

Planning for Ownership and Inheritance of Pension and IRA Accounts and Benefits

True or False Questions - Answer Key

Circle the correct answer.

1. Roth IRAs are not subject to the Required Minimum Distribution rules until the owner of the Roth IRA dies.

TRUE / FALSE

2. A Traditional IRA cannot roll over tax free to a Roth IRA.

TRUE / FALSE

3. If a person other than the Plan Participant's spouse is a beneficiary of the IRA, the Recalculation of Life Expectancy principle will still apply.

TRUE / FALSE

4. A Conduit Trust must pay all distributions received directly from the IRA/Plan to a Designated Beneficiary upon receipt by the trustee.

TRUE / FALSE

5. A Plan Participant who has not reached age 59 ½ will pay a 10% excise tax on taxable distributions in addition to the normal income tax.

TRUE / FALSE

6. Required Minimum Distributions (RMDs) are the amounts that must be paid out in a given year under the Applicable Payment Mode, based upon the life expectancy of the Plan Participant or the Designated Beneficiary.

TRUE / FALSE

7. The date on which lifetime distributions to the Plan Participant must begin is April 1 of the calendar year preceding the calendar year in which the Plan Participant attains the age of 70 ½.

TRUE / FALSE

8. A Plan Participant cannot withhold federal income tax from Required Minimum Distributions.

TRUE / FALSE

9. There is no requirement that Required Minimum Distributions be paid in cash.

TRUE / FALSE

10. A conversion from a traditional IRA into a Roth IRA for someone under the age of 59 ½ does not trigger the 10% penalty fee on early withdrawals.

TRUE / FALSE

11. IRA to HSA Account transfers are always extremely beneficial.

TRUE / FALSE

12. A taxpayer cannot deduct a loss on the sale of securities if a substantially identical security is repurchased within 30 days after the loss-generating sale.

TRUE / FALSE

13. The Designated Beneficiary is the person whose life expectancy is used for the purpose of determining the applicable payment mode of the required minimum distributions that will apply to an IRA/Plan.

TRUE / FALSE

14. The designation date is September 30 of the calendar year following the year of death of the Plan Participant.

TRUE / FALSE

15. The Designated Beneficiary of an Accumulation Trust, for the purposes of the Required Minimum Distribution rules, is the youngest individual beneficiary of the trust.

TRUE / FALSE

16. A Conduit Trust can have beneficiaries older than the Designated Beneficiary, Non-Persons as beneficiaries and unlimited power of appointment powers, so long as all distributions from the IRA/Plan to the trust are required to be paid to the Designated Beneficiary upon receipt from the IRA/Plan during his or her lifetime by trust during his or her lifetime.

TRUE / FALSE

17. Q-TIP Trusts qualify as a Conduit Trust.

TRUE / FALSE

18. Regarding Q-TIP Trusts, if a surviving spouse's right to withdraw from the IRA/Plan is restricted, the spouse will not be allowed to rollover the IRA/Plan into his or her own.

TRUE / FALSE