

Beneficial IRA options at a glance

When the owner of an individual retirement arrangement (IRA) passes away, any remaining IRA assets will be distributed to the IRA beneficiaries. But what happens if some beneficiaries don't need or want their share right away? The Internal Revenue Service (IRS) has rules on how an IRA beneficiary may receive an IRA distribution. The following summarizes those rules for both traditional IRAs and Roth IRAs – which vary based on who the beneficiary is and when the IRA owner died.

Traditional IRAs

Post-death distributions flowchart – Beneficial IRA options

If the traditional IRA owner died **before** required beginning date¹ *Who is the IRA beneficiary?*

Spouse	Nonspouse individual ²	Certain trusts	No designated beneficiary ³
<ul style="list-style-type: none"> • Lump sum • Defer initially but distribute all by Dec. 31 of the year containing the fifth anniversary of owner's death ("5-year deferral") • RMDs over spouse's own single life expectancy using Single Life Table <ul style="list-style-type: none"> – Payments begin by Dec. 31 of the year after the owner dies – During life, can recalculate the life expectancy each year – At spouse death, the life expectancy figure becomes "fixed" and then life expectancy figures drop one year for each year that passes for the spouse's beneficiaries, who can ride out this fixed term but cannot extend for another life expectancy • Defer distribution, but take RMDs using spouse's own single life expectancy beginning when owner would have been age 70½ • Roll over or continue the IRA in spouse's name (the RMD rules are reset and can wait to take them at spouse's age 70½) and name a new beneficiary <ul style="list-style-type: none"> – Under age 59½, rolling the inherited IRA loses death benefit tax exception to the 10% federal additional tax for premature distributions – After age 59½, can roll over the IRA to own name and defer or take distributions with no 10% federal additional tax 	<ul style="list-style-type: none"> • Lump sum • 5-year deferral • RMDs over beneficiary's own fixed single life expectancy using Single Life Table <ul style="list-style-type: none"> – Payments begin by Dec. 31 of the year after the owner dies • If more than one, the beneficiaries will have until Dec. 31 of the year after owner's death to divide the IRA into separate shares <ul style="list-style-type: none"> – Beneficiaries can choose their own options and decide whether to take RMDs using their own life expectancy • Minor beneficiary(ies) should have a trust or custodian named under their state Uniform Gifts to Minors Act or Uniform Transfers to Minors Act; many states forbid an insurance company from paying funds to a minor directly 	<ul style="list-style-type: none"> • RMDs over the fixed life expectancy of the oldest trust beneficiary, as the trust terms dictate • All trust beneficiaries must be persons and these trust rules met: <ul style="list-style-type: none"> – The trust is valid under state law – The trust is, or becomes, irrevocable at owner's death – The trust beneficiaries are all identifiable individuals – The IRA provider is given a copy of the trust/documentation of beneficiaries information 	<ul style="list-style-type: none"> • Lump sum • 5-year deferral

If the traditional IRA owner died **on or after** required beginning date¹ *Who is the IRA beneficiary?*

Spouse	Nonspouse individual ²	Certain trusts	No designated beneficiary ³
<ul style="list-style-type: none"> • Lump sum • RMDs over longer of spouse's own single recalculated life expectancy, or over deceased owner's remaining single fixed life expectancy at time of death using Single Life Table <ul style="list-style-type: none"> – Payments begin by Dec. 31 of the year after the owner dies • Roll over or continue the IRA in own name <ul style="list-style-type: none"> – Under age 59½, rolling the inherited IRA loses death benefit tax exception to the 10% federal additional tax for premature distributions – After age 59½, can roll over the IRA to own name and defer or take distributions – Note: Rolling inherited traditional IRA over to own IRA could result in different RMD amounts 	<ul style="list-style-type: none"> • Lump sum • RMDs over longer of the beneficiary's single life expectancy or deceased owner's remaining single fixed life expectancy at time of death using Single Life Table <ul style="list-style-type: none"> – Payments begin by Dec. 31 of the year after the owner dies • If more than one, the beneficiaries have until Dec. 31 of the year after owner's death to divide the IRA into separate shares <ul style="list-style-type: none"> – Beneficiaries can choose their own options and decide whether to take RMDs using their own life expectancy • Minor beneficiary(ies) should have a trust or custodian named under their state Uniform Gifts to Minors Act or Uniform Transfers to Minors Act; many states forbid an insurance company from paying funds to a minor directly 	<ul style="list-style-type: none"> • RMDs over longer of fixed life expectancy of the oldest trust beneficiary, as the trust terms dictate, or deceased owner's remaining single life expectancy at time of death, using Single Life Table • All trust beneficiaries must be persons and these trust rules met: <ul style="list-style-type: none"> – The trust is valid under state law – The trust is, or becomes, irrevocable at owner's death – The trust beneficiaries are all identifiable individuals – The IRA provider is given a copy of the trust/documentation of beneficiaries information 	<ul style="list-style-type: none"> • Lump sum • RMDs over deceased owner's remaining single fixed life expectancy at time of death using Single Life Table

¹ The required beginning date for a traditional IRA is April 1 of the year after the year the IRA owner turns age 70½.

² Child, grandchild, sibling, partner, stepchild, etc.

³ No designated beneficiary, no named default in IRA provisions, and/or beneficiary is a non-natural entity (estate, charity, corporation, etc.). If no named beneficiary and no default provisions in the IRA specifying default beneficiaries, then the estate is the beneficiary.

Roth IRAs

Post-death distributions flowchart – Beneficial Roth IRA options

Who is the Roth IRA beneficiary?¹

Spouse	Nonspouse individual ²	Certain trusts	No designated beneficiary ³
<ul style="list-style-type: none"> • Lump sum • Defer initially but distribute all by Dec. 31 of the year containing the fifth anniversary of owner's death ("5-year deferral") • RMDs over spouse's own single life expectancy using Single Life Table <ul style="list-style-type: none"> – Payments begin by Dec. 31 of the year after the owner dies – During life, can recalculate the life expectancy each year – At spouse death, the life expectancy figure becomes "fixed" and then life expectancy figures drop one year for each year that passes for the spouse's beneficiaries, who can ride out this fixed term but cannot extend for another life expectancy • Defer distribution, but take RMDs using spouse's own single life expectancy beginning when owner would have been age 70½ • Roll over or continue the IRA in spouse's name (no RMD is required while the spouse is living) and name a new beneficiary <ul style="list-style-type: none"> – Under age 59½, rolling the inherited IRA loses death benefit tax exception to the 10% federal additional tax for premature distributions – After age 59½, can roll over the IRA to own name and take distributions with no 10% federal additional tax – Keep in mind: May want to consider how rolling over funds into own Roth IRA will affect their ability to receive qualified distributions because this could cause the distributions to be subject to both income and federal additional taxes (qualified distributions as beneficiary may become nonqualified distributions as owner) 	<ul style="list-style-type: none"> • Lump sum • 5-year deferral • RMDs over beneficiary's own fixed single life expectancy using Single Life Table <ul style="list-style-type: none"> – Payments begin by Dec. 31 of the year after the owner dies • If more than one, the beneficiaries will have until Dec. 31 of the year after owner's death to divide the IRA into separate shares <ul style="list-style-type: none"> – Beneficiaries can choose their own options and whether to take RMDs using their own life expectancy • Minor beneficiary(ies) should have a trust or custodian named under their state Uniform Gifts to Minors Act or Uniform Transfers to Minors Act; many states forbid an insurance company from paying funds to a minor directly 	<ul style="list-style-type: none"> • RMDs over the fixed life expectancy of the oldest trust beneficiary, as the trust terms dictate • All trust beneficiaries must be persons and these trust rules met: <ul style="list-style-type: none"> – The trust is valid under state law – The trust is, or becomes, irrevocable at owner's death – The trust beneficiaries are all identifiable individuals – The IRA provider is given a copy of the trust/documentation of beneficiaries information 	<ul style="list-style-type: none"> • Lump sum • 5-year deferral

¹ Roth IRAs have no required beginning date and no required minimum distributions (RMDs) for the Roth IRA owner. The Roth IRA beneficiaries, however, are subject to these RMD rules.

² Child, grandchild, sibling, partner, stepchild, etc.

³ No designated beneficiary, no named default in IRA provisions, and/or a non-natural entity (estate, charity, corporation, etc.). Keep in mind that estate will be the beneficiary unless IRA provisions specify differently.

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