



How to Eliminate Delays Obtaining IRA Death Proceeds

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Presenter



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 Thompson & Associates

- Served as the president of the Charitable Estate Planning Institute
- Author of the book, *Essentials of Annuities* and co-author of two books, *The Tools and Techniques of Charitable Planning* and *Message From the Masters—our Best Donor Stories that Made a Difference*
- Serves on the Smithsonian's Professional Advisors Network in Washington, DC.
- Received the Distinguished Service Award from the National Association of Charitable Gift Planners (NCGP)
- Served on the Editorial Advisory Board for the books *Tax Facts on Investments* and *Tax Facts on Insurance and Employee Benefits*
- Serves as a founding charitable planning author of Steve Leimberg's electronic newsletter service, LISI.
- Has been engaged in the practice of law with an emphasis in charitable and estate planning since 1993
- Served as the Senior Gift Planning Consultant for The Stelter Company



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**How to Eliminate Delays
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Today's Presentation

- **The problem defined**
- **Who, what, when, why?**
- **Steps you can take now**
- **National work done toward permanent solution**

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Who and What and When?

Delays and draconian paperwork with some financial institutions when paying IRA death claims to charities

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New Procedures to Receive the IRA Death Proceeds

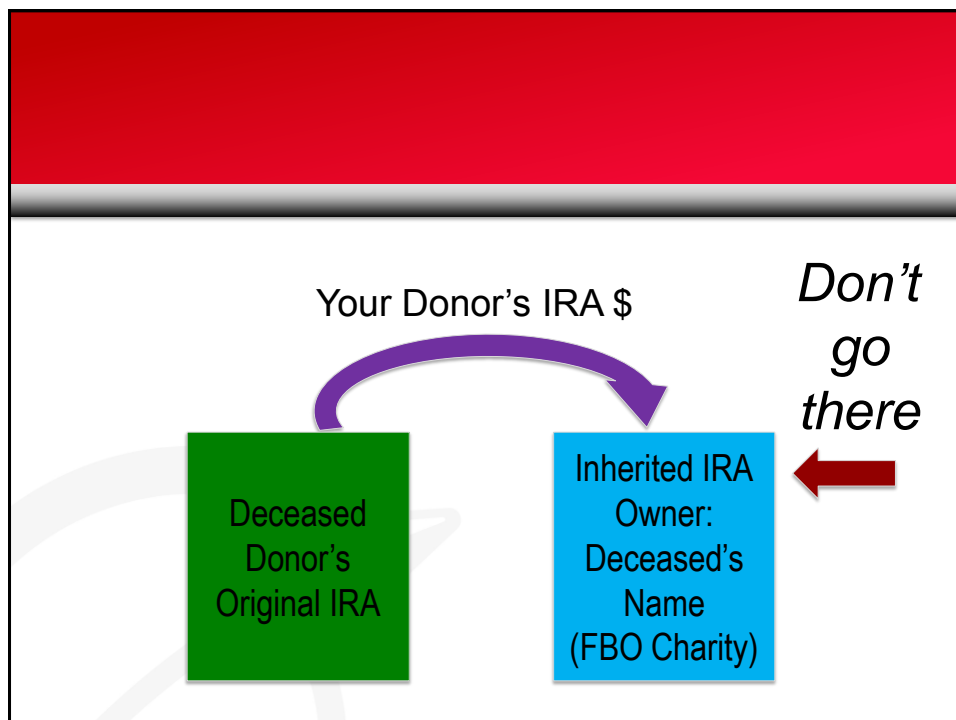
- Instead of paying a death claim on the IRA, some financial institutions require the charity apply for and open up a new account first & then they transfer the IRA into it
- Called an Inherited IRA (aka Beneficiary IRA, Stretch IRA)
- In order to establish the new account, the charity is deemed their “new customer”
- Enter the Patriot Act (Section 326 - Know Your Customer) – the administrators claim this applies

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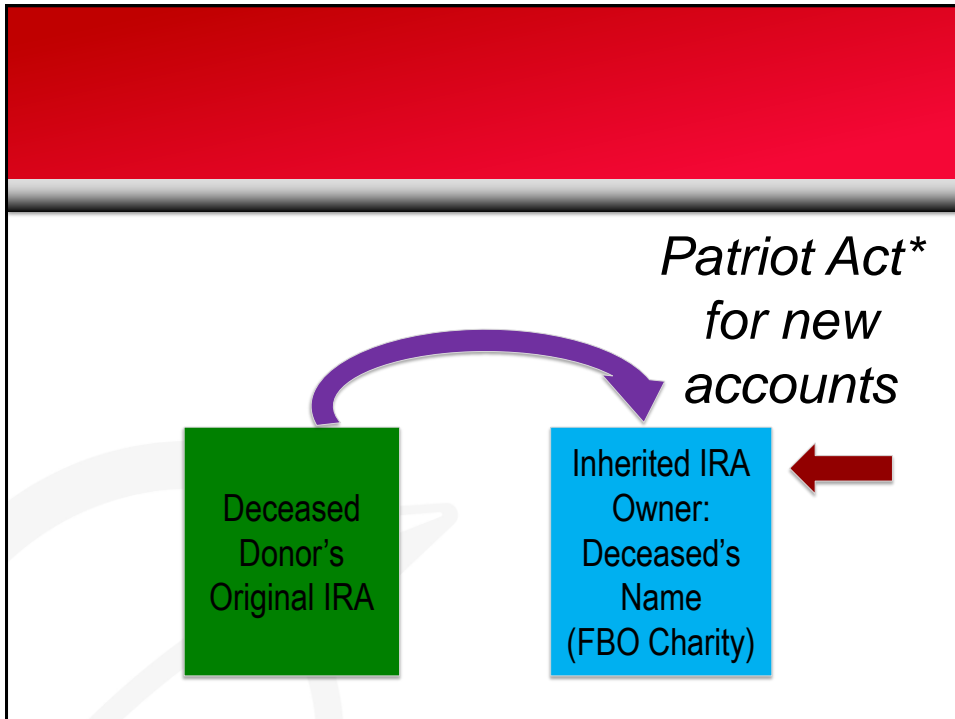
New Procedures to Receive the IRA Death Proceeds

- Require personal SSN of certain staff
- Require personal information of staff (e.g., personal financial statements, home address, copy of driver's license, etc.)
- In light of today's serious identity theft crisis, **WHY** would we send them our personal SSN???
- Don't they know charities have their own EIN?
- Example

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The Patriot Act*

Enacted to prevent terrorism after 9/11

Is your organization a “known terrorist?”

*** Know Your Customer, Customer Due Diligence, Customer Identification, Bank Secrecy, Etc.**

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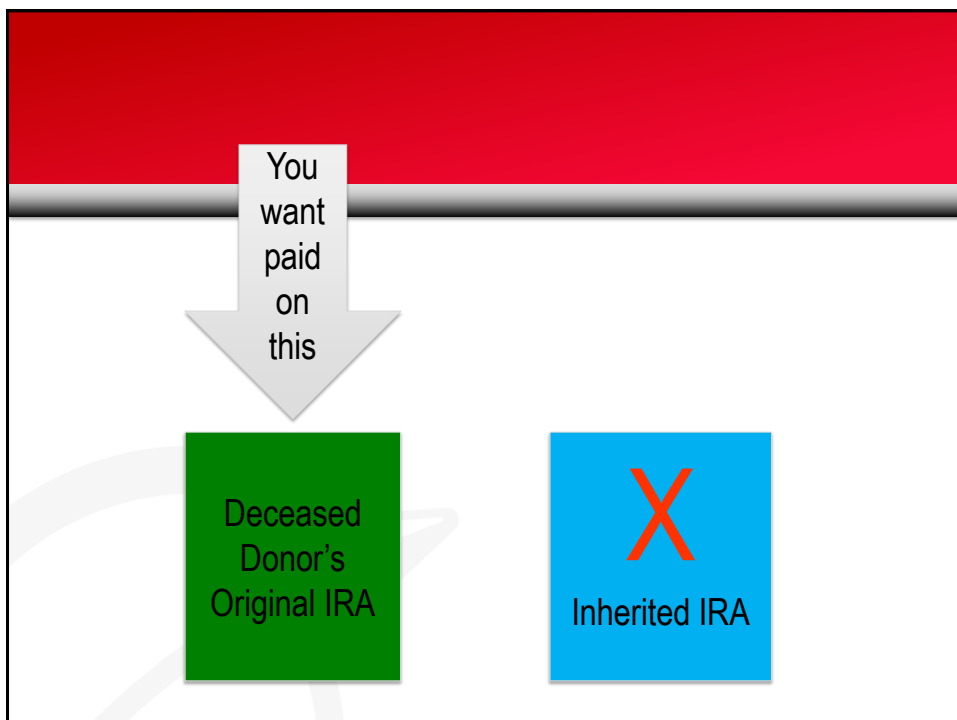
Does the Patriot Act* Really Apply?

The Financial Crimes Enforcement Network (FinCEN) is the government agency that regulates compliance with the Patriot Act:

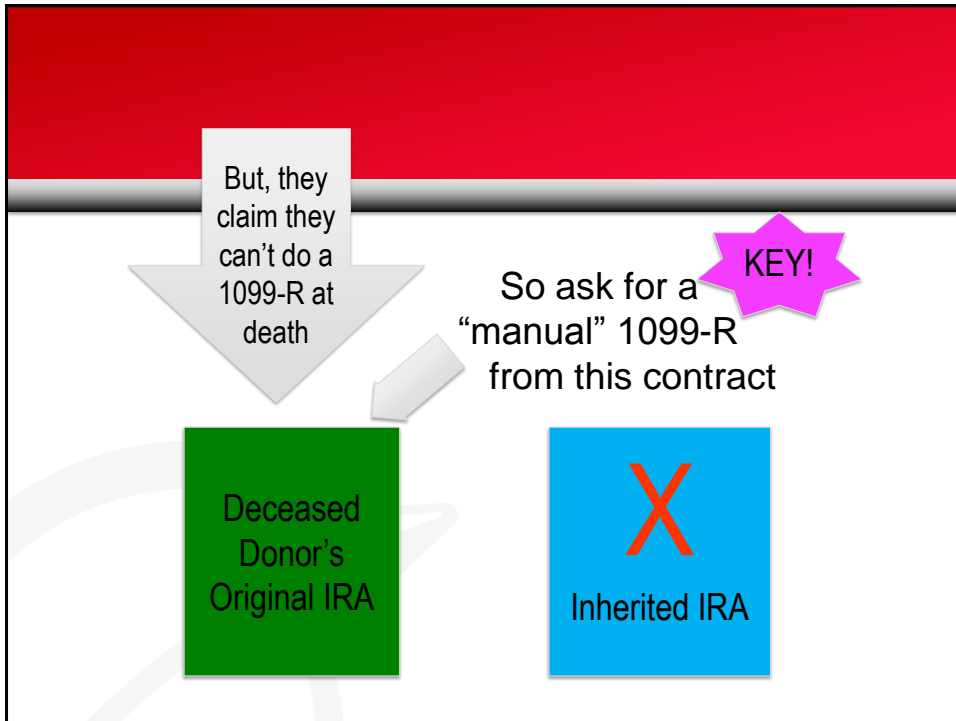
“If the beneficiary continues to maintain the account after the passing of the previous customer, the bank should treat them as a customer.”

-FinCEN's Resource Center
6/20/2019

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It's Your Choice

You can provide the info if your organization wants to.

The slide has a red header bar with the text 'It's Your Choice' in white. Below the header, the main text is in a black, italicized serif font. A large, faint watermark of a hand holding a pen is visible in the background.

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Why?

Why is this happening?

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Do You Want to Stretch?

Why would any charity want to stretch out the receipt of their donor's gift?

They don't!

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Overlooked

They never considered charities' needs when they devised their computer systems. They assumed all beneficiaries want to "stretch."

They don't!

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Why?

*Asset Conservation
Technique*

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Reason? Or Excuse?

- **Our computer system won't allow it**
- **We can't issue a manual 1099-R (note that's not true!)**
- **Everyone does it this way (not true)**
- **We'll never make an exception (not true)**

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What they've said

“Just do as we say and you'll get your money faster than complaining....”

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What They've Said

- *"No, we won't tell you the \$ amount of your death claim."*
- *"We aren't going to compromise."*
- *"Let the death claim sit with us until it goes to a statewide unclaimed property fund. Then try to get the money."*
- *"Go see a judge and get a court order if you don't like how we do it."*

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The Problem is Getting Worse

- Some custodians won't **EVEN** tell you you're a beneficiary in the first place

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What Can Your Organization Do Now?

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What Can Your Org Do?

Imperative: communicate with general counsel of Financial Institution – as the local advisor, agent, clerk, manager, etc., may not have the authority to make the exception you need.

Jonathan Tidd recommends your lawyer to their lawyer (i.e., general counsel).

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What Do You Say

Use our sample letters.....

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*Nationwide
working on a
permanent solution!*

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New Database

Database of IRA Administrators

- How to work through each IRA Administrator's process
- Who to contact
- What paperwork is required
- Sample letters
- NACGP has it on their website

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Free Access to Database

Don't need membership of
national CGP

[www.charitablegiftplanners.org/
ira-distribution-resource-center](http://www.charitablegiftplanners.org/ira-distribution-resource-center)

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Advocacy & Legislative Updates | CGP IRA Distribution Resource Center | CGP

JOIN CONNECT LEARN **ADVOCATE** ABOUT SHOP BLOG

Charitable Beneficiary IRA Distribution Resource Center

In a recent CGP survey 43% of organizations stated they experienced difficulty in collecting beneficiary proceeds from one or more IRA administrators.

In a recent CGP survey 43% of organizations stated they experienced difficulty in collecting beneficiary proceeds from one or more IRA administrators. This is a matter of great concern to nonprofit organizations across the country. Many individuals and organizations are working to improve the timely distribution of beneficiary proceeds from financial institutions. Through awareness, advocacy and the collection of valuable information to assist organizations, they have created a number of resources to expedite distributions and promote change in institutional policy. The goal of the center is to organize the results of their efforts in one location to benefit the entire nonprofit sector.

This center is meant to be dynamic with new resources and information added as they become available. If you have information to share or

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IRA Distribution Resource Center | CGP IRA Distribution Resource Center | CGP

Charity IRA Beneficiaries Navigate Stormy Seas to Safe Harbors, Parts 1&2

BY JEFF COMFORT
Used by Permission of Planned Giving Today

Part 1 Part 2

How Charities May Collect IRA Beneficiary Designations

BY CHARLES SCHULTZ
Used by Permission of Crescendo Interactive, Inc

Read Now

Collecting IRA Beneficiary Gifts - A Death-Defying Experience

BY JEFF LYDENBERG
Used by Permission of PG Calc

Read Now

RIFT Project Update: How to Eliminate Delays When Requesting IRA Death Proceeds

BY JOHNI HAYS

Read Now

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RIFT (Release IRA Funds Timely) Project

COLLATED BY JOHNI HAYS, JD

The RIFT project is a database of collected materials to assist charitable organizations to effectively file and timely receive IRA beneficiary distributions. Click on the institution you are looking for to access filing information, forms and key contacts.

Disclaimer: Neither the National Association of Charitable Gift Planners or the RIFT Project is responsible for errors in this information. The information is gathered from multiple sources and may change without notification. Should you see data that is incorrect or have knowledge of changes to the information posted, please share that information in the comment section.

| | | |
|---|--|---|
| Ameriprise Learn More | BNY Mellon/Pershing Learn More | Charles Schwab Learn More |
| Edward Jones Learn More | Fidelity Learn More | LPL Financial, LLC Learn More |
| Merrill Lynch | Morgan Stanley | Northern Trust |

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Wells Fargo

As of Sept. 3, 2019, Wells Fargo says they automatically (without specifically asking for an exception) allow charities to receive their IRA proceeds without setting up an Inherited IRA. Therefore, nonprofits should not need to send either Charles Schultz letter.

Contact, if needed:
 Douglas R. Edwards, Interim General Counsel
 Wells Fargo Headquarters
 420 Montgomery Street
 San Francisco, CA 94104
 800-869-3557

As of October 2019, Wells Fargo needed an IRA Beneficiary Claim Form (check the box in Section 3 for a Lump Sum). Need assistance? Contact Malissa S. Welch, Senior Client Associate, 208-363-7639, Malissa.welch@wfadvisors.com

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NATIONAL ASSOCIATION of Charitable Gift Planners

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Morgan Stanley

They do not require a separate Inherited IRA account be established.

They need the following forms:

- [Affidavit of Domicile form](#)
- Copy of the death certificate
- [IRA distribution form](#)

They don't need a corporate resolution.

They can typically process this in 10 days or so once they've received the appropriate paperwork.

Northern Trust

A colleague with Northern Trust says, if it's a Trusteed IRA, Northern Trust does not require the charity to open an inherited IRA to receive distribution from the IRA on the IRA owner's death. In that case, Northern Trust would ask the charity to provide:

- a letter of direction (with transfer instructions),
- evidence that the person giving the instructions has authority to act on behalf of the charity, and
- Form W-9.

This colleague also notes, however, that with custodial IRAs, there is a different procedure depending on whether the custodial IRA is held with Northern Trust's banking division or with their brokerage division. The banking

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Who Does Not Require an Inherited IRA

As of 11/30/2020:

- **BNY Mellon/Pershing**
- **Merrill Lynch**
- **Morgan Stanley**
- **Raymond James**
- **TD Ameritrade**
- **US Bank**
- **Wells Fargo**

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Who'll Make an Exception?

As of 11/30/2020: Ask for an exception--but be sure to get the most up-to-date RIFT information first as each has different requirements:

- Charles Schwab
- Edward Jones
- Vanguard

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The Problem is Getting Worse

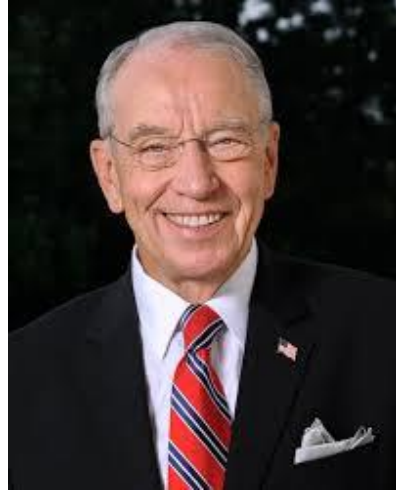
- Some Financial Institutions now require a 2nd account for non-IRA accounts
- See RIFT Database on CGP website for sample letter

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Other National Efforts

**Chair of Senate Finance
Committee**

SFC investigator



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Other National Efforts

- Recently contacted Maxine Waters, Chair House Financial Services Committee
- Tried to meet with Fidelity one on one
- National lawyer meeting (ACTEC)
- Litigation

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Can you get involved?

*Would you write a testimonial?
Need 5*

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Take Action!

- **Contact Senator Grassley/Senate Finance Committee Chair**
- **Contact Maxine Waters/House Financial Services Committee Chair**
- **Use RIFT letters**

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Take Action!

- **Willing to write a testimonial to Senator Grassley or Maxine Waters? Let me know.**
- **Got results – good or bad? Let me know!**

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Q&A



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Additional Questions

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Webinar Resources

Recording

Presentation handouts

www.stelter.com/webinars



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**Thompson &
Associates**SM
on course for tomorrow

Thank you!

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