Required Minimum Distributions After Death: Spousal Beneficiary

Funds in both traditional IRAs and qualified retirement plans may not be kept inside these tax-deferred accounts indefinitely.[1] Under federal law the money must eventually be distributed, and then taxed, through yearly "Required Minimum Distributions," or RMDs.[2]

The death of an account owner does not eliminate this requirement. However, the manner in which the assets must be distributed post-death will vary, depending primarily on:

- Death before or after the required beginning date: During life, an account owner must generally begin distributions no later than the year he or she reaches age 72. This is known as the "Required Beginning Date," or RBD.[3]
- Who inherits the assets: The law mandates different required minimum distribution schedules depending on who inherits the assets in an account.

Surviving Spouse Required Minimum Distributions

If the surviving spouse is the sole designated beneficiary, or if there is no designated beneficiary, at a minimum the funds must be distributed as shown in the following tables:

[1] For required minimum distribution purposes, the term "traditional IRA" also includes SIMPLE IRAs and SEP IRAs. Roth IRAs are subject to different rules.

[2] This discussion concerns federal income tax law. State or local law may vary.

[3] The SECURE Act changed the RBD for 2020 and the years following. For any retirement account owner who did not turn 70 ½ by 12/31/2019, RMDs for IRAs do not begin until the year the owner turns 72. If the owner turned 70 ½ before 12/31/2019, they follow the same RMD rules under the previous legislation and will continue to take their RMD as scheduled. The RBD for qualified plan participants is the later of (a) the year the participant reaches age 72, or (b) the year he or she retires for anyone who turned 70½ after 12/31/2019. For those who turned 70 ½ before 12/31/2019, it is the later of (a) the year the participant reaches age 70½, or (b) the year he or she retires. More than 5% owners must begin to receive distributions by the year they reach age 70 ½ (if they turn 70 ½ before 12/31/2019), or the year they reach age 72 (if they turn 70½ after 12/31/2019). Refer to the SECURE Act legislation for clarification on the RBD.

Owner Dies *Before* the Required Beginning Date

Situation	Distribution Requirement	Example
Rollover account to survivor's name	The surviving spouse becomes the owner, with RMDs being taken under the normal "during lifetime" rules. No withdrawals are required until the surviving spouse reaches age 72.[3]	Assume that Kate's husband Jake dies in 2018 at age 67. Kate is age 65. Kate rolls the account over into her own name. Kate will not be required to take a distribution from the account until the year she turns 72.
Leave account in deceased spouse's name – surviving spouse is designated beneficiary – death occurred in 2019 or earlier	RMDs for the beneficiary-spouse must begin by the later of: (a) 12/31 of the year the owner would have turned age 70 ½ had he or she lived, or (b) 12/31 of the year after the owner dies. Distributions are made over the survivor's life expectancy.	Assume that Kate's husband Jake dies in 2018 at age 67. Kate is age 65. Also assume that Jake would have reached age 70 ½ in 2021. Kate must take her first RMD by 12/31/21. This RMD is calculated by dividing the account balance on 12/31/20 by Kate's life expectancy (from the Single Life Table) for her age in 2021. If Kate turns 68 in 2021, this value is 18.6. For later years, her life expectancy is determined using her attained age in each year.
Leave account in deceased spouse's name – surviving spouse is designated beneficiary – death occurred in 2020 or later	RMDs for the beneficiary-spouse are no longer mandatory. However, under the SECURE Act, all funds must be withdrawn from the Beneficiary IRA within 10 years.	Assume that Kate's husband Jake dies in 2020 at age 69. Kate is age 68. Kate is not required to take any distributions annually. Instead she can choose when to make distributions as long as the entire account has been distributed within 10 years.

Owner Dies *After* the Required Beginning Date

Situation	Distribution Requirement	Example
Rollover account to survivor's name	An RMD must be made for the deceased owner for the year of death. The surviving spouse then becomes the owner, with RMDs being taken under the normal "during lifetime" rules. No withdrawals are required until the surviving spouse reaches age 72.[3]	Assume Jake dies in 2018 at age 72. Kate is age 65. A distribution must be made for Jake for 2018. After taking Jake's RMD for 2018, Kate can then roll the account into her own name and delay further distributions until she is 72.
Leave account in deceased spouse's name – surviving spouse is designated beneficiary – death occurred in 2019 or earlier	An RMD must be made for the deceased owner for the year of death. RMDs for the beneficiary-spouse must begin by 12/31 of the year of the owner's death, with distributions made over the survivor's life expectancy.	Assume Jake dies in 2018 at age 72. Kate is age 65. A distribution must be made for Jake for 2018, as discussed above. Distributions will be made annually.
Leave account in deceased spouse's name – surviving spouse is designated beneficiary – death occurred in 2020 or later	RMDs for the beneficiary-spouse are no longer mandatory. However, under the SECURE Act, all funds must be withdrawn from the Beneficiary IRA within 10 years.	Assume that Kate's husband Jake dies in 2020 at age 73. Kate is age 68. Kate is not required to take any distributions annually. Instead she can choose when to make distributions as long as the entire account has been distributed within 10 years.

Other Distribution Options

Funds in an inherited IRA or qualified retirement plan may also be distributed as a single lump-sum or as periodic or occasional distributions, which withdraw the money at a rate faster than the RMDs required by federal tax law. However, such accelerated distributions will subject the funds to current income tax more quickly than will the RMD withdrawals.

Post-Mortem Distribution Planning

IRAs and qualified plans allow an account owner to name a beneficiary or beneficiaries to receive the account proceeds should the owner die. From this pool of potential inheritors, IRS regulations require that the individual or group of individuals who will ultimately receive the funds, the "designated beneficiaries," be identified by September 30 of the year following the year of death. This time delay allows for a certain amount of post-death estate and income tax planning by "removing" a potential beneficiary through either a qualified disclaimer, a cash distribution, or by dividing the IRA or qualified plan into separate accounts.[5] The life expectancies of those beneficiaries who remain as of September 30 are then used to determine the RMDs for the years after death. Entities without a measurable life span, such as the owner's estate, a charity, or a trust that does not meet certain IRS requirements, are not considered to be "designated beneficiaries" for RMD purposes. While such beneficiaries may inherit the funds in an account, distributions to these entities are generally made on less favorable terms.

Spousal Rollover

In order to roll the account into the name of the surviving spouse, the survivor must be the sole beneficiary and have an unlimited right to withdraw amounts from the account. If the spouse is not the sole beneficiary of an account at the time of the account owner's death, this requirement can be met by having other beneficiaries disclaim their interests on a timely basis. The surviving spouse could later name those individuals as beneficiaries of his or her own IRA. The election to roll the account into the surviving spouse's name may be made at any time after the owner's death.

Trusts

In order for the beneficiaries of a trust to qualify as a "designated beneficiaries," the trust must meet certain requirements:

- The trust must be valid under state law;
- The trust must be irrevocable or will, under its terms, become irrevocable upon the death of the account owner;
- The beneficiaries of the trust must be identifiable from the trust document; and
- Certain documents must be provided to the plan administrator.[4]

Distributions to the trust are made over the theoretical life expectancy of the beneficiary. If there is more than one beneficiary, distributions are made over the theoretical life expectancy of the oldest beneficiary. If a trust does not meet these requirements, consideration should be given to reforming the trust, assigning or disclaiming an interest in the trust, cashing-out certain beneficiaries, or separating interests in the trust.

[4] Generally, this must occur by October 31 of the year following the year of death. Please consult an estate attorney for the changes the SECURE Act brought to trusts as beneficiaries.

Other Points

- **Marital status**: An account owner's marital status for the entire calendar year is determined as of January 1, even if the account owner and/or spouse die or divorce during the year.

- **Distributions from employer-sponsored qualified plans**: Post-death payments to beneficiaries of qualified plans are typically based on the individual provisions of a particular plan. A lump-sum distribution is perhaps the most frequently encountered option. A surviving spouse who takes a lump-sum distribution from a qualified plan has 60 days to move the funds tax-free into an IRA as a rollover.

Roth IRAs

Roth IRAs do not have a lifetime distribution requirements. Because of this, a Roth IRA owner is always viewed as having died before the RBD. Post-death distributions from Roth IRAs are thus governed by the "death before RBD" rules. This means that if the Roth IRA owner passed away before 12/31/2019, beneficiaries are required to take annual RMDs. For the beneficiaries of Roth IRA owners who pass away after 12/31/2019, no annual distributions are required, but the account will need to be completely distributed within 10 years. Since there is no tax implication, the beneficiary can continue to let the assets grow for 10 years with no tax consequences.

Seek Professional Guidance

The body of law and regulation surrounding required minimum distributions is complex and often confusing, especially after the new SECURE Act legislation. Further, the failure to correctly distribute the required amounts from an IRA or qualified plan can result in a federal excise tax of 50% of the amount that should have been distributed. Individual state or local law may also provide penalties.

The advice and guidance of qualified professionals is strongly recommended.

Content in this material is for general information only and not intended to provide specific advice or recommendations for any individual.
This information is not intended to be a substitute for specific individualized tax or legal advice. We suggest that you discuss your specific situation with a qualified tax or legal adviso