

HECKERLING INSTITUTE 2001
REPORT #7a

As we did in January of the last four years, and again with the permission of the University of Miami School of Law Center for Continuing Legal Education, we will be posting to this list throughout the coming weeks highlights of the proceedings of the 35th Annual Philip E. Heckerling Institute on Estate Planning that is being held January 8-12, 2001 at the Fontainebleau Hilton Resort and Towers in Miami Beach, Florida.

Our on-site local reporters there in Miami this year will include:

Steve Leimberg Esq. of Bryn Mawr, PA - leimberg@home.com
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Again this year a complete listing of the proceedings and speakers is available on the Institute's Web site. The new URL for that site is <http://www.law.miami.edu/heckerling>
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REPORT NO. 7a - January 23, 2001

In Report No. 7 we reported the following:

[...snip...]

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Next, along with the recent development in the split dollar arena that we reported on briefly in Report No. 6, there was another newsworthy development that occurred in the MRD arena that first came to light only after Natalie Choate had finished her Fundamentals presentation on Monday morning entitled "The Fundamental of Estate Planning for Qualified Retirement Plan Benefits and IRAs: What to do in real life." Here are some recent discussion list postings of interest on this subject:

[...snip...]

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Natalie Choate has now posted some very helpful information about these new Minimum Distribution Rules and the Amendments to the Proposed Regulations on her Web site at <http://www.ataxplan.com>, as follows:

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First, she has posted an "Urgent Notice" about this new development at http://www.ataxplan.com/articles_fr/notice_fm.htm that reads as follows:

URGENT NOTICE!

The IRS has just issued new proposed regulations that make major changes to the minimum distribution rules.

These changes permit REDUCED required distributions for (almost):

Everyone who is already past his or her required beginning date; Everyone whose required beginning date is April 1, 2001;

and MAY permit some favorable change in the required distributions for:

Anyone who has inherited a retirement plan from a person who died after 1999; and even, in some cases, any person who inherited a retirement plan from a person who died earlier than the year 2000.

Click here to read Natalie Choate's 26-page outline summarizing The New Minimum Distribution Rules [SEE FURTHER BELOW]

Where can you find these extremely important new proposed regulations on the web?

www.leimbergservices.com

At Steve Leimberg's always up-to-the-minute website, you can log in using the free trial. Once you have logged in, click on the blue newsletter tab, "EMPLOYEE BENEFIT AND RETIREMENT PLANNING" to find the new proposed regulations. It is newsletter #30.

Brentmark Software at www.brentmark.com/newrmd.htm.

Here is the schedule of updates for this website to reflect the new proposed regulations:

1. A memo describing all the changes in detail will be posted to this website no later than January 19, 2001.

2. The "Trust Review Questionnaire" has been withdrawn from the website; a revised version reflecting the changes will be posted no later than January 26, 2001.

3. Work has begun on a new edition of Life and Death Planning for Retirement Benefits with publication probably in the summer of 2001. As soon as I figure it out, the deal for recent buyers of the 1999 edition will be posted here. In the meantime, for all of you who own the 1999 edition:

4.A completely revised version of Chapter 1 of the book Life and Death Planning for Retirement Benefits (the chapter primarily affected by the changes) will be posted to this website by January 31, 2001.

5.Summary updates to the other chapters will be posted in February 2001 as they are finished.

6.The rest of the information on this website will be updated for the new rules after the above items are finished.

7.All seminars from now on will include the new rules.

As I work to accomplish these items, please bear in mind that:

All information on this website may be out of date until it is updated for the new rules.

Contact all clients who will have reached age 70½ in 2001 (or who reached 70½ in an earlier year) and suggest that they not take their 2001 minimum distribution yet until their situation is reviewed under the new rules.

Contact all clients who are holding inherited IRAs and other inherited retirement plans and suggest that they not take their 2001 minimum distribution yet until their situation is reviewed under the new rules.

---Natalie B. Choate

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Second, on the following Web page she has posted the entire text of her 26-page analysis of the Amendments, with the Table of Contents being as follows:

http://www.ataxplan.com/articles_fr/notice_fm.htm

Understanding the NEW Minimum Distribution Rules

January 2001

Amendments to the Proposed Regulations

by Natalie B. Choate, Esq.
Bingham Dana LLP/Boston MA
www.ataxplan.com

You can either view and print the new rules below OR download the pdf file. You will need Acrobat Reader to open and save the pdf file. (You can download

Reader for free at Adobe's website.)

NOTE: This is article is 26 pages long.

TABLE OF CONTENTS

- Introduction: New Proposed Regulations
- New proposed minimum distribution regulations issued
- Acknowledgments

- Where to find the law; effective dates
- Terminology used in this outline
- The New Way to Determine Lifetime Distributions
- New method of determining required distributions after RBD
- Contrast with old rules; good news for charities and old spouses
- Lifetime distributions if DB is much younger spouse
- Recalculation election ceases to exist
- Planning implications of the new method
- The New Way to Determine Post-Death Distributions
- Designated beneficiary is determined at death, not at RBD
- Final determination is made at end of the year after the date of death
- How to compute distributions: death before the RBD
- How to compute distributions: death on or after the RBD
- Increased significance of post-mortem planning
- Estate or non-qualifying trust as beneficiary
- Who should take action immediately: heirs of deceased participants
- Other Changes and Clarifications Made By New Proposed Regs
- Annuity payouts
- Beneficiary's beneficiary
- Default rules
- Enforcement and reporting
- IRA inherited by surviving spouse
- Model amendment

- Multiple plans or IRAs, distributions from
- Permitted delays in making MRDs
- QDROs
- Spouse, special rules for
- Trust rules
- When is a trust for the spouse the same as a spouse?
- What Has Not Changed
- Minimum distribution rules not changed by the new proposed regs
- Planning problems not affected by the new proposed regs
- New planning problems created by the new proposed regs
- Comments By Type Of Plan
- Qualified retirement plans
- Roth IRAs
- Traditional IRAs
- 403(b) plans
- 457 plans
- The "Uniform Table"

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The Reporters hope you find this Supplemental information useful.

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That is it for this Supplemental Report No. 7A

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