

June 6, 2011

Stanley R. Niman
6620 S.W. Preslynn Drive
Portland, OR 97225-2662

Re: NCUA Share Insurance Coverage for an Inherited Individual Retirement Account.

Dear Mr. Niman:

You have asked if an individual retirement account (IRA) with a designated beneficiary would continue to receive separate NCUA share insurance coverage after the owner's death. Yes, under the circumstances discussed below.

NCUA's regulations provide share insurance coverage for a member's IRAs up to a maximum of \$250,000 that is separate from a member's other accounts at the same credit union. 12 C.F.R. §745.9-2(c)(1). The regulations further clarify that the \$250,000 maximum coverage for IRAs contemplates that traditional and Roth IRAs are combined and insured in the aggregate up to that maximum. 12 C.F.R. §745.9-2(c)(2). Specifically, §745.9-2 states:

(c)(1) *Certain retirement accounts.* Shares in an insured credit union made in connection with the following types of retirement plans shall be aggregated and insured in the amount of up to \$250,000. . . . per account:

(i) Any individual retirement account described in section 408(a) (IRA) of the Internal Revenue Code (26 U.S.C. 408(a)) or similar provisions of law applicable to a U.S. territory or possession;

(ii) Any individual retirement account described in section 408A (Roth IRA) of the Internal Revenue Code (26 U.S.C. 408A) or similar provisions of law applicable to a U.S. territory or possession;
and

(iii) Any plan described in section 401(d) (Keogh account) of the Internal Revenue Code (26 U.S.C. 401(d)) or similar provisions of law applicable to a U.S. territory or possession.

(2) Insurance coverage for the accounts enumerated in paragraph (c)(1) of this section is based on the present vested ascertainable

Mr. Stanley R. Niman

Page 2

interest of a participant or designated beneficiary. For insurance purposes, IRA and Roth IRA accounts will be combined together and insured in the aggregate up to \$250,000. . . . A Keogh account will be separately insured from an IRA account, Roth IRA account or, where applicable, aggregated IRA and Roth IRA accounts.

12 C.F.R. §745.9-2(c).

With respect to an inherited IRA, NCUA share insurance coverage will continue up to the \$250,000 maximum, separate from the share insurance coverage for other IRAs and accounts owned by the designated beneficiary, if certain conditions are met. Those conditions include: 1) the inherited IRA continues to be maintained in the name of the decedent; 2) the Internal Revenue Code and other applicable tax laws recognize the continued existence of the IRA after the death of the decedent; 3) the Internal Revenue Code and other applicable tax laws consider the named beneficiary as a qualified designated beneficiary for tax regulatory purposes; and 4) the inherited IRA is not commingled with other IRAs owned by the designated beneficiary.

We caution that the inheritability of an IRA, determination of who and how many individuals can qualify as a designated beneficiary, account distribution options, and other issues related to tax-advantaged savings accounts are governed by the Internal Revenue Code and other applicable tax laws. These tax related issues can be complex and are outside the purview of NCUA. We recommend that members fully understand these tax considerations as part of their overall financial planning and account structuring for share insurance purposes.

Please contact Senior Staff Attorney Frank Kressman or me with any additional questions.

Sincerely,

/S/

Hattie M. Ulan
Associate General Counsel

GC/FK
11-0241