MissionSquare

Distribution Rules for Inherited Retirement Plan Assets: A Checklist



As a beneficiary of a retirement account, you have a few financial decisions and rules to consider, including required minimum distributions (RMDs). Your MissionSquare representative can help you navigate your options.

Depending on your relationship to the original owner, IRS rules differ.

Surviving Spouse Beneficiaries

- You can transfer the assets to your own retirement account. This may help simplify your finances and provide more RMD flexibility and tax benefits. (A Roth IRA is generally not subject to RMDs until a non-spouse beneficiary inherits it.)
- Leaving the assets as is or transferring to an inherited IRA may be considered to:
  - Avoid possible penalty taxes if you need the money and are younger than age 59½.
  - Delay RMDs if you don't need the money, are older than your spouse, and your spouse died before their RMD deadline.
- If the original owner resided in a community property state, the surviving spouse generally has rights to assets acquired during marriage.

An Inherited IRA – You own the assets but the rules differ from other IRAs:

- The original owner's name must also be identified in the account title.
- The assets cannot be combined with your own IRA assets (although you can transfer other IRA assets inherited from the same original owner).

Other, Non-Spouse Beneficiaries

- A minor child, a disabled or chronically ill individual, or any other person who is not more than 10 years younger than the participant/IRA owner
- Using single life expectancy:
  - Use younger of 1) beneficiary's age or 2) owner's age at birthday in year of death
  - Determine beneficiary's age at year-end following year of owner's death
  - Use oldest age of multiple beneficiaries
  - Reduce beginning life expectancy by 1 for each subsequent year
  - Can take owner's RMD for year of death

Note: Once a minor child becomes an adult, the account must be depleted in 10 years from that date.

Trusts, Charities, Estates, and Other Entities

Non-individuals must generally distribute all assets within a 5-year period unless the beneficiary is a qualifying trust.

- Beneficiaries of a qualifying trust can receive RMDs based on the oldest trust beneficiary's life expectancy, enabling the original IRA owner to control distributions, yet still pass on possible tax advantages.

All Other Individual Beneficiaries

- The account must be depleted in 10 years from the original owner's year of death.

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IRS Deadlines – Check off the ones that apply to you.

All Beneficiaries (spouse, other, non-spouse, qualifying trust, all other)		
Deadline	**Action**	**Apply to you?**
December 31 of the year of death	**Take decedent's final RMD** if the decedent died after their RMD deadline and had not taken that year's RMD.	☐ **Yes** ☐ **No**
Nine months after the date of death	**Disclaim assets** (optional) if you don't need the money and prefer it be passed to the decedent's other beneficiaries for personal or estate/income tax reasons. Specific rules apply and the decision is generally irrevocable.	☐ **Yes** ☐ **No**

Spouse Beneficiaries		
Deadline	**Action**	**Apply to you?**
December 31 of the year following year of death	If you're not the only primary beneficiary, transfer assets into a separate account and be treated as a sole spouse beneficiary, enabling you to transfer assets into an account in your name at any time and then be subject to traditional RMD rules.	☐ **Yes** ☐ **No**

If you don't transfer assets to your own retirement account, then RMDs must be taken based on whether the original owner spouse died after or before their RMD deadline.

Deadline	**Action**	**Apply to you?**
If your spouse died AFTER RMD deadline – **December 31 of each year following year of death**	Take IRS RMDs, allowing you to "stretch" out the account over your life expectancy.	☐ **Yes** ☐ **No**
If your spouse died BEFORE RMD deadline – **December 31 of each year following year of death or, if later, beginning in the year they would have reached age 73.***	Take IRS RMDs, allowing you to "stretch" out the account over your life expectancy. Otherwise, you must withdraw all assets by the end of the fifth year following year of death.	☐ **Yes** ☐ **No**

*70½ (if your spouse was born before July 1, 1949), age 72 (if your spouse was born after June 30, 1949, and before January 1, 1951), or age 73 (if your spouse was born after December 31, 1950).

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Other, Non-Spouse Beneficiaries (minor child, disabled or chronically ill individual, or any other person who is not more than 10 years younger than the participant/IRA owner)

Deadline	Action	Apply to you?
December 31 of each year following year of death	Transfer assets into a separate inherited IRA and then take IRS RMDs over your life expectancy. Otherwise, RMDs must be taken over the oldest beneficiary's life expectancy.	☐ **Yes** ☐ **No**
December 31 of each year following year of death	Take IRS RMDs, allowing you to "stretch" out the account. If the original owner died before their RMD deadline, you may instead take withdrawals as you wish, as long as you withdraw all assets by the end of the fifth year following year of death.	☐ **Yes** ☐ **No**

Qualifying Trust Beneficiaries

Deadline	Action	Apply to you?
October 31 of the year following year of death	Send a copy of the trust document to the financial company that will administer the inherited IRA.	☐ **Yes** ☐ **No**
Trust RMDs must generally be taken over the oldest trust beneficiary's life expectancy, based on the above rules for non-spouse beneficiaries.		☐ **Yes** ☐ **No**

All Other Individual Beneficiaries

Deadline	Action	Apply to you?
December 31 of the 10th year following year of original owner's death	Deplete account	☐ **Yes** ☐ **No**

If the death of the original account owner was prior to January 1, 2020, contact us – there are separate guidelines that must be followed.

For more information about inheriting IRA assets, view IRS Publication 590 (www.irs.gov).

MissionSquare Paperwork

To transfer assets you've inherited as a designated beneficiary to a MissionSquare inherited IRA or, in the case of a spouse, to an IRA in your name, contact your MissionSquare representative or Plan Services (**www.missionsquare.com/contact**).

MissionSquare does not provide specific tax or legal advice. Consider working with a qualified financial professional, such as an estate or tax planning attorney, for advice unique to your situation.