# IRA Inheritance Facts

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## Basic Process

The information provided is not intended as tax or legal advice. Please consult your tax or legal advisor for more information prior to completing the distribution form. For more detailed information and IRS deadlines regarding inheriting IRAs and required distributions, reference the T. Rowe Price Traditional and Roth IRA Disclosure Statement and Custodial Agreement. For additional information, see IRS Publication 590-B.

1. Beneficiary completes the *IRA Distribution* form or the *SEP-IRA and SIMPLE IRA Distribution* form.
2. Attach a certified 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 120 days 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.
5. 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.

## 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 the IRA as your own (Transfer). Your spouse's IRA will be transferred into a new or existing IRA in your name.
- Roll over to your own IRA or to a qualified plan. The one-rollover-per-year limitation may apply for rollovers to an IRA.
- Transfer the IRA into an Inherited IRA.

**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. This is the only option for a non-spouse beneficiary.
- 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 he or she reaches age 70½. 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 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.

**The distributions described below are minimum amounts that must be distributed each year.** Total distribution and other partial distributions are also available. If a distribution is not taken for a given year, penalties may apply (see Excess Accumulation in Definitions).

**RMD options for the surviving spouse**

**Note:** These rules apply to an Inherited IRA.

**IRA owner died before the RBD**

- Defer distribution. If the decedent did not reach age 70½ and you are the sole designated beneficiary, you may defer the distribution until the decedent would have reached age 70½.
- Payments over Life Expectancy (using spouse's current age each year)
- Distribution of the account under the Five-Year Rule.

**IRA owner died on or after the RBD**

- Payments over Life Expectancy (using longer life expectancy based on spouse's current age each year or original IRA owner's age in year of death and reduce by one each subsequent year).

**RMD options for a designated beneficiary other than the surviving spouse**

**IRA owner died before the RBD**

- Payments over Life Expectancy (use beneficiary's age in year following year of death and reduce by one each subsequent year).
- Distribution of the account under the Five-Year Rule.

**IRA owner died on or after the RBD**

- Payments over Life Expectancy (using longer life expectancy based on beneficiary's age or original IRA owner's age in year of death).
  - Using original owner's remaining life expectancy—use original IRA owner's age in year of death and reduce by one each subsequent year.
  - Using beneficiary's life expectancy—use beneficiary's age in year following year of death and reduce by one each subsequent year.

**RMD options for an entity (not an individual—includes trusts, estates, and charities).** Other options may exist for certain trust beneficiaries; however, trust beneficiary rules are complicated. See IRS Publication 590-B, Distributions from Individual Retirement Arrangements (IRAs) or your tax advisor for details.

**IRA owner died before the RBD**

- Distribution of the account under the Five-Year Rule.

**IRA owner died on or after the RBD**

- Payments over Life Expectancy (using original IRA owner's age in year of death and reduce by one each subsequent year).

## Definitions

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

**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.

**Designated Beneficiary**—A designated beneficiary is an individual and not an entity (e.g., an estate, a trust, or a charity). Your designated beneficiaries, if any, are determined on September 30 of the year following the year of your death. To be a designated beneficiary, an individual must be an actual beneficiary of your IRA on the date of your death and must: (a) still be entitled to receive benefits from your IRA on September 30 of the year after the year of your death; or (b) have died before September 30 of the year after the year of your death without disclaiming benefits before his or her death.

**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.
**Life Expectancy**—This option potentially spreads the distributions and tax-deferred growth out over the most years. A portion of the assets is distributed each year based on IRS rules and applicable tables (see IRS Publication 590-B). Payments must begin by the end of the year following the year of the IRA owner's death (but may be deferred for surviving spouse if IRA owner died before RBD).
**Five-Year Rule**—The entire account must be distributed by the end of the fifth year following the year of the IRA owner's death. No beneficiary distribution is required for any year before the fifth year. Generally, no taxes will be owed on the assets until distributions are made. This option is not available if the decedent was required to take an RMD at the time of death.
**Distribution**—Redeem all or a portion of the assets in the account. The assets will be taxable in the year distributed.
**Excess Accumulation**—If distributions are less than the RMD, a 50% excise tax may apply for the year(s) on the amount(s) not distributed as required.

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