

IRA Beneficiary Distribution Options

Owners of traditional and Roth IRAs can spend a lifetime saving for retirement. But they also need to prepare for the day when that IRA is passed along to a spouse or loved one, or even a cherished cause. One benefit to naming an IRA beneficiary is that IRAs are generally not subject to probate, meaning that the custodian of an IRA will use the beneficiary designation the IRA owner has provided during his or her lifetime in order to determine who will receive the IRA proceeds.

Distribution requirements as an IRA beneficiary differ depending on whether you are the spouse of the original IRA owner or another beneficiary. They will also vary depending on the year in which the IRA owner passed. One set of rules apply if the death occurred in 2019 or earlier, and a different set of rules apply if the death occurred in 2020 or later.

IF the original traditional IRA owner died...	AND the beneficiary is...	THEN refer to page(s)...
in 2019 or earlier	the spouse	2
	a non-spouse individual or qualified trust	2
	an entity or non-qualified trust	3
	a successor beneficiary	5
in 2020 or later	an Eligible Designated Beneficiary (EDB): • spouse • minor child of the owner • chronically ill or disabled person • individuals not more than 10 years younger • certain qualified trusts	3 & 4
	a Non-Eligible Designated Beneficiary (NEDB)	4 & 5
	an entity or non-qualified trust	5
	a successor beneficiary	6
Additional information		
Roth IRA		6
Life Expectancy Tables		7 & 8

Don't Wait to Determine the Beneficiaries

If there are multiple beneficiaries named for an IRA, after the death of the original IRA owner it can be important to split the IRA into separate beneficiary IRAs by certain dates. Otherwise, the beneficiary distribution options may be limited or unfavorable. This can be the case if there are non-person beneficiaries, such as an estate or charitable entity, which might limit the life of the IRA to just 5 years¹.

Successor Beneficiaries

If you inherit a beneficiary IRA, you are subject to special rules that require distributions generally based on the years of the original owner and beneficiary's death, dates of birth, and the methods of distribution that applied to them. These rules are described toward the end of this brochure.

Calculating an RMD

If you are using a life expectancy method to take required minimum distributions (RMD), an annual RMD for a given year is determined by dividing the prior year-end fair market value of the IRA by an applicable life expectancy factor, generally a term-certain method as described later in this brochure.

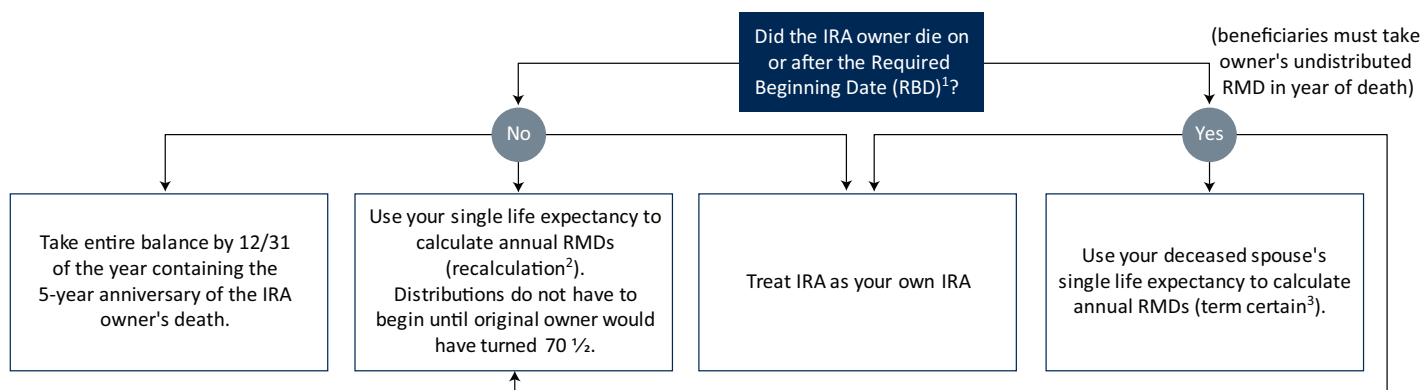
The following flow charts will guide you on the distribution requirements and options that may apply depending on the beneficiary type and the year in which the original IRA owner passed.

¹ In general, beneficiaries should be reviewed no later than September 30 of the year following the IRA owner's death. This is because the IRA is thereafter subjected to a payout requirement that applies for any non-person beneficiary with assets in the IRA. Therefore, beneficiaries who might negatively affect the distribution options should: execute valid disclaimers, move their portion of the account to a separate beneficiary IRA, or opt to take lump sum distributions. If there are no non-person beneficiaries on September 30, in order to avoid distribution requirements based on the age of the eldest of multiple beneficiaries, moving to separate beneficiary IRAs by the December 31 following the year of death can be an important benefit.

IRAs Inherited in 2019 or Earlier

Spousal Beneficiaries

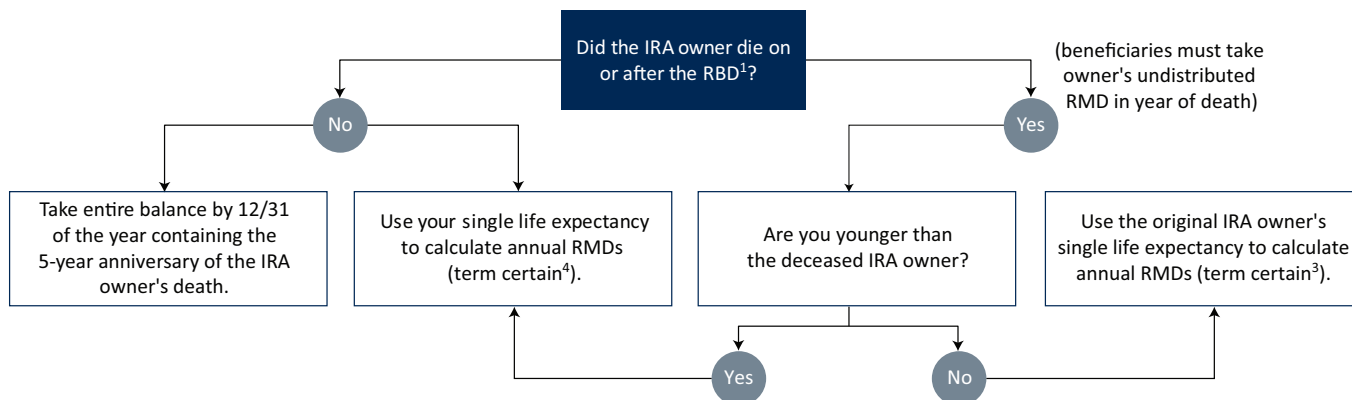
A surviving spouse who is the sole beneficiary for an original IRA owner may elect to treat the IRA as his or her own, which for many is the best option. If not the sole beneficiary, a spouse may segregate his or her share by rolling over into his or her own IRA. Other options are available as described below and may make sense instead, particularly if the surviving spouse is older than the original IRA owner had been, since the required distributions may be smaller.



Non-Spouse Individuals and Qualified Trust Beneficiaries

Nonspouse beneficiaries who are individuals and qualified trust beneficiaries may stretch the IRA over a period of years, depending upon the age of the original IRA owner at death.

In order to be considered a qualified trust, the trust must: 1. Be irrevocable (or become irrevocable at the IRA owner's death), 2. Be valid under state law, 3. Specifically name individual(s) as beneficiary(ies), and 4. Be on file with the IRA Custodian.



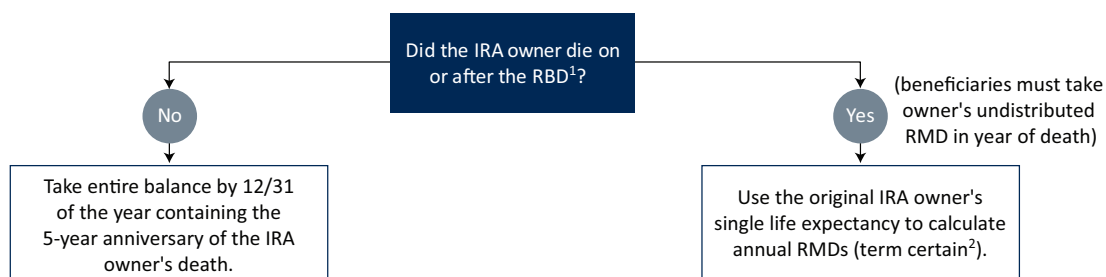
¹ The RBD is the date by which an IRA owner must take their first RMD. The RBD is April 1 of the year following the year in which the account owner turned 70½.

² Beginning in the year following the year of death, use your age attained at the end of each year in order to calculate your RMD as a beneficiary.

³ Use deceased IRA owner's single life expectancy factor as of age in the year of death and reduce the factor by 1 for each year after the year of death.

⁴ Use beneficiary's single life expectancy factor as of age at the end of the year following the year of death and reduce the factor by 1 for each subsequent year. If beneficiaries' shares have not been divided by December 31 of the year following the IRA owner's death, or if this is a qualified trust, use the age of the oldest beneficiary or qualified trust beneficiary.

Non-person and Non-qualified Trust Beneficiaries



IRAs Inherited in 2020 or Later

The rules for beneficiaries who inherit an IRA after 2019 are more complex than they had been previously. Spousal beneficiary and non-person beneficiary rules are substantially the same, but non-spouse individual beneficiaries are in one of two categories as described below.

Eligible Designated Beneficiaries (EDB) vs. Non-Eligible Designated Beneficiaries (NEDB)

EDBs are generally permitted to stretch an inherited IRA over a period of years based on their life expectancy, whereas a Non-Eligible Designated Beneficiary (NEDB) generally must withdraw the full amount of the account within 10 years after the original owner's death.

A Non-Eligible Designated Beneficiary (NEDB) is:

- Anyone not defined as an EDB below. This category covers most non-spouse beneficiaries.

An Eligible Designated Beneficiary (EDB) is:

- Spouse of the original IRA owner
- Minor children of the IRA owner, but only up to the year they reach the age of majority; thereafter, they are treated as an NEDB – under proposed IRS rules that apply today, the age of majority is 21
- Chronically ill or disabled individuals who meet IRS rules
- Individuals not more than 10 years younger than the original IRA owner
- Applicable multi-beneficiary trusts (AMBTs)³

Spousal EDBs

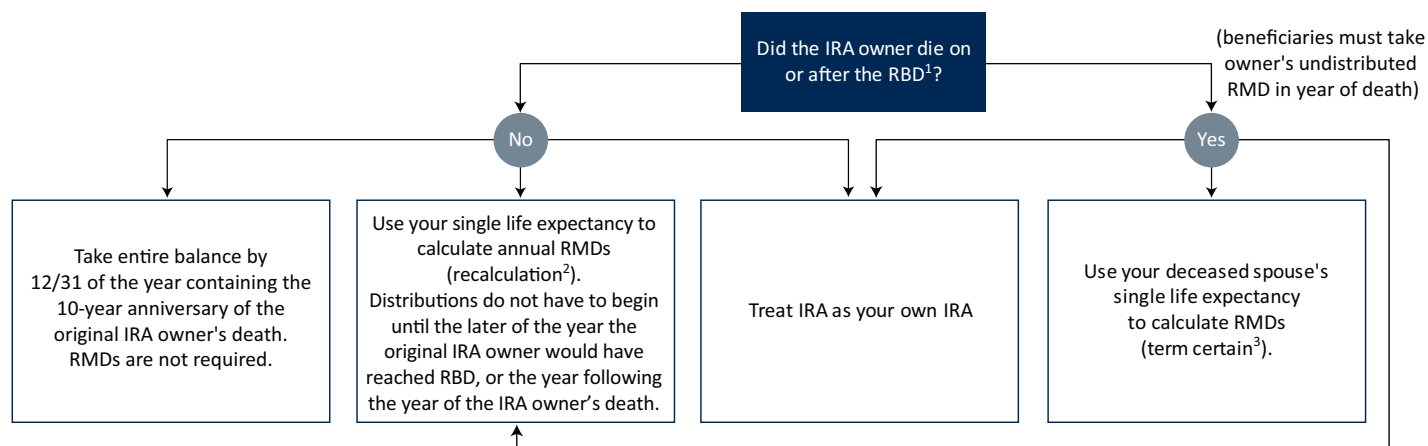
A surviving spouse of an original IRA owner may continue to treat an inherited IRA as his or her own (e.g. transfer into an IRA in the surviving spouse's name, with distributions subject to the rules that an original IRA account owner would have), or as an Eligible Designated Beneficiary (EDB). Most spouses would be best served to treat the IRA as their own, although there are some unusual circumstances when distributions from a beneficiary IRA may be more beneficial than from the spouse's own IRA (for example, when a surviving spouse is younger than 59½ and may need to access the IRA penalty free before age 59½).

1 The RBD is the date by which an IRA owner must take their first RMD. The RBD is April 1 of the year following the year in which the account owner turned 70½.

2 Use deceased IRA owner's single life expectancy factor as of age in the year of death and reduce the factor by 1 for each year after the year of death.

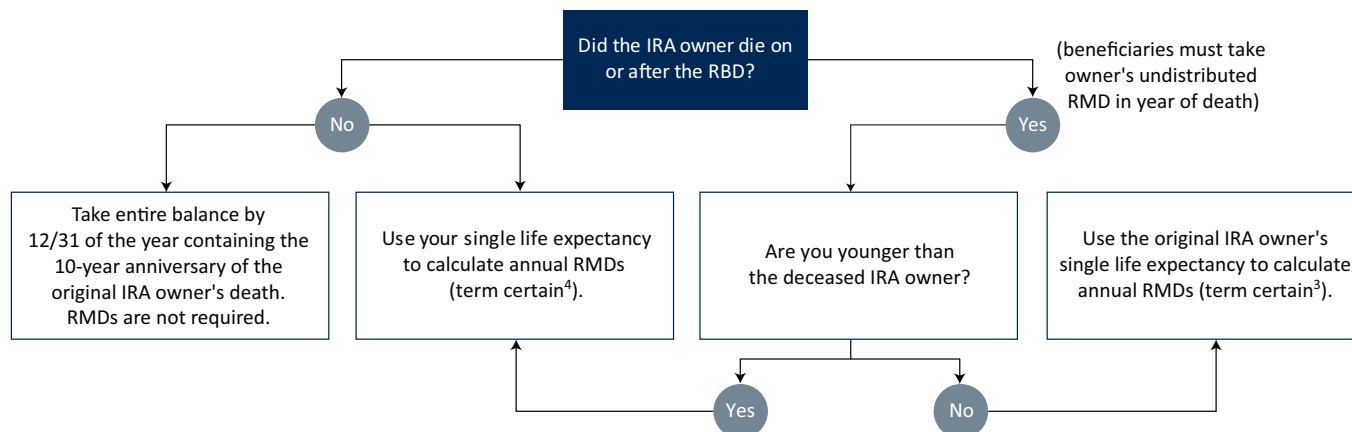
3 To be considered an AMBT beneficiary that is eligible to elect the Life Expectancy Payment option, the trust must have no nonperson trust beneficiaries and the trust must provide that either no trust beneficiaries other than disabled and/or chronically ill beneficiaries have any right to the Inherited IRA assets until all such disabled/chronically ill trust beneficiaries are deceased, or the trust is to be divided into separate trusts for each beneficiary immediately upon the death of the IRA owner (in which case only the separate trust covering a disabled or chronically ill beneficiary may elect the Life Expectancy Payment distribution option). Until the IRS provides necessary clarification, trust beneficiaries are advised to consult with a competent attorney or tax professional to determine the best interim distribution strategy for various trust beneficiary scenarios.

The following chart describes the required distribution options.



Non-Spouse EDBs

Multiple options apply depending upon when the IRA owner died – before RBD, or on or after RBD.



Non-Eligible Designated Beneficiaries (NEDBs)

NEDBs are individuals who are not EDBs, and may also be qualified trusts that are not an AMBT⁵. NEDBs must distribute the entire account value by December 31 of the year containing the 10th anniversary of the original IRA owner's death.

Laws enacted in 2019 did not require RMDs in any particular year provided the entire account is distributed within 10 years. However, proposed IRS regulations issued in 2022 require that annual RMDs are taken from a NEDB beneficiary IRA during the 10-year period, if the original IRA owner died on or after his or her RBD. It is unclear when final IRS regulations will be issued or if they may reverse the RMD requirement. A cautious beneficiary may choose to take RMDs until such time as final regulations are issued.

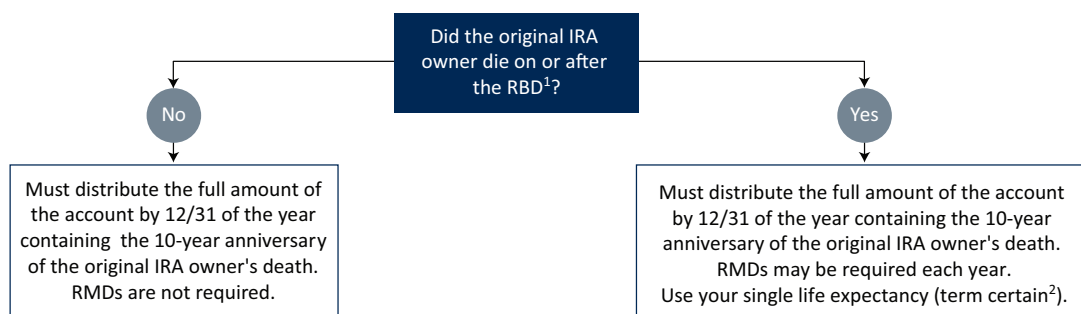
1 The RBD is the April 1 following the year the original IRA owner turned age 72 for those born in 1950 or earlier. The RBD is the April 1 following the year the original IRA owner turned age 73 for those born in 1951 or later.

2 Beginning in the year after death, use your age attained at the end of each year in order to calculate your RMD as a beneficiary.

3 Use deceased IRA owner's single life expectancy factor as of age in the year of death and reduce the factor by 1 for each year after the year of death.

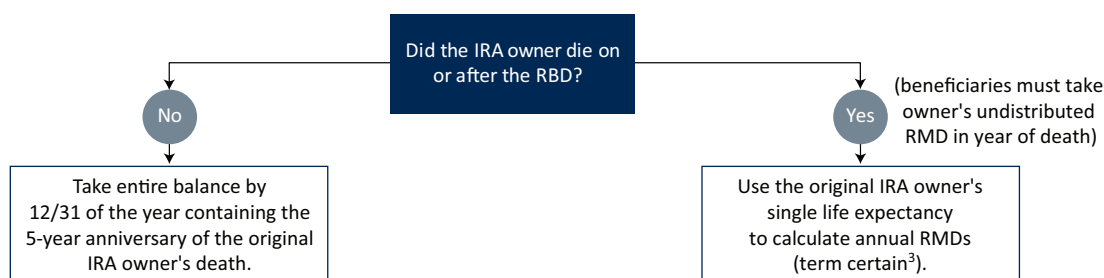
4 Use beneficiary's single life expectancy factor as of age at the end of the year following the year of death and reduce the factor by 1 for each subsequent year.

5 To be considered an Applicable multi-beneficiary trust (AMBT) beneficiary that is eligible to elect the Life Expectancy Payment option, the trust must have no nonperson trust beneficiaries and the trust must provide that either no trust beneficiaries other than disabled and/or chronically ill beneficiaries have any right to the Inherited IRA assets until all such disabled/ chronically ill trust beneficiaries are deceased, or the trust is to be divided into separate trusts for each beneficiary immediately upon the death of the IRA owner (in which case only the separate trust covering a disabled or chronically ill beneficiary may elect the Life Expectancy Payment distribution option). Until the IRS provides necessary clarification, trust beneficiaries are advised to consult with a competent attorney or tax professional to determine the best interim distribution strategy for various trust beneficiary scenarios.



Estates, Charities, Non-qualified Trusts, and Other Non-Person Entities

The life expectancy method is not available if the IRA owner died prior to RBD because non-individuals do not have a life expectancy. Other beneficiaries may also use this chart if non-person beneficiaries have not received their share of the IRA by September 30 of the year following the IRA owner's death.



Successor Beneficiaries

A successor beneficiary is a beneficiary named by the original beneficiary after the original IRA owner's death. A successor beneficiary is meant to receive the assets if the original beneficiary dies before receiving all of his or her share of the IRA. Depending on the dates of death, the following options may apply.

Both the account owner and original beneficiary died before January 1, 2020.

The successor beneficiary must withdraw the assets at least as quickly as the original beneficiary. The original beneficiary may have been receiving withdrawals under the 5-year rule or life expectancy payments based on the original beneficiary's options. The successor beneficiary may either continue the schedule of payments that the original beneficiary was taking, or accelerate payments.

The account owner died before 2020 but the original beneficiary died on or after January 1, 2020.

The successor beneficiary must withdraw all assets according to the 10-year rule based on the original beneficiary's death, regardless of whether the original beneficiary was taking single life expectancy payments or payments under the 5-year rule. This means that all assets must be distributed by December 31 of the 10th calendar year after the original beneficiary's death.

Under proposed IRS rules currently in effect, RMDs are required during the 10-year payout period if the original owner was taking RMDs at the time of death. RMDs are calculated using the original beneficiary's remaining term certain life expectancy, beginning in the year that follows the year of death of the original beneficiary.

¹ The RBD is the April 1 following the year the original IRA owner turned age 72 for those born in 1950 or earlier. The RBD is the April 1 following the year the original IRA owner turned age 73 for those born in 1951 or later.

² Use beneficiary's single life expectancy factor as of age at the end of the year following the year of death and reduce the factor by 1 for each subsequent year.

³ Use deceased IRA owner's single life expectancy factor as of age in the year of death and reduce the factor by 1 for each year after the year of death.

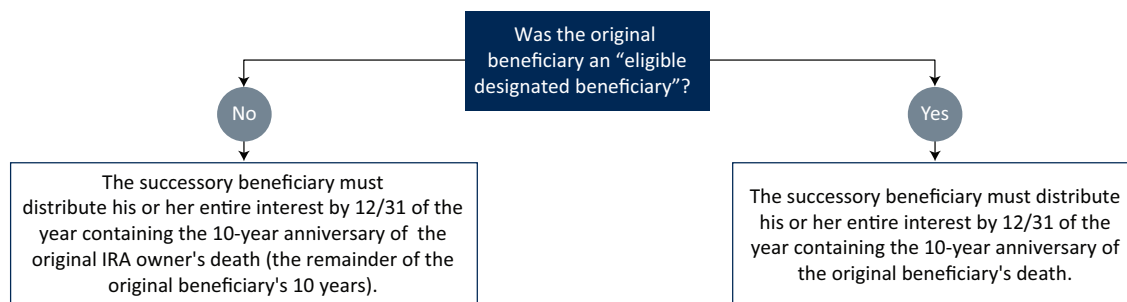
Both the account owner and original beneficiary died on or after January 1, 2020.

The successor beneficiary must withdraw all assets according to the 10-year rule. The length of the 10-year period will depend on what type of beneficiary the original beneficiary was.

If the original beneficiary was an EDB¹, the successor beneficiary's 10-year timeframe is based on the date of the original beneficiary's death.

If the original beneficiary was a NEDB¹, the successor beneficiary's 10-year timeframe is based on the account owner's date of death. Thus, a successor beneficiary for a NEDB must withdraw his or her entire interest by December 31 of the 10th calendar year following the account owner's death. In other words, payout continues over the time that was left for the original beneficiary.

Under proposed IRS rules currently in effect, RMDs are required during the 10-year payout period if the original owner had reached RBD at the time of death. RMDs are calculated using the original beneficiary's remaining term certain life expectancy, beginning in the year that follows the year of death of the original IRA owner.



Roth IRA Beneficiaries

The above guidance generally applies to Roth IRAs as well. However, since Roth IRA owners are not subject to RMDs, beneficiaries should assume the original account owner had not reached RBD² for the purpose of determining distribution options.

Listed below are the distribution options available to Roth IRA beneficiaries who inherit a Roth IRA in 2019 or earlier.

- Spouse beneficiaries may treat the Roth IRA as his or her own, transfer to an inherited Roth IRA and take RMDs based on his or her own single life expectancy, or take the entire balance by 12/31 of the year that contains the 5-year anniversary of the original owner's death.
- Non-spouse individuals and qualified trusts may take RMDs based on the beneficiary's term certain single life expectancy or take the entire balance by 12/31 of the year that contains the 5-year anniversary of the original owner's death.
- Non-person and non-qualified trust beneficiaries must take the entire balance by 12/31 of the year that contains the 5-year anniversary of the original owner's death.

Below are the distribution options available to Roth IRA beneficiaries who inherit a Roth IRA in 2020 or later.

- EDBs¹ for Roth IRAs may choose either the term-certain single life expectancy method or the 10-year distribution method. RMDs are not required if the beneficiary is using the 10-year distribution rule.
- NEDBs¹ for Roth IRAs are subject to the 10-year distribution rule. RMDs are not required.
- Non-person beneficiaries are subject to a 5-year distribution requirement. RMDs are not required.
- A spouse beneficiary may treat the Roth IRA as his or her own, or may treat the Roth IRA as a non-spouse EDB would. If selecting the life expectancy method as an EDB, the surviving spouse may begin RMDs at the later of the calendar year following the owner's death, or the calendar year the owner would have reached RBD as defined for a traditional IRA.

¹ Please refer to page 3 for the definitions of an EDB and a NEDB.

² Please refer to the RBD definitions as explained in the IRAs Inherited in 2019 or earlier and IRAs Inherited in 2020 or later sections of this brochure.

Uniform Lifetime Table

The following table illustrates the uniform lifetime expectancy factors that apply for IRA owners, and may be used to determine an owner's life expectancy divisor for the current year.

Age	Distribution Period	Age	Distribution Period
72	27.4	97	7.8
73	26.5	98	7.3
74	25.5	99	6.8
75	24.6	100	6.4
76	23.7	101	6.0
77	22.9	102	5.6
78	22.0	103	5.2
79	21.1	104	4.9
80	20.2	105	4.6
81	19.4	106	4.3
82	18.5	107	4.1
83	17.7	108	3.9
84	16.8	109	3.7
85	16.0	110	3.5
86	15.2	111	3.4
87	14.4	112	3.3
88	13.7	113	3.1
89	12.9	114	3.0
90	12.2	115	2.9
91	11.5	116	2.8
92	10.8	117	2.7
93	10.1	118	2.5
94	9.5	119	2.3
95	8.9	120+	2.0
96	8.4		

Single Life Expectancy Table

The following table illustrates the single life expectancy factors that apply for IRA beneficiaries, and may be used to determine a term-certain life expectancy divisor for the year RMDs are to begin.

Age	Life expectancy	Age	Life expectancy	Age	Life expectancy
0	84.6	40	45.7	81	10.5
1	83.7	41	44.8	82	9.9
2	82.8	42	43.8	83	9.3
3	81.8	43	42.9	84	8.7
4	80.8	44	41.9	85	8.1
5	79.8	45	41.0	86	7.6
6	78.8	46	40.0	87	7.1
7	77.9	47	39.0	88	6.6
8	76.9	48	38.1	89	6.1
9	75.9	49	37.1	90	5.7
10	74.9	50	36.2	91	5.3
11	73.9	51	35.3	92	4.9
12	72.9	52	34.3	93	4.6
13	71.9	53	33.4	94	4.3
14	70.9	54	32.5	95	4.0
15	69.9	55	31.6	96	3.7
16	69.0	56	30.6	97	3.4
17	68.0	57	29.8	98	3.2
18	67.0	58	28.9	99	3.0
19	66.0	59	28.0	100	2.8
20	65.0	60	27.1	101	2.6
21	64.1	61	26.2	102	2.5
22	63.1	62	25.4	103	2.3
23	62.1	63	24.5	104	2.2
24	61.1	64	23.7	105	2.1
25	60.2	65	22.9	106	2.1
26	59.2	66	22.0	107	2.1
27	58.2	67	21.2	108	2.0
28	57.3	68	20.4	109	2.0
29	56.3	69	19.6	110	2.0
30	55.3	70	18.8	111	2.0
31	54.4	71	18.0	112	2.0
32	53.4	72	17.2	113	1.9
33	52.5	73	16.4	114	1.9
34	51.5	74	15.6	115	1.8
35	50.5	75	14.8	116	1.8
36	49.6	76	14.1	117	1.6
37	48.6	77	13.3	118	1.4
38	47.7	78	12.6	119	1.1
39	46.7	79	11.9	120+	1.0
40	45.7	80	11.2		

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