

# Living Trust as a Beneficiary

This letter explains what happens when a member names a living trust as the beneficiary for IMRF death benefits. The trustee or successor trustee must apply for an Employer Identification Number (EIN) from the Internal Revenue Service after the person who established the trust passes away.

## Naming a trust as a beneficiary

Sometimes, a member will create a living trust and name that trust as the beneficiary for IMRF benefits. While using a trust is a good estate tool, the trustee or successor trustee may not be familiar with the changes that occur when the member passes away. When this occurs, the trust changes from a *revocable* trust to an *irrevocable* trust, and Internal Revenue Service (IRS) reporting changes:

- **When the trust is revocable**

When the trust is established, it is a revocable trust, meaning that the member who established the trust can add or remove assets to and from the trust during his or her life time. During the member's life time, the trust uses the member's Social Security Number (SSN). All accounts that hold assets of the trust use the member's SSN when reporting income (i.e. dividends, interest, etc).

- **When the trust becomes irrevocable**

When the member passes away, handling of the trust changes. Since the member established the trust, he or she was the only person who could make a revocation. After the member has died, the trust is *no longer* a revocable trust, instead, it becomes an *irrevocable trust*. As such, it takes on an identity of its own. At that point, all income is for the trust and **not** the deceased member. The member's SSN **can no longer be used** when income is reported to the trust.

## How this affects the payment of IMRF benefits

IMRF benefits are subject to Federal income tax. At the end of the year, we must properly report these benefits using IRS Form 1099-R. After the member's death, the IMRF death benefit is being paid to the irrevocable trust as beneficiary. **Any benefit paid after the member's death can no longer use the member's SSN.** The proper tax ID for an irrevocable trust after the member's death is called an Employer Identification Number (EIN). IMRF cannot process a death benefit for an irrevocable trust until we have the EIN for the 1099-R tax form.

*Tax and Topic letter #16—“Living Trust as a Beneficiary,” continued*

**Requesting an Employer Identification Number**

The trustee or executor of the estate must request an EIN from the IRS. You can request the number online, or print a paper copy of form SS-4, “Application for Employer Identification Number” from the IRS website ([www.irs.gov](http://www.irs.gov)). You can also call the IRS forms service at 1-800-TAX-FORM (1-800-829-3676).

**Questions**

If you have any questions about this letter, please contact IMRF’s Operations Analyst at (630) 706-4292. For further information on getting an EIN, please contact the IRS or your legal advisor.

