

Understand your beneficiary distribution options.

As an IRA beneficiary, you have some choices.



If you've inherited an IRA, make sure you understand your distribution options.

Making sense of what you can and can't do with your inherited IRA can seem overwhelming during what may be a difficult time. But it will be much clearer once you know your options and what the tax consequences are.

Because of the IRS rules, your options as an IRA beneficiary depend on certain factors, starting with the type of IRA you've inherited:

- ✓ Traditional IRA (including those with SEP plan contributions)
- ✓ SIMPLE IRA
- ✓ Roth IRA

Before you choose a distribution option, you may have some questions.

Do all beneficiaries have the same choices?

As an IRA beneficiary, your distribution options will depend on four factors.

1. What the IRA plan agreement allows
2. What type of IRA you inherited
3. When the IRA owner died
4. Whether or not you are the IRA owner's spouse

The options included here encompass all that are allowed by the IRS, but the plan agreement for the IRA you've inherited will specify the beneficiary distribution options available to you. In addition, your options as the beneficiary of a Traditional or SIMPLE IRA will differ from your options as a Roth IRA beneficiary.

Roth IRA

As a Roth IRA beneficiary, your options will depend on what the IRA plan agreement allows and whether you are a spouse or nonspouse beneficiary.

Traditional and SIMPLE IRA

As a Traditional or SIMPLE IRA beneficiary, your options will depend on whether the IRA owner died before or on or after her required beginning date (RBD) and whether you are a spouse or nonspouse beneficiary. The RBD is April 1 of the year following the IRA owner's 70½ year.

Is there a deadline for choosing a distribution option?

You generally have until December 31 of the year following the year of the IRA owner's death to decide which option to go with. If you are a spouse beneficiary, you can treat the IRA as your own IRA at any time.

Will I have to pay tax on my inherited IRA assets?

You generally must pay tax on inherited IRA assets. But, depending on the type of IRA and the assets within it, there may be times when your IRA distribution is tax-free.

You may want to consult a competent tax advisor before making any decisions.

Traditional and SIMPLE IRA Beneficiary Options When IRA Owner Dies Before RBD, and Roth IRA Beneficiary Options

Spouse is sole beneficiary

- Withdraw entire amount
- Follow five-year rule
- Take single life expectancy payments based on spouse beneficiary's life expectancy
- Treat IRA as own
- Distribute and roll over to own IRA

Nonspouse beneficiary or spouse is not sole beneficiary

- Withdraw entire amount
- Follow five-year rule
- Take single life expectancy payments based on beneficiary's life expectancy
- Spouse may distribute and roll over to own IRA

Traditional and SIMPLE IRA Beneficiary Options When IRA Owner Dies On or After RBD

Spouse is sole beneficiary

- Withdraw entire amount
- Take single life expectancy payments based on IRA owner's or spouse beneficiary's life expectancy, whichever is longer
- Treat IRA as own
- Distribute and roll over to own IRA

Nonspouse beneficiary or spouse is not sole beneficiary

- Withdraw entire amount
- Take single life expectancy payments based on IRA owner's or beneficiary's life expectancy, whichever is longer
- Spouse may distribute and roll over to own IRA

Lump-Sum Distribution

You may withdraw the total amount of your inherited IRA assets from the IRA.

Five-Year Rule

You may withdraw any amount at any time as long as the entire IRA balance is depleted by December 31 of the fifth year after the IRA owner's death.

Single Life Expectancy Payments

You generally must take annual distributions of a minimum amount based on a single life expectancy, beginning December 31 of the year following the year of the IRA owner's death.

Treat the IRA as Your Own

If you're a spouse beneficiary, you may treat the IRA as your own by

- redesignating it as your own,
- making a contribution to the inherited IRA,
- not taking a required payment, or
- by transferring or rolling over the inherited IRA assets to your own IRA.

For More Information

We'd be happy to answer your questions about beneficiary distribution options.

