



RETIREMENT ACCOUNT RMD RULES

An advisor resource to help you understand RMD rules with an emphasis on inherited retirement accounts

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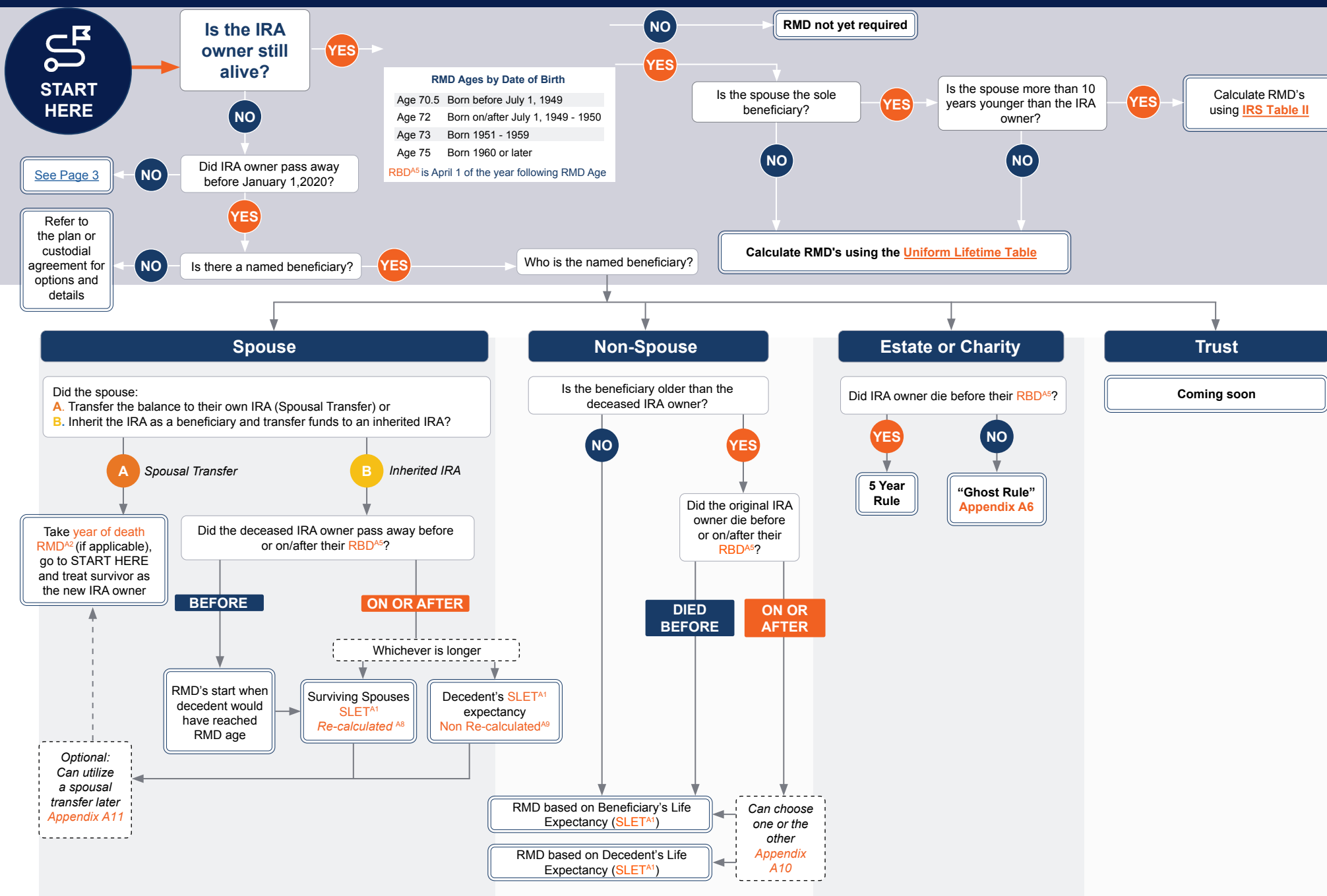
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Common terminology used throughout this resource:	
Decedent	Person who passed away
RMD	Required Minimum Distribution
RBD	Required Beginning Date
Beneficiary	The person or entity who inherits the IRA or retirement account from the original account owner
Successor Beneficiary	The person or entity who inherits an inherited account from the original beneficiary
EDB	Eligible Designated Beneficiary
"IRA" or "Account"	Pre-tax IRA or qualified plan. Roth IRA's will be called out separately and distinctly.

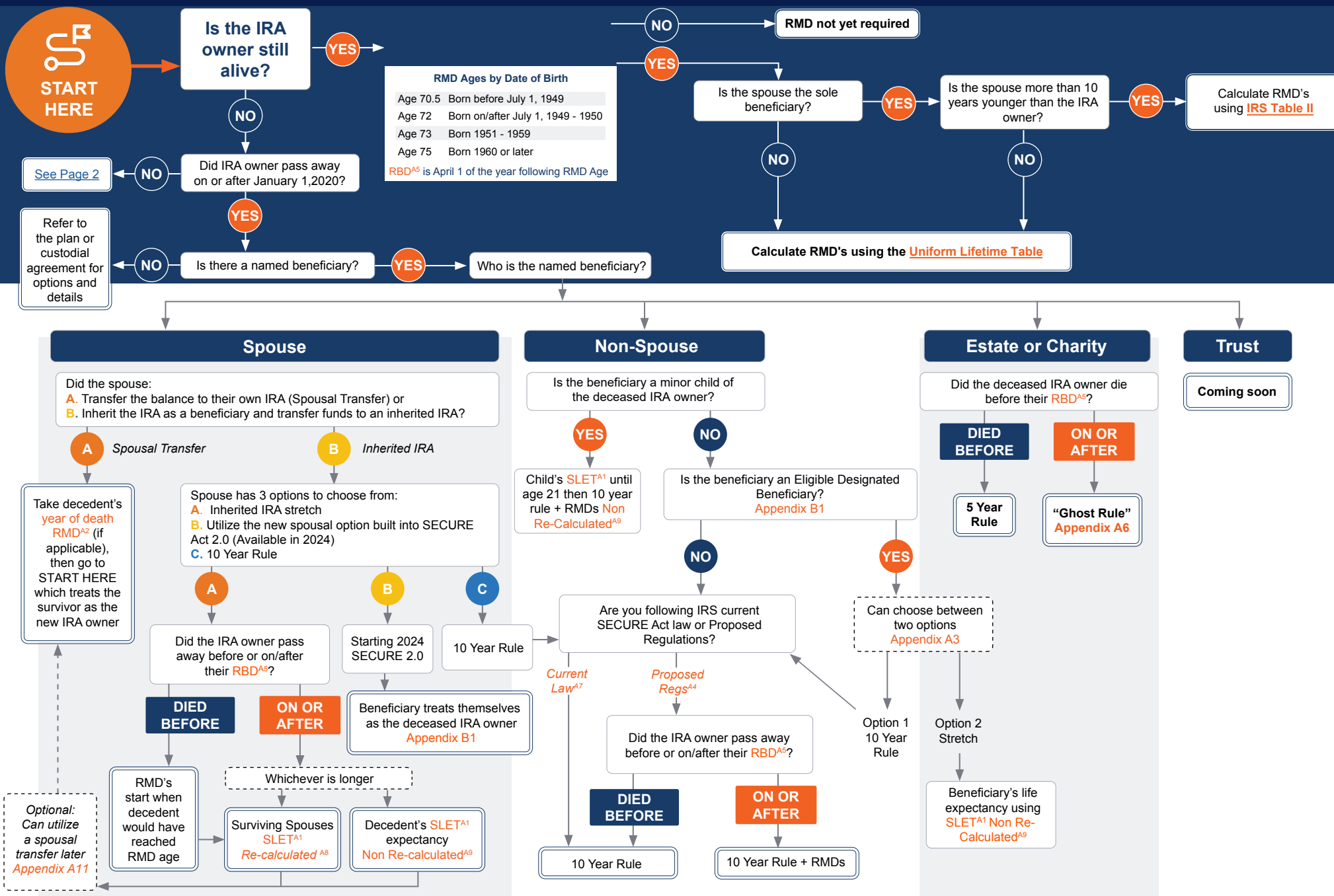
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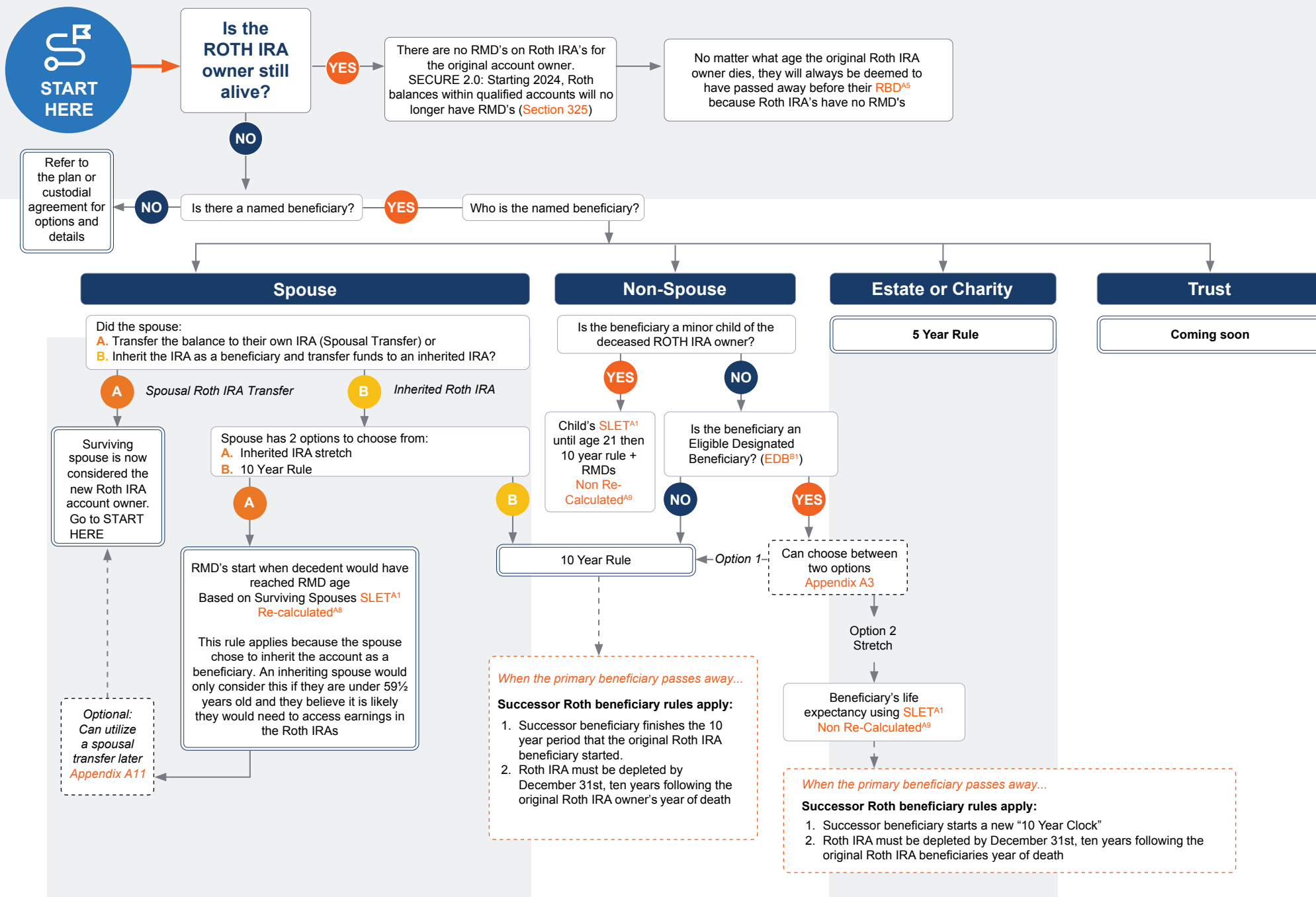
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ROTH IRA: AFTER JANUARY 1, 2020

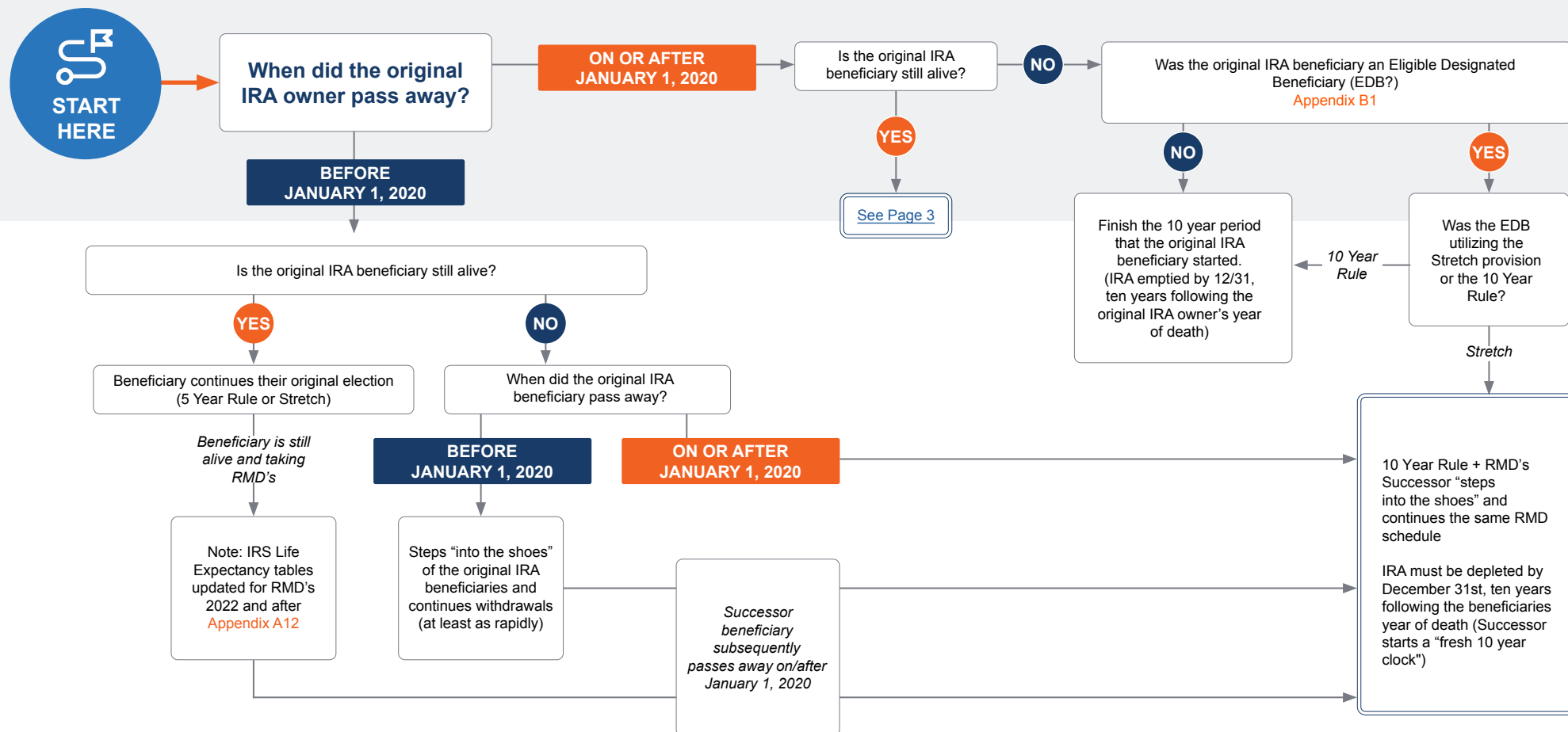
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SUCCESSOR BENEFICIARY

A BENEFICIARY OF A PREVIOUS IRA BENEFICIARY

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APPENDIX

SECTION A: FOOTNOTES

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1	IRS Single Life Expectancy Table (SLET) - Link to table
2	Year-of-Death RMD: If a person dies before taking all or part of the annual RMD, whatever remains must still be withdrawn. Death provides no waiver. The responsibility for taking the year of-death RMD then falls to the beneficiary. (The year-of-death RMD is calculated as if the IRA owner were still alive, typically using the Uniform Lifetime Table .) If there are multiple IRA beneficiaries, the IRS does not care who takes the year-of-death RMD; the IRS just wants it to be taken. If multiple beneficiaries elect to divide the year-of-death RMD equally, they can do so.
3	Non-spouse individuals who are EDB's can choose between the 10 year rule or stretching (plan or custodian may limit options): Treasury Regulation 1.401(a)(9)-3(c)(5)(C)(iii) Must choose only one option and that choice is irrevocable (you can't change distribution strategies after an action has been taken)
4	Following proposed regulations regarding the 10 Year Rule: 1. The idea of annual RMDs under the 10-year rule didn't appear until the latest version of IRS Publication 590-B , which came out in March 2021 as a guide for preparing 2020 tax returns. 2. On February 23, 2022, the IRS released proposed regulations (REG-105954-20) on required minimum distributions (RMDs). The regulations were proposed to be effective for 2022 RMDs. 3. Due to increased confusion, IRS released Notice 2022-53 in 2022 that waived penalties for RMD's not taken. Notice 2023-54 was recently released in 2023 which extends the penalty waiver.
5	Required Beginning Date (RBD) - April 1 of the year following the year the IRA owner reaches RMD age. This is the latest RMD's must start. Once at RBD, the RMD must occur every year by December 31st.
6	"Ghost Rule": Annual stretch RMD payments are made over the deceased IRA owner's remaining single life expectancy, had they survived. To calculate the ghost rule payments, use the single life expectancy of the deceased account owner in the year of death. This is different from standard inherited IRA RMD calculations which uses the age of the beneficiary in the year after death.
7	SECURE Act Current Law: Public Law 116-94-December 20, 2019 (Section O)
8	RMD Re-Calculated Method: Referring to the Single Life Expectancy Table each year to "recalculate" a life expectancy payment. So in the first distribution year and in all subsequent years, a spouse beneficiary will need to look at the age that he will become in that distribution year on the Single Life Expectancy Table to find the applicable distribution period, or life expectancy divisor.
9	RMD Non Re-Calculated Method: Referring to the Single Life Expectancy Table only once, during that first distribution year (the year following the year of death), and then for subsequent years, subtracting one from the life expectancy divisor used in the previous year.
10	Pre SECURE Act: Non Spouse Beneficiary Life Expectancy: Original IRA owner died after his required beginning date, the non-spouse beneficiary has the option of taking distributions over either his/her own life expectancy, or the remaining life expectancy of the original owner Treasury Regulation 1.401(a)(9)-5, Q&A-5
11	Spouse as a designated beneficiary options: IRC Section 401(a)(9)(B)(iv)
12	Pre-SECURE beneficiary RMD IRS Table reset: In computing the RMD for the non-spouse designated beneficiary of a participant who died in 2020 or earlier, it will be necessary to apply a transition rule to determine the RMD for 2022 and later years. There is a one-time reset of the payout period, starting in 2022: You go back to the original year-after-participant's death and determine what would have been the designated beneficiary's life expectancy in such year-after-death under the NEW tables. Then deduct one year for each year that has passed since then, and apply that as your Applicable Denominator for 2022. Continue to deduct one year from that new adjusted remaining life expectancy in each following year. "Estate Planning For Retirement Benefits Under SECURE and Proposed Regulations" - Page 17
13	Spouse transfers IRA over to an Inherited IRA (treating themselves as a beneficiary) "Estate Planning For Retirement Benefits Under SECURE and Proposed Regulations" - Pages 28-30 Spouses are allowed to first A) Inherit the IRA as a beneficiary to then subsequently B) transfer the IRA balance into his/her own IRA at a later date and now be treated as the new IRA owner Original IRA owner passed away PRIOR to their RBD: Spouse may defer required distributions until the year the owner would have reached RMD age. Thereafter, RMDs are calculated based upon spouse's life expectancy by referencing his or her attained age for the year of distribution on the Single Life Table. For each succeeding year, this process is repeated (re-calculated each year). Original IRA owner passed away AFTER their RBD: RMD for year of death must be taken based upon decedent's RMD for that year. Thereafter, the applicable distribution period is the longer of: (1) the surviving spouse's life expectancy based on the Single Life Table using the recalculated method, which means you re-visit the table each year based on the surviving spouses age, or (2) the life expectancy of the deceased spouse under the Single Life Table using the age of the deceased spouse as of his or her birthday in the year of death, whereby in subsequent years, this factor is reduced by one for each succeeding year this process is repeated. 10 Year Rule: If the surviving spouse is approaching age 71 and elects to use the 10 year rule, they can't change distribution strategies after this action has been taken (Anti-Gaming Provisions) Surviving spouse deferred rollover: A surviving spouse's rollover, if it occurs in any year after the year she turns age 71, must be reduced by a deemed RMD amount—the cumulative total of what would have been RMDs if the account had belonged to her. See Preamble, and Prop. Reg. § 1.402(c)-2(j)(3)(iii) - Page 55 . SECURE ACT 2.0 - Effective 2024 - Section 327: This will extend the list of spouse-beneficiary-only options further by introducing the ability to elect to be treated as the deceased spouse.

APPENDIX

SECTION B: IRA Beneficiary Categories

Is the beneficiary of the IRA assets an identifiable person?

NO

YES

Are they eligible to stretch IRA distributions?

NO

CATEGORY 1

Eligible Designated Beneficiaries (EDB)
Stretch still applies - Can choose 10 year rule or stretch

Type of EDB	Definitions and details
Spouses	<ul style="list-style-type: none"> Spouse of the decedent at time of death SECURE 2.0 - Section 327 - Effective 2024, Surviving Spouse Election: <ul style="list-style-type: none"> 1) RMD's delayed until deceased spouse would have reached RMD age 2) Once RMD age is reached, use the Uniform Table 3) If surviving spouse dies before RMD's begin, the surviving spouse's beneficiaries will be treated as if they were the original beneficiaries (not successors)
Certain Trusts Learn more	<ul style="list-style-type: none"> Irrevocable upon death of the grantor Valid under state law Identifies individual persons as beneficiaries Copy of the Trust is provided to custodian or plan administrator by October 31 the year following death
Minor Children	<ul style="list-style-type: none"> Child of decedent (no grandkids, etc.) Can stretch until age 21 then 10 year rule Since RMDs had already begun based on the child's single life expectancy, they cannot be stopped during the subsequent 10-year term
Not More Than 10 Years Younger	<ul style="list-style-type: none"> Goes by actual date of birth Applies to anyone older than the decedent Considered not more than 10 years younger as long as their birthday is on or before the 10 year anniversary of the account holder's birthday
Chronically Ill	<ul style="list-style-type: none"> Inability to perform two specified Activities of Daily Living certified by licensed medical practitioner. Similar to Long Term Care definitions. Rules defined by IRC Sec 7702B(c)(2)
Disabled Persons	<ul style="list-style-type: none"> Virtually same definition used to determine Social Security Disability (SSDI) benefits Rules are defined by IRC Sec 72(m)(7) Must have been deemed disabled prior to the decedent passing away

CATEGORY 2

Non-Eligible Designated Beneficiaries (Non-EDB)
Stretch does not apply - Will use 10 year rule only
This is a new category created by SECURE Act

Type of Non-EDB's:	
Under Current SECURE Act Law	<ul style="list-style-type: none"> Non-spouse individuals (children, family, friends, etc.) Certain types of trusts (non "see-through" trusts)
Decedent passed away Prior to RBD Proposed Regs	<ul style="list-style-type: none"> IRA must be depleted by December 31st ten years following the decedent's year of death
Decedent passed away ON/AFTER RBD Proposed Regs	<ul style="list-style-type: none"> Must be depleted by December 31st of the 10th year following year of death No annual RMD's are required during years 1-9 Emphasis on tax planning to review when distributions should optimally be taken given the clients tax brackets during this window
Decedent passed away ON/AFTER RBD Proposed Regs	<ul style="list-style-type: none"> Beneficiary has 10 years to deplete the IRA balance. Must be depleted by December 31st of the 10th year following year of death During years 1-9, the beneficiary should take annual RMD's based on their single life expectancy

Both disabled and chronically ill individuals must provide documentation to the custodian or plan administrator by no later than October 31 of the year following the year of the IRA owner's or plan participant's death.

CATEGORY 3

Non-Designated Beneficiaries (Non-DB's)

Type of Non-DB's:	
Decedent passed away PRIOR to RBD	<ul style="list-style-type: none"> Charities Certain types of trusts (non "see-through" trusts) Your Estate or Will
Decedent passed away ON/AFTER RBD	<ul style="list-style-type: none"> 5 year rule only (no RMD's) Stretch distributions based upon the remaining life expectancy of the decedent

Recommended content for additional details on the SECURE Act

Michael Kitces - Impact of Proposed Regulations on the SECURE Act	Read more
LPL's Financial Planning Group - SECURE Act 2.0 (slides + webinar replay)	Read more
For help calculating applicable RMD's, reference a calculator (only use if an RMD is needed or required)	Access

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