

IRA beneficiaries under SECURE Act

With the enactment of the SECURE (Setting Every Community Up for Retirement Enhancement) Act effective for deaths after December 31, 2019, navigating the maze of IRA (Individual Retirement Account) beneficiary plan payouts is more complex than ever. This presents an opportunity for financial professionals to plan how to distribute and protect their clients' often largest asset.

STEP-BY-STEP ANALYSIS OF IRA BENEFICIARY OPTIONS

STEP 1 Determine RBD applicable age for original IRA owner

Date of birth (DOB)	Required beginning date (RBD) applicable age
June 30, 1949, or earlier	70½
July 1, 1949, through and including December 31, 1950	72
January 1, 1951, through and including December 31, 1959	73
January 1, 1960, or later	75

STEP 2 Had the original IRA owner reached their RBD applicable age?

- Yes
 No

Note: Roth IRAs do not require RMDs and therefore the original Roth IRA owner is always deemed to have died before their RBD.

STEP 3 Which category is the IRA beneficiary in?

Non-Designated Beneficiary (NDB)

- Charity
- Estate
- Non-Qualifying Trust

Non-Eligible Designated Beneficiary (NEDB)

- Most non-spouse beneficiaries (i.e., adult children, grandchildren)
- Qualifying Trust ([view Analyzing trusts as IRA beneficiary for more information](#))

Eligible Designated Beneficiary (EDB)

- Spouse
- Disabled
- Chronically ill
- Individuals not more than 10 years younger than the original IRA owner
- Minor children of the original IRA owner

STEP 4 Determine payout options based on category and timing of death

IRA BENEFICIARY CATEGORY

Non-Designated Beneficiary (NDB)	Non-Eligible Designated Beneficiary (NEDB)	Eligible Designated Beneficiary (EDB)	
Before RBD <ul style="list-style-type: none"> • 5-year rule 	Before RBD <ul style="list-style-type: none"> • 10-year rule • No RMDs required during 10-year period 	Before RBD – Spouse beneficiary <ul style="list-style-type: none"> • Spousal Rollover¹ • Inherited Stretch IRA² • 10-year rule 	Before RBD – All other EDBs <ul style="list-style-type: none"> • Inherited Stretch IRA • 10-year rule
After RBD <ul style="list-style-type: none"> • Ghost rule 	After RBD <ul style="list-style-type: none"> • 10-year rule + Inherited Stretch IRA in years 1 to 9 	After RBD – Spouse beneficiary <ul style="list-style-type: none"> • Spousal Rollover • Inherited Stretch IRA³ 	After RBD – All other EDBs <ul style="list-style-type: none"> • Inherited Stretch IRA

1. Distributions will be subject to 10 percent early distribution penalty if under 59 1/2. RMDs will be required when the spouse reaches their own RMD applicable age.

2. Spouse who elects an inherited stretch IRA option can wait to begin RMDs until the original IRA owner would have reached their RMD applicable age. Once reached, spouse uses the single life table to calculate the RMD or if they are more than 10 years younger than the original IRA owner, they use the joint/last survivor table.

3. Spouse uses the single life table to calculate the RMD or if they are more than 10 years younger than the original IRA owner, they use the joint/last survivor table.

Let's define

Spousal rollover: Spouse beneficiary can roll over the account into their own IRA and treat it as if it's always been their own.

Inherited stretch IRA: Beneficiary will take RMDs based on the longer of their own life expectancy or the original IRA owner's life expectancy. Inherited IRAs are never subject to the 10% early distribution penalty even if the beneficiary is under 59 1/2. See *note on spousal inherited IRAs*.

10-year rule: Beneficiary must distribute the entirety of the account by December 31 of the 10th year following death.

5-year rule: Beneficiary must distribute the entirety of the account by December 31 of the 5th year following death.

Ghost rule: Beneficiary must distribute the account based on the original IRA owner's life expectancy.

ANALYZING SUCCESSOR BENEFICIARIES

Successor beneficiaries are beneficiaries who inherit a previously inherited IRA from the original beneficiary. The successor beneficiary's payout option depends on when both the original owner and original beneficiary died.

Original owner died before 1/1/2020	Original owner died after 1/1/2020
Original beneficiary died before 1/1/2020 Successor beneficiary continues RMDs based on original beneficiary's life expectancy	Original beneficiary was an EDB Successor beneficiary continues RMDs based on the original beneficiary's life expectancy + the 10-year rule
Original beneficiary died after 1/1/2020 Successor beneficiary continues RMDs based on the original beneficiary's life expectancy + the 10-year rule	Original beneficiary was a NEDB Successor beneficiary finishes out the remaining 10-year period and continues RMDs only if the original beneficiary was required to



Questions?

For more information or specific questions,
please contact advancedsales@securian.com.

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