



IRA CLUB
312-7950988
888-795-7950

P.O. Box A3535
CHICAGO, IL 60690

Are You Getting a Divorce? Notes about your IRA

If you own an IRA and are in the process of divorcing your spouse you may find that you will be required “split” your IRA with your spouse. Here are a few pointers:

1. **Do not split the IRA's content until you have the “Divorce Decree” in hand.** Sounds strange doesn't it. However, here is what happens too often. The spouse who owns the IRA wants to be a “nice person”. They say: “What the heck, I'm going to split the value of the IRA anyway. Why wait?” They believe their soon to be “ex” can use that money now so, they just transfer half the value of their IRA to spouse's IRA before the final Decree.

However, without a Divorce Decree from the Court, the transfer to the other person's IRA is a taxable event (it's a distribution). Who will pay the tax on the “distribution”? *You will*, not to the recipient.

Suggestion: Be a nice person but, be a nice a person a little later. Wait for the Divorce Decree that orders you to transfer the value.

2. **Change your IRA Beneficiary.** Yes, there are some people who want to keep their former spouse as the Beneficiary of their IRA (however; not very many).

Let's say you divorce Spouse #1 but, did not change your named Beneficiary. A few years go by; you meet the love-of-your-life, and you marry Spouse #2. You completely forget to call the IRA company to change the named Beneficiary to the new spouse.

Oops, when you die, Spouse #1 will be the Named Beneficiary and will receive 100% of your IRA.

The court won't care that you and #2 were married for 20 years or that you had 4 children together; that you moved 1500 miles from your old home just to get away from #1. None of that will matter. What will matter is; The last instructions you gave was that #1 would be the Designated Beneficiary of your IRA account.

Suggestion: Remember to change the Named Beneficiary

3. **The 10% Penalty for early distribution.** Here is one place I really disagree with the IRS. The IRS still charges the 10% Penalty for early distribution (if you are under age 59 1/2) even if the IRA transfer to the “ex” is directed by a Divorce Decree. Decree. (Talk about adding insult to injury)

IRA Club Tip

For some people splitting the IRA can create a problem. The scenario goes like this.

A) Your Self Directed IRA is making good money and you hate to split it up now.

Or

B) The other person may not even want the assets in the IRA, instead they want “money”.

Let’s say the IRA is worth \$80,000. Instead of dividing the IRA into two IRAs of \$40,000 each, consider offering the other party an extra \$40,000 of value somewhere else.

A) They get their value.

B) You get you keep your IRA intact and growing.

We hope this information was helpful.

The IRA Club can assist you if you find there is a need to “split” your IRA due to divorce.