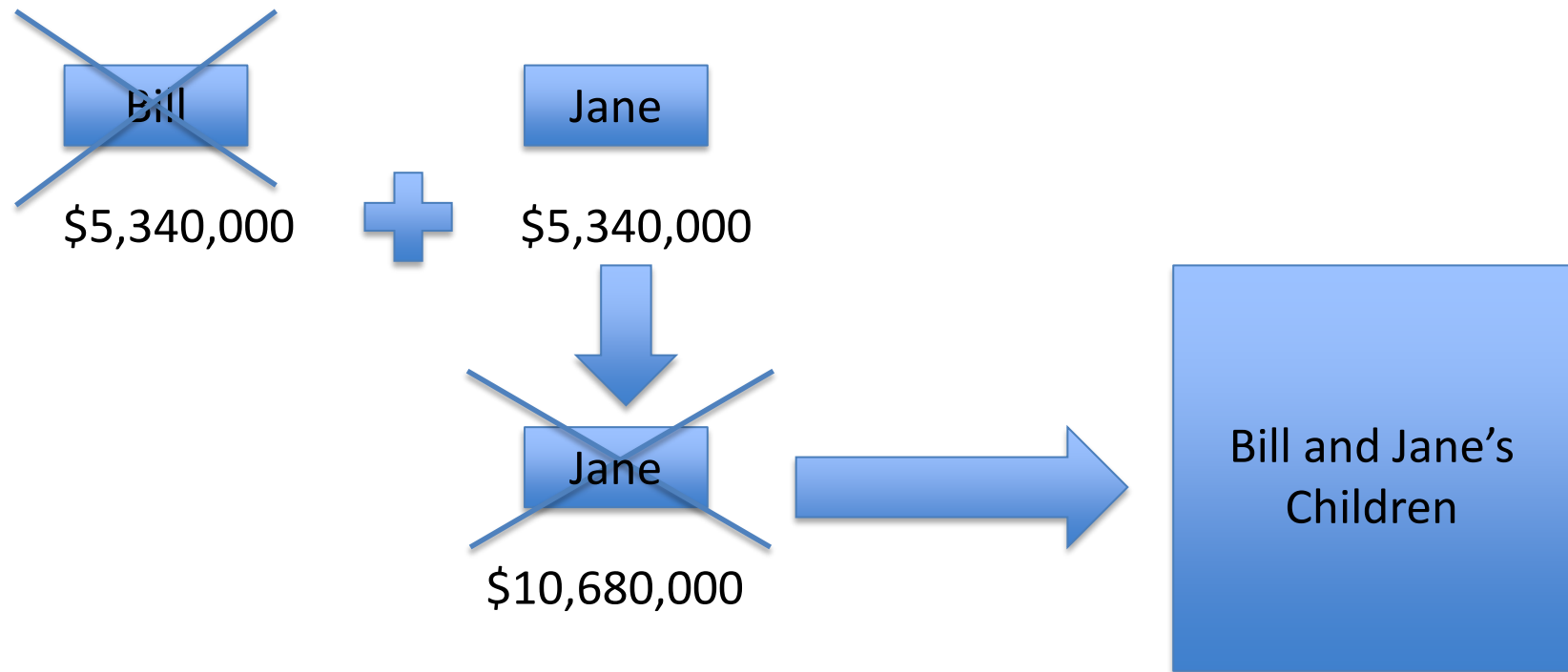
* All withdrawals from an IRA account are taxed as ordinary income

Typical Estate Tax Scenario for Same Sex Married Couple in Pennsylvania Prior to *Windsor* Case



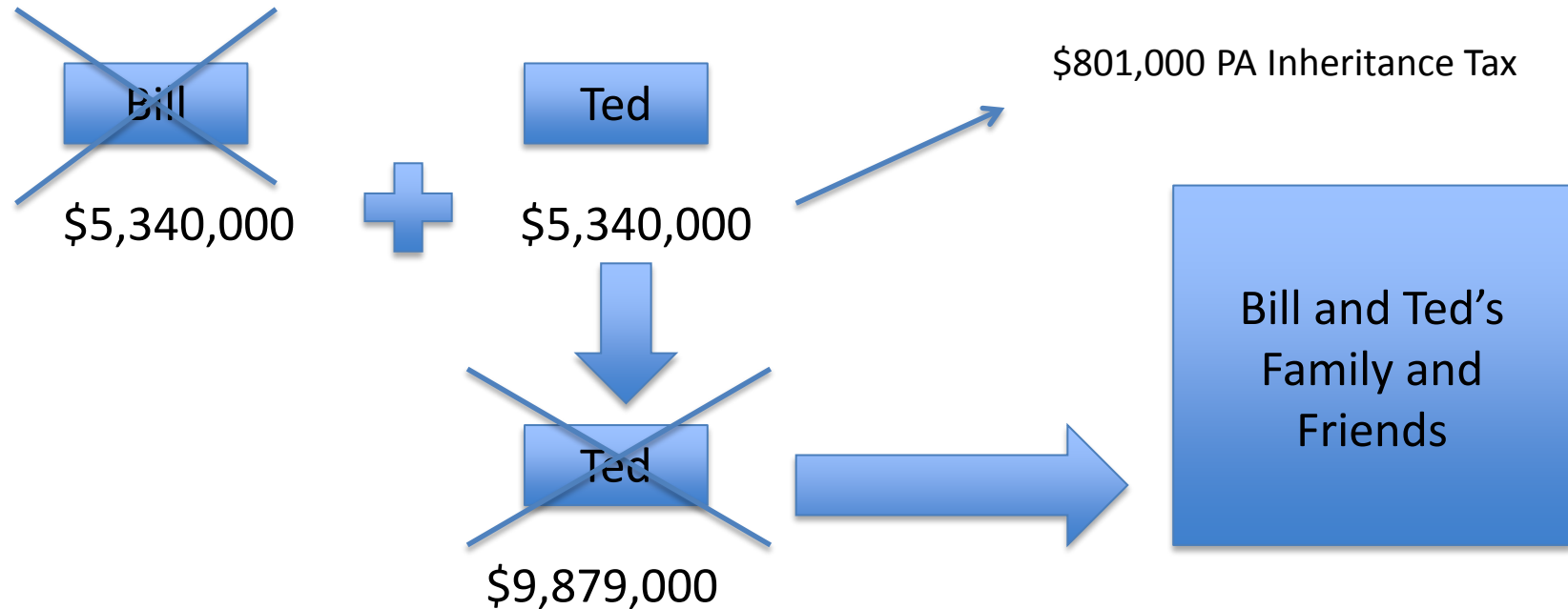
- When Bill dies, he leaves everything (\$5,340,000) to Ted, using his full \$5,340,000 Estate Tax Exemption, resulting in no Federal Estate Tax
 - A 15% PA Inheritance Tax is assessed at this time, leaving a balance of \$4,539,000
- When Ted dies, he leaves everything (\$9,879,000) to family and friends, using his full \$5,340,000 Estate Tax Exemption
- The remaining \$4,539,000 is taxed at 40%, resulting in Federal Estate Tax totaling \$1,815,600
 - PA Inheritance Tax will depend on how recipient is related to Ted

Typical Estate Tax Scenario for Heterosexual Married Couple in Pennsylvania



- When Bill dies, he leaves everything (\$5,340,000) to Jane, using the Unlimited Marital Deduction and transfers his unused \$5,340,000 Estate Tax Exemption to Jane
 - This transfer results in no PA Inheritance Tax
- When Jane dies, she leaves everything (\$10,680,000) to their children, using her and Bill's combined Estate Tax Exemption, resulting in no Federal Estate Tax
 - **Married couples benefit from use of the Unlimited Marital Deduction and "portability" of the Estate Tax Exemption**

Typical Estate Tax Scenario for Same Sex Married Couple in Pennsylvania After *Windsor* Case



- When Bill dies, he leaves everything (\$5,340,000) to Ted, using the Unlimited Marital Deduction and transfers his unused \$5,340,000 Estate Tax Exemption to Ted
 - A 15% PA Inheritance Tax is assessed at this time, leaving a balance of \$4,539,000
- When Ted dies, he leaves everything (\$9,879,000) to family and friends, using both his and Bill's combined Federal Estate Tax Exemption, resulting in no Federal Estate Tax, PA Inheritance tax will depend on how recipient is related to Ted
 - **After *Windsor*, same-sex married couples benefit from the Unlimited Marital Deduction and "portability," but will still be subject to state inheritance tax in Pennsylvania**