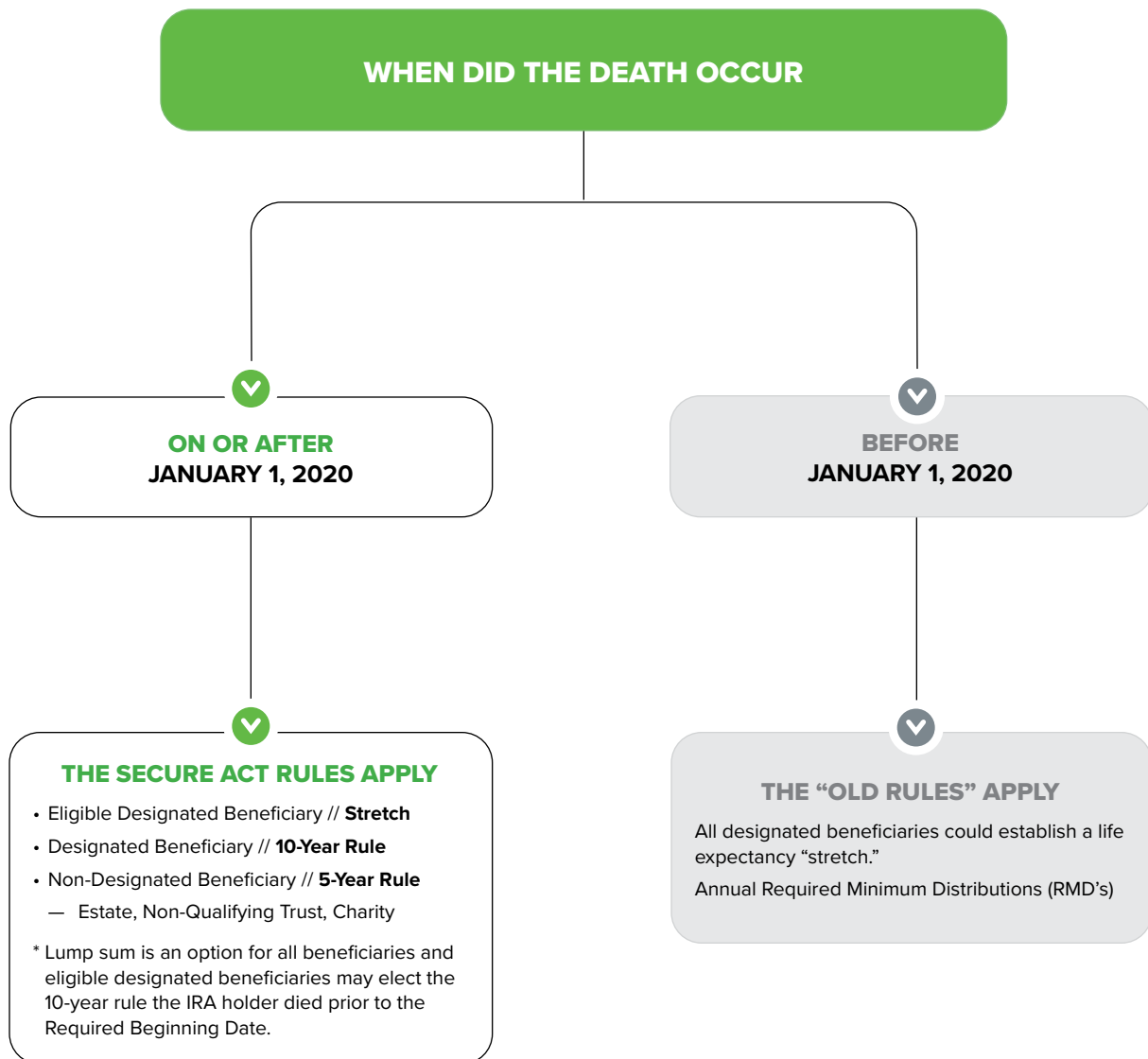


WEALTH MANAGEMENT

# INHERITED IRA ROADMAP

Your guide through the SECURE Act Inherited IRA changes.



## WHO QUALIFIES AND WHAT ARE THEIR OPTIONS?

### ELIGIBLE DESIGNATED BENEFICIARY

#### SPOUSE

##### Life Expectancy Stretch

- Must begin to take RMD's by the later of December 31st of the year after the IRA holder's death or the required beginning date of the deceased IRA holder.
- Treat as your own
  - There is no time restriction to change from inherited status to treat as your own.
  - If spouse selects treat as your own prior to age 59 ½, any distributions would be subject to 10% penalty.

#### DISABLED INDIVIDUAL

- Disabled as of the date of death
- **Life Expectancy Stretch**

#### CHRONICALLY ILL INDIVIDUAL

- Chronically Ill as of the date of death
- **Life Expectancy Stretch**

#### NOT MORE THAN 10 YEARS YOUNGER THAN THE IRA HOLDER

- **Life Expectancy Stretch**

#### MINOR CHILD OF THE IRA HOLDER

- Must be the minor child of the IRA holder, grandchildren not eligible
- Can stretch based on life expectancy until they reach age 21, then the **10-year rule applies**

### DESIGNATED BENEFICIARY

#### ALL OTHER HUMAN BENEFICIARIES

##### • 10-Year rule applies

- If the IRA holder had reached their Required Beginning Date (RBD)\*, then the designated beneficiary is required to take annual RMD's in years 1-9 and liquidate the account by December 31st of the 10th year following death. See footnote for detailed description of RBD.
- If the IRA holder passes away prior to their RBD, then no annual RMD's are required for the designated beneficiary. The account can be liquidated in any amount at any time during the 10-year period. The account must be completely liquidated by December 31st of the 10th year following death.
- Special rules for ROTH IRA's. Since ROTH IRA's do not have a Required Beginning Date (RBD) all ROTH IRA holders are deemed to have passed away prior to their RBD. Therefore, designated beneficiaries subject to the 10-Year rule do not have an annual RMD requirement in years 1-9 for inherited ROTH IRA's. The account must be completely liquidated by December 31st of the 10th year following death.

### NON-DESIGNATED BENEFICIARY

#### ESTATE, NON-QUALIFYING TRUST, CHARITY

- Death prior to RBD // **5-year rule**
- Death on or after RBD // "ghost" life expectancy of deceased IRA holder

## SUCCESSOR BENEFICIARIES

### INHERITED IRA BENEFICIARY

Successor Beneficiary is the beneficiary of an inherited IRA

### ANNUAL RMD REQUIREMENT

The requirement of annual RMD's under the 10-year rule will be determined by whether the original IRA holder had reached their RBD

### PRE-SECURE ACT ORIGINAL HOLDER DEATH

Death of original IRA holder is Pre-SECURE Act, then the successor beneficiary is subject to the 10-year rule, they are not allowed to continue the stretch

### POST-SECURE ACT ORIGINAL HOLDER DEATH

Death of original IRA holder is Post-SECURE Act, then the successor beneficiary's distribution period is determined by whether the original beneficiary was an EBD or a DB

- **Inherit from an Eligible Designated Beneficiary** // Successor Beneficiary is subject to the 10-Year rule. The successor beneficiary will need to liquidate the account by December 31st of the 10th year following the death of the beneficiary. The successor beneficiary's distribution obligation is determined by the original IRA holder's age at death. Death before the RBD, no annual RMD's during the 10-year period. Death on or after the RBD, annual RMD's required in years 1-9 and the entire account liquidated by December 31st of the 10th year following death.
- **Inherit from Designated Beneficiary** // Successor steps into the shoes of the original beneficiary and has only what remains of the original 10-year period.

\*The Required Beginning Date (RBD) changed with the passage of SECURE Act 2.0. The RBD is the date by which the first Required Minimum Distribution (RMD) must be taken from an account. For purposes of how the RBD applies to the 10-year we must examine when the IRA holder passed away. For deaths occurring between January 1, 2020, and December 31, 2022, the RBD age is 72. Therefore, the RBD is April 1st the year after the deceased turned 72 for those that passed away in the above timeframe. For deaths occurring on or after January 1, 2023, the RBD age is 73 and the RBD is April 1st the year after the IRA holder reached age 73. According to current legislation, the RBD will remain at 73 until January 1, 2033, when it will increase to age 75.

Please note that if an IRA hold passed away after reaching their RBD age, but prior to the actual RBD (April 1st the year after they attained RBD age) they will have been deemed to die prior to reaching the RBD and designated beneficiaries subject to the 10-year rule will not be required to take annual RMD's from the inherited IRA.

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