

IRA Inheritance Facts

The information provided is not intended as tax or legal advice. Prior to completing the distribution form, please consult your tax or legal advisor for more information.

Basic Process

1. Each beneficiary completes a separate [IRA Claim and Distribution for Beneficiaries](#) form or the [SEP-IRA and SIMPLE IRA Distribution](#) form.
 2. Attach a copy of the IRA owner's death certificate. 
 3. For estate, trust, or entity beneficiary, include the appointment of estate executor, trustee, or person authorized to act for the entity. Entities that require corporate resolution should be certified within 60 days; all other documents showing appointment should be certified within six months of receipt by T. Rowe Price. Trust document pages should include the trust name and date, current trustees' names, and signatures. Entity beneficiaries must provide documentation to verify existence of beneficiary as a legal entity. 
 4. If required by your state, provide an inheritance tax waiver. 
- Assets from the decedent's account are transferred to a separate account for the beneficiary. All beneficiary distributions will be made from the beneficiary's account. Tax reporting will occur under the beneficiary's tax identification number.

Definitions

For purposes of this document, the following definitions are provided:

Designated Beneficiary—Any individual (human) that is named as a beneficiary of an IRA.

Non-designated Beneficiary—Any entity such as an estate, charity, or nonqualified trust that is named as a beneficiary of an IRA.

Eligible Designated Beneficiary—Certain designated beneficiaries of original IRA owners who die after December 31, 2019, which include: surviving spouses, minor children of owner, disabled or chronically ill individuals, or individuals who are less than 10 years younger than the IRA owner.

Chronically Ill or Disabled Individual—An eligible designated beneficiary who is chronically ill or disabled under the IRS definition prior to the IRA owner's death.

Minor Child of Owner—An eligible designated beneficiary who is a child of an IRA owner who has not reached the age of 21.

Spouse—A spouse is any individual who is a spouse under federal law. Certain states have enacted laws that may make a former spouse named as a beneficiary invalid.

Non-spouse Individual—A designated beneficiary that is not a spouse.

Entity—Non-individual. For example: Nonqualified trust, estate, charity.

Transfer—A tax-free movement of all or a portion of the IRA assets into another IRA in which no tax reporting is required on your income tax return.

Rollover—A tax-free distribution of all or a portion of the IRA assets into another IRA or qualified retirement plan in the name of the spousal beneficiary. There are special rules that apply, and tax reporting is required on your income tax return. This option is only available for a spouse of the deceased IRA owner. RMDs are never eligible for rollover.

Distribution—Redeem all or a portion of the assets in the account. The assets will be taxable in the year distributed.

Specified Years—The entire account balance is distributed proportionately over the number of calendar years specified.

Beneficiary Options

Your options as a beneficiary depend on whether you are the surviving spouse of the IRA owner.

If you are the surviving spouse

- **Treat as your own.** Your spouse's IRA will be transferred into a

new or existing IRA in your name. If you are under age 59½, a 10% additional tax for early withdrawal may apply.

- **Treat as a beneficiary.** Your spouse's IRA will be transferred into a new Inherited IRA in your name.

Note: If you transfer or roll over your inherited assets to your own IRA, you will be subject to taxation and RMD rules that would normally apply to your own IRA. In this case, the RMD rules described below for the Inherited IRA do not apply.

If you are NOT the surviving spouse

- Transfer the IRA into an Inherited IRA.
- Distribute assets from Inherited IRA.
- Distribute required minimum distribution.

Note: Assets in an Inherited IRA may not be rolled over to another Inherited IRA. Assets may only be moved by way of trustee-to-trustee transfer.

Required Minimum Distribution (RMD)

RMD rules for the deceased IRA owner

In general, the deadline for the IRA owner's first RMD (the required beginning date (or RBD)) is April 1 of the year following the year the IRA owner reaches age:

- 70½ for IRA owners who die on or before December 31, 2019
- 72 for IRA owners who die on or after January 1, 2020

If the IRA owner's death occurred on or after the RBD, an RMD must be distributed for the year of the owner's death. If no RMD or only a partial RMD has been distributed for the owner's year of death, you and any other beneficiaries must withdraw your respective portions of the required amount by the end of that year. If the IRA is a Roth IRA, the Roth IRA owner is always treated as dying before his or her RBD, regardless of age at death.

If the decedent had accounts of the same type at other financial institutions, it's possible that he or she already took some or all of the RMD for the year of death from one or more of these other accounts. IRA rules permit combining the minimum amount for accounts of one type and distributing the total from one or more accounts of the same type.

RMD rules for the beneficiary

The Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE Act) was signed into law December 20, 2019, with most provisions taking effect in January 2020. The act includes wide-ranging changes to the retirement savings landscape, which affect individuals. Before the SECURE Act, someone inheriting an IRA could generally take RMDs over their expected lifetime. For some non-spouse beneficiaries, that could stretch out the distributions for many decades, extending the benefit of an IRA's tax deferral. Going forward, however, the accounts of IRA owners who die after December 31, 2019, will generally need to be fully distributed to beneficiaries within 10 calendar years.

The IRS has identified Eligible Designated Beneficiaries who are excluded from this rule. For beneficiaries who are minors, the 10-year period to fully distribute the account starts when they reach the age of majority.

There have been conflicting views on whether beneficiaries subject to the 10-year rule must continue RMDs throughout the 10-year period when the original account owner or beneficiary has already started RMDs. Please note, the IRS proposed regulations provide:

- If the account owner died on or after their RBD, the beneficiary must distribute all assets by December 31 of the 10th year following the year of the account owner's death. There are required minimum distributions each year.
- If the account owner died before their RBD, the beneficiary must

distribute all assets by December 31 of the 10th year following the year of the IRA owner's death. There are no required minimum distributions each year.

- If the IRA owner died before January 1, 2020, the beneficiary's RMD depends upon the type of IRA, whether the IRA owner died before or on/after his or her RBD, whether or not you are the spouse, whether you are a designated beneficiary, and whether there are multiple beneficiaries.
- If the IRA owner died before the RBD, generally the following distribution options are available: Withdraw RMDs based on the beneficiary's life expectancy or use the five-year rule. If the IRA owner died on or after the RBD, generally the assets should be distributed to the non-spouse individual using life expectancy payments. The life expectancy payments must be calculated on either the beneficiary's life expectancy or the deceased IRA owner's calculated life expectancy, whichever is longer.

T. Rowe Price is unable to provide tax or legal advice. Therefore, it is critical that you discuss your RMD requirements with your tax and/or legal advisor prior to completing the IRA Claim and Distribution for

Beneficiaries form. Generally, failure to distribute RMDs in a timely fashion will result in a 50% excise tax for the year(s) on the amount(s) not distributed as required.