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 April 1 of the year following the year he or she reaches age 70½. 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 tables below:

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 suriving spouse reaches age 70 ½.	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 April 1 of the year after she reaches age 70 ½.

[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 RBD for qualified plan participants is April 1 of the year following the later of (a) the year the participant reaches age 70 ½, or (b) the year he or she retires. More than 5% owners must begin to receive distributions by April 1 of the year following the year they reach age 70 ½.

Situation	Distribution Requirement	Example
Leave account in deceased spouse's name – surviving spouse is designated beneficiary	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.
No designated beneficiary, the owner's estate, a charity, or a non-qualifying trust	The entire amount must be distributed by the end of the fifth year after the owner dies.	Jake dies on 1/1/18, at age 68, leaving his IRA to his estate. The entire IRA balance must be distributed by 12/31/23.

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 70 ½.	Assume Jake dies in 2018 at age 72. Kate is age 65. A distribution must be made for Jake for 2018. Since Kate is not more than 10 years younger than Jake, the life expectancy from the Uniform Life Table is used.[4] The RMD is calculated by dividing the account balance on 12/31/17 by 25.6, the distribution period for a 72 year old account owner. After taking Jake's RMD for 2018, Kate can then roll the account into her own name and delay further distributions until April 1 of the year after she reaches 70 ½.
Leave account in deceased spouse's name – surviving spouse is designated beneficiary	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 for Kate must begin by 12/31/19 based on her attained age in 2019. Assuming that Kate will turn 66 in 2019, the RMD for 2019 would be calculated by dividing the account balance on 12/31/18 by Kate's life expectancy (from the Single Life Table) of 20.2. For 2020, the RMD would be calculated by dividing the account balance as of 12/31/19 by Kate's 2020 life expectancy, at age 67, of 19.4.

[4] If Kate were more than 10 years younger than Jake, the factor shown on the Joint and Last Survivor Table would be used.

Situation	Distribution Requirement	Example
No designated beneficiary, the owner's estate, a charity, or a non-qualifying trust	An RMD must be made for the deceased owner for the year of death. Thereafter, RMDs are based on the owner's theoretical life expectancy in the year of death.	Assume Jake dies in 2018 at age 75, leaving his IRA entirely to charity. An RMD must be made for 2018, using his age 75 life expectancy (from the Uniform Lifetime Table) of 22.9. For later years, Jake's life expectancy in the year of his death (from the Single Life Table), reduced by one for each subsequent year, is used to calculate the RMD. For 2019, Jake's life expectancy would be 12.4, (his 2018 life expectancy at age 75 of 13.4-1). For 2020 the life expectancy used would be 11.4 (12.4-1).

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.

[5] Any separate accounts must generally be established by December 31 of the year following the year of the account owner's death.

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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.[6]

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.

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 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.

Seek Professional Guidance

The body of law and regulation surrounding required minimum distributions is complex and often confusing. 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.

[6] Generally, this must occur by October 31 of the year following the year of death.