Inherited IRAs

Understand your beneficiary distribution options.

As an IRA beneficiary, you have some choices.

If you've inherited an IRA, make sure you understand your options.

Because of the IRS rules, your options as an IRA beneficiary depend on certain factors.

First, answer this question…

When did the IRA owner die?

- ☑ **Before January 1, 2020:** Continue the same method of payment that you previously elected. If you have not yet made an election, consult with the financial organization holding your IRA or review the IRA document for your options.
- ☑ **On or after January 1, 2020:** See the distribution options described in this brochure. Because there may be exceptions to these options, consult further with a competent advisor or with the financial organization holding the IRA.

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Before you decide what to do with your inherited IRA, you may have some questions.

What are my choices?

As an IRA beneficiary, your distribution options will depend on these factors.

1. What the IRA plan agreement allows
2. When the IRA owner died
3. Your age and relationship to the IRA owner

The options described here are allowed by federal laws and IRS regulations, but the plan agreement for the IRA you've inherited may be more restrictive. Check with your financial organization about your specific distribution options.

Am I affected by the new rules?

The Setting Every Community Up for Retirement Enhancement (SECURE) Act changed the distribution options for beneficiaries when IRA owners die on or after January 1, 2020. The key change is that most nonspouse beneficiaries who are *more than* 10 years younger than the IRA owner must distribute the inherited IRA assets within 10 years; they can no longer stretch IRA payments over their own life expectancy. This applies to Traditional, Roth, and SIMPLE IRAs, and to employer-sponsored retirement plans.

For IRA owners who died before January 1, 2020, the beneficiary distribution options in effect before the SECURE Act continue to apply.*

Traditional, Roth, and SIMPLE IRA Beneficiary Options When IRA Owner Dies On or After January 1, 2020*

Spouse	• Treat IRA as own • Lump sum • 10-year rule • Life expectancy payments
Nonspouse *not more than* 10 years younger than the IRA owner, account owner's minor child, disabled or chronically ill persons	• Lump sum • 10-year rule • Life expectancy payments
Nonspouse *more than* 10 years younger than the IRA owner	• Lump sum • 10-year rule

Nonpersons that inherit IRAs generally must follow the distribution rules in effect before 2020, even for deaths occurring on or after January 1, 2020. For Roth IRAs, it is the five-year rule (distribute entire balance within five years). For Traditional and SIMPLE IRAs, it is the five-year rule if the IRA owner died before his required beginning date (RBD) for required minimum distributions, and single life expectancy payments if he died on or after the RBD.

Minor children of the decedent may start single life expectancy payments, but must distribute the entire balance within 10 years after turning the age of majority.

*See your financial organization or the IRA document for options that apply if the IRA owner died before January 1, 2020.

Is there a deadline for choosing a distribution option?

You generally have until December 31 of the year following the year of the IRA owner's death to decide which option you prefer. But at any time, you can speed up your withdrawals or distribute the entire amount.

Will I have to pay tax on my inherited IRA assets?

You generally must pay tax on inherited IRA assets. But depending on the type of IRA and the assets within it, your IRA distribution may be tax-free. Consult a competent tax advisor for information on your specific tax consequences.

Lump Sum Distribution

You may withdraw the total amount of your inherited IRA assets from the IRA. Lump sum payments may be taken at any time.

10-Year Rule

You may withdraw any amount at any time as long as the entire IRA balance is withdrawn by December 31 of the 10th year after the IRA owner's death.

Single Life Expectancy Payments

If taking single life expectancy payments, you generally must take annual distributions of a minimum amount based on your single life expectancy, beginning December 31 of the year following the year of the IRA owner's death. Spouse beneficiaries may delay payments until the year the IRA owner would have turned age 72.

Treat the IRA as Your Own

If you're a spouse beneficiary, you may treat the IRA as your own at any time by transferring or rolling over the inherited IRA assets to your own IRA.

See a competent advisor.

The beneficiary distribution options can be complicated, especially after the SECURE Act changes that took effect January 1, 2020. If you inherit an IRA, discuss your options with a competent advisor to decide on which option best suits you.

For More Information

We'd be happy to answer your questions about beneficiary distribution options.