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Name estate as beneficiary? Big mistake

It's time for a spring cleaning of the inbox. Have financial questions? Send them to askjill@jillonmoney.com

My mother recently passed away, and instead of naming me and my siblings as individual beneficiaries of her IRA account, she named "The Estate of . . ." Was this a big mistake?

I am loath to tell you that it's a big mistake, because there is nothing you can do about it now, but yes, it was a mistake. New York City-based trust and estate attorney Juliet Kalib says, "Designating an estate as the beneficiary of any retirement account may create administrative complications because the account must now go through the probate court system. It also could result in greater tax liability for the heirs."

The reason for that increased liability has to do with the rules about how beneficiaries can withdraw money from inherited IRAs. When non-spouse beneficiaries inherit a traditional IRA, they can choose between two options: either liquidate and pay taxes on those assets within five years of the owner's death, or stretch out their required minimum distributions over their lifetimes. By naming the estate, it limits the beneficiaries' ability to extend the withdrawals and therefore could create a larger tax liability after the owner's death.

As Kalib notes, "Beneficiaries of retirement accounts who fail to consider all the financial, estate and tax implications may suffer from unintended negative consequences on all fronts."

My daughter has been admitted to three different colleges. Two of them are offering similar financial aid packages, but the third — the one she really wants to attend — is offering much less money. Is it worth it to contact the school to see if they can match the other two offers?

There are two types of appeals to a college aid package: those based on a change in the family's financial circumstances and those that are seeking a "match" from another school's offer.

The former has a better chance of an increased package, but that doesn't mean you shouldn't try. I suggest your daughter make the appeal directly — the colleges like when the student advocates for her own case.

I would like to pay for my granddaughter's college tuition, but the total cost is much more than the IRS limit for annual gifting. Is there any way to avoid paying a gift tax on the amount more than \$14,000?

You are correct that the annual gift tax exclusion for 2014 is \$14,000. However, under current IRS rules, a payment made directly to an educational institution to pay for the tuition of a student does not count as a gift to the student for gift tax purposes. Just know that by writing that big check, you could be limiting her eligibility for financial aid.

A lot of stocks that were soaring last year are now more reasonably priced — is it a good time to jump into the tech sector?

Since reaching their peaks in late February and early March, the once-highflying stocks are down significantly. As of mid-April, the Nasdaq Biotech index (NBI) was down 21 percent from its Feb. 25 closing high; the Global X Social Media ETF (SOCL) has dropped 21.5 percent from the March 6 closing level; and the Nasdaq Internet index (QNET) was down nearly 17 percent. But does that mean you should buy?

I am not a fan of trying to time the market, so my general answer is "NO WAY!"

But, if you have been sitting on cash and you seek to add a small percentage (5 percent) of your total portfolio to wildly volatile and risky holdings, which could drop even further in the future, nibbling right now would not seem like an awful idea. I would stick to an index mutual or exchange traded fund, like those mentioned above, rather than attempt to select individual stocks.

Jill Schlesinger, a certified financial planner, is a CBS News business analyst. She welcomes emailed comments and questions.



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