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Who Are Your IRA Beneficiaries? -They May Be Different Than You Think-

Vanguard and T. Rowe Price have recently adopted new policies that the most recent beneficiary designation submitted to the custodian will govern the distributions from all of a customer's Individual Retirement Accounts of the same category. There are three categories of IRA's for the purpose of this policy: traditional IRAs, roll-over IRAs (from employer plans), and Roth IRAs.

Coordinating the distribution of IRA accounts and other assets that pass by beneficiary designation with a person's overall estate planning objectives is crucial. For some people, their largest asset may be an IRA (particularly where they arise from a rollover from an employer retirement plan, such as a 401(k) plan account).

This new policy could result in the disinheritance of a previously designated beneficiary. For example, if you have two older traditional IRA's and previously designated your children as the beneficiaries of those IRA's, but recently opened a third traditional IRA designating a charity as the beneficiary, the charity will be deemed the beneficiary of all three traditional IRAs, and your children will receive nothing.

Therefore, if you have more than one IRA at Vanguard or T.Rowe Price, we urge you to promptly contact those institutions to obtain a copy of the current beneficiary designation for each account and confirm that your IRAs will pass on death as you intend.

Other institutions may adopt similar policies unless such policies are abolished by legislative action or withdrawn in response to litigation by customers who have been adversely affected.

Presented as information to our clients and friends, and not to be construed as or take the place of
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Pasquesi Associates, P.C. – February 2008

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