



After-Death Required Minimum Distribution Rules After the SECURE Act

Situation: The demise of stretch distribution is here! So, what should financial professionals be doing now? At a minimum you need to understand how the RMD rules work today so you will be in a position to discuss the impact changes will make on your clients' plans.

Unlike the lifetime RMD distributions that we discussed last month, after-death RMD distributions depend on the identity of the participant's beneficiary(s).¹ Before the SECURE Act (the Act) retirement account owners could name their children or grandchildren beneficiaries and these young heirs were able to stretch out withdrawals over their own projected lifespans. This stretch planning had become a staple of planning for the affluent.

However, the momentum that had been gaining over a proposal first floated in 2012 has fruition under the SECURE Act. Specifically, except for certain specified "eligible designated beneficiaries" the Act replaced stretch distribution with a new 10-year distribution rule. According to the Congressional Research Service, the passing of the Act will generate about \$15.7 billion in tax revenue over the next decade due to the elimination of the stretch IRA alone. Of course, the projected revenue increase is due to the fact that the heirs (who are likely to be in their 50's and 60's) won't be able to spread out withdrawals, meaning they are more likely to be pushed into higher tax brackets at a time when the heirs are often at their highest career income.

With this Counselor's Corner we will attempt to address the after-death distribution aspects of the RMD rules that went into effect for retirement account owners who die AFTER December 31st, 2019. It's important to note that existing stretch beneficiaries for retirement account owners who died BEFORE January 1st, 2020 can continue to take distributions over their lifetime.² As is typically with new legislation the Act created many unknowns which will require regulatory guidance.

Solution: Prior to the Act the rules that applied to distributions after death depended on whether the owner/participant died before or after the "required beginning date" and on the identity of the beneficiary(s) on the "determination date." This remains the same after the Act. What changed is the category of beneficiaries and how long a select group of beneficiaries may distribute plan benefits.

Historically, beneficiaries of IRAs and defined contribution plans fell into two broad categories: designated beneficiaries and non-designated beneficiaries. The Act changed this by splitting designated beneficiaries into two subcategories: eligible designated beneficiaries and all other designated beneficiaries or non-eligible designated beneficiaries. **The distinction between the three categories of beneficiaries matters because only one group, non-eligible designated beneficiaries must comply with the new 10-year RMD rule. For the other two categories of beneficiaries (non-designated beneficiaries and eligible designated beneficiaries) little has changed.**



So, an understanding of the after-death RMD rules must first start with an understanding of the terms **required beginning date, determination date, designated beneficiary and eligible designated beneficiary.**

Required Beginning Date.

The required beginning date for after-death RMDs is the same as lifetime RMDs. Specifically, for IRA owners and employees who are more than 5% owners of the employer sponsoring the plan the required beginning date is April 1st of the year after the year the owner reaches age 72. For other qualified plan participants (non-5% owners) and 403(b) participants, the required beginning date is typically April 1 of the year after the later of (a) the year the participant reaches age 72 or (b) the year the participant retires.

Determination Date.

The identity of the beneficiaries of a decedent's IRA or defined contribution plan is determined on the "determination date" which is September 30th of the year after the year of death. No new beneficiaries can be added after the account owner's death, but it may be possible to remove "undesirable" beneficiaries (those that could shorten the payout period for other beneficiaries, such as a charity or a non-eligible designated beneficiary) either by paying out their interest prior to the September 30th deadline or by the beneficiary executing a valid disclaimer. Note that the deadline for a valid disclaimer is nine months after the date of death.

Designated Beneficiary (Eligible and Non-Eligible).

A designated beneficiary is generally an individual or qualifying trust³ named as beneficiary of an IRA or retirement account as of the determination date. As indicated above the Act created a new subcategory of designated beneficiary called an eligible designated beneficiary.⁴

An **eligible designated beneficiary** is a designated beneficiary who also falls into one of the following five categories:

- 1. The surviving spouse of the decedent (domestic partnerships does not count, but same sex married does);**
- 2. A minor child of the plan participant or IRA owner but only until such minor reaches the age of majority;⁵**
- 3. An individual who is disabled at participant's death as defined by §72(m)(7);⁶**
- 4. A person who is chronically ill at participant's death;⁷ or**
- 5. Any other individual who is not more than 10 years younger than the IRA owner or participant.⁸**

After the Act an eligible designated beneficiary can continue to stretch distributions, but on his/her death any remaining amount must be distributed under the new 10-year distribution rule.

A designated beneficiary that does not fit into one of the five categories is a non-eligible designated beneficiary. This is the group of beneficiaries that had the greatest change in RMD rules as a result of the Act. In general, this group cannot stretch distributions. Rather, they are subject to the new 10-year distribution rule.

Non-Designated Beneficiary.

If one or more beneficiaries is an estate, charity or non-qualifying trust as of the determination date, the minimum distribution requirements will apply as if there is NO designated beneficiary (non-designated beneficiary category).

Before we begin our discussion of the after-death RMD rules we will describe the payout options typically provided by individual account plans. (Note: Defined benefit plans and amounts payable as an annuity are subject to different minimum distribution calculations.) This will be followed by a discussion of the RMD options based on the identity of the beneficiary.

For the Education of Financial Advisors & Financial Professionals. Not for use with the General Public.



Description of Typical Payout Options.

Beneficiaries may have several payout options, depending on their status and the age of the participant/owner at death. The discussion that follows is based on the Internal Revenue Code, regulatory requirements. Not all plans allow all options. The plan document should be reviewed for the specific provisions. Following are description of some of the typical options.

Lump Sum Payout

Typically, a beneficiary has the option to receive a payout of the entire account balance regardless of the age of the IRA owner/plan participant at death. This option is the least favorable from an income tax standpoint, since the entire distribution is generally taxed in the year of distribution as ordinary income. A distribution in this manner must be completed by December 31st of the year after the year of the decedent's death.

5-Year Payout

If the decedent died BEFORE his or her required beginning date, with no designated beneficiary distribution must be under the 5-year rule. Under this option, no minimum distribution applies each of the first four years, but the entire account must be distributed by December 31st of the fifth year (5th anniversary) after the year of the decedent's death.

10-Year Payout

The Act created a new payment called the 10-year rule. The rule operates in the same manner as the 5-year rule. Specifically, this payment option requires that all amounts must be distributed by December 31st of the 10th year following the participant's date of death (the 10th anniversary of the date of death). No distributions are required prior to that deadline. So, a beneficiary can delay taking distributions and take it in a lump sum at the deadline or take distributions ratably throughout the time period to spread out income.

Life Expectancy of Beneficiary Payout/ "Stretch" Payout

If certain requirements are met, an "eligible designated beneficiary" of an IRA or qualified plan may elect to receive payments over his or her life expectancy. This is usually referred to as a "stretch" payout. A life expectancy payout election is not an obligation to delay distributions, but instead is an election to keep the life payout option available and minimize the required distribution each year. A participant always has the option to receive more than the minimum. In order to "stretch" distributions over his or her lifetime, the beneficiary must be an "eligible designated beneficiary" and must begin distributions by December 31st of the year after the year of the decedent's death.

The amount of the beneficiary's distribution is determined by dividing the account balance as of the end of the preceding year by the beneficiary's life expectancy, determined as of his or her birthday in the year for which the distribution is required. Life expectancies for this purpose are taken from the Single Life Table.



Rollover Elections of Spouse and Non-spouse Beneficiaries

While the rollover election is not per se a payout option it can have a direct impact on a beneficiary's distribution. For example, many qualified plans do not offer a life expectancy of beneficiary payout directly from the plan. To get a payout option not offered by a plan the beneficiary must rollover the funds to an IRA. Both surviving spouse and non-spouse beneficiaries have the right to rollover qualified funds, but the rollover rights and RMD results of each is very different.

If the sole beneficiary is the **surviving spouse** of the owner/participant, he or she roll the funds over to the surviving spouse's own IRA (Spousal Rollover). Where the surviving spouse elects to do a spousal rollover, he or she can name a new beneficiary and delay distributions until his or her own required beginning date. The account will become subject to new minimum distribution requirements based on the surviving spouse as owner and life expectancy.⁹

Before the rollover can be made, any RMD due as of the year of rollover must first be made. This is because required minimum distributions can never be rolled over. If it is the year of the decedent's death and the decedent had not received his/her minimum distribution prior to death, that distribution must be made before the rollover. If it is any year after the year of death, any RMD due to the beneficiary must be paid before a rollover can occur.

There are three ways a spousal rollover can be accomplished. First, whether the inherited funds are coming from a qualified plan or an IRA a spousal beneficiary can direct the trustee/custodian to transfer plan/IRA assets directly to the trustee/custodian of a new or existing IRA titled in the name of the surviving spouse. There are no limitations to the number of tax-free trustee-to-trustee transfers allowed during a year. Second, whether the inherited funds are coming from a qualified plan or IRA the surviving spouse/beneficiary may withdraw the assets and transfer them to a new or existing IRA titled in the name of the surviving spouse as long as the transaction is completed within 60 days of the withdrawal.¹⁰ Finally, a spousal rollover from an IRA may also be accomplished by treating the decedent's account as his/her own, for example, by making contributions to it or by changing the IRA title from the decedent to the surviving spouse's name.

Non-Spouse Beneficiaries can directly rollover an inherited account; however, they only have the ability to re-title it as an inherited IRA in the name of the decedent for the benefit of the beneficiary. Unlike a spouse, a non-spouse beneficiary may not roll over an IRA or plan funds of a decedent into an IRA in his or her own name.¹¹ Like spousal rollovers, before a non-spousal rollover can be made, any RMD due must first be made. Following are the rules that must be followed for a non-spouse beneficiary to do a direct rollover to an inherited IRA account.

The rollover is accomplished by means of a direct trustee-to-trustee transfer from the plan into an inherited IRA. Unlike a spousal rollover a 60-day rollover is not permitted. In fact, any distribution of the funds directly to the beneficiary instead of the inherited IRA will preclude the rollover. In addition, the inherited IRA must be a new IRA, not one already owned by the non-spouse beneficiary, and the IRA must be titled in the name of the decedent for the benefit of the beneficiary; for example, "Jane Doe, for the benefit of Bill Smith." Furthermore, beneficiaries are not permitted to make additional contributions to the inherited IRA. Finally, the rollover must be completed by December 31st of the year following the account holder's death. Once the rollover is made, if the beneficiary is an eligible designated beneficiary and begins distributions by the December 31st of the year after the year of the decedent's death, a payout over the beneficiary's life expectancy is possible.¹²



Now that you have an understanding of the RMD payout options we can move our discussion to the beneficiary's after-death RMD requirements. A chart of the below requirements is attached at the end.

RMD for Year of Death.

The obvious place to start is with an understanding of the RMDs in the year of the IRA owner/plan participant's death. The beneficiary of an IRA or plan account is not required to begin receiving RMDs in the year of the decedent's death; however, a distribution is required in that year to the extent that the decedent had not yet taken all of his or her RMD in the year death occurred. In the year of the participant's death RMD is based on the participant's age in year of death and factor in the Uniform Lifetime Table. The beneficiary of the account must receive this distribution. If there are multiple beneficiaries, any one of them may take it.

After-Death RMD Where Spouse is Sole Beneficiary.

Where the surviving spouse of the IRA owner/plan participant is the sole designated beneficiary he or she must choose whether to retain the account in the decedent's name as an inherited IRA or roll the funds over to the surviving spouse's own IRA (Spousal Rollover). This decision must be made regardless whether the participant dies before or after the required beginning date.

If the surviving spouse elects to do a spousal rollover he or she can name a new beneficiary and take distributions on his or her own required beginning date. With this option RMDs are determined using the Uniform Lifetime Table of the surviving spouse recalculated annually. It should be noted that after the IRA is in the surviving spouse's name, any distribution before he or she reaches age 59½ may trigger 10% early distribution penalty. If the surviving spouse needs the funds, the spouse may wish to maintain the account in the decedent's name as an inherited account/IRA.

Alternatively, where the surviving spouse beneficiary maintains the IRA/account in the decedent's name, if he or she wants to receive RMDs under the life expectancy payout option s/he must begin receiving distributions by *the later* of:

- December 31 of the year after the participant's death
- December 31 of the year the decedent would have reached age 72.

The payout is determined each year by dividing the account balance at the end of the prior year by the spouse's life expectancy using the Single Life Table and recalculated in each year for which the distribution is required.

If the surviving spouse maintains the funds in an inherited IRA in the name of the decedent, but does not elect a lifetime payout by one of the dates above, depending on the default option provided in the plan document he or she will be required to either receive a lump sum distribution by December 31st of the year after the year of death or take distributions under one of following two rules:

- If the participant died before his required beginning date, distributions will be subject to the 10-year rule.
- If the owner/participant died on or after his/her required beginning date, his/her remaining life expectancy is used as the required payout period. The life expectancy is determined using the Single Life Table using the participant's age in the year in the year of death, minus one for each year that elapses thereafter.



A surviving spouse of a deceased participant may have an extended period before distributions are required. However, many qualified plans have a “default” payout rule that applies if the beneficiary fails to make rollover or life expectancy payout election prior to a date specified in the plan. In such cases, a surviving spouse beneficiary who is sole beneficiary and has unlimited access to the funds may roll over a decedent’s qualified plan benefit. The rollover can be made to the spouse’s own IRA or to an inherited IRA in the name of the decedent for the benefit of the surviving spouse, either of which is then subject to the respective requirements explained above.

After-Death RMD Where Beneficiary is an Eligible Designated Beneficiary Other than Spouse.

Where the beneficiary is an eligible designated beneficiary, but not a spouse the RMD options are as follows:

Regardless whether the participant dies before or after the required beginning date an eligible designated beneficiary has the right to make a life expectancy payout election. As previously discussed above:

- If this option is not available in the plan, the beneficiary will need to do a non-spousal rollover to an inherited IRA.
- The life expectancy election must be made by December 31st of the year after the year of the participant’s death.
- If a timely life expectancy payout election is made, the first minimum distribution is calculated by dividing the account balance as of December 31st of the prior year by the beneficiary’s life expectancy in the first year for which the distribution is being made, determined using the Single Life Table. For each subsequent year, the beneficiary’s life expectancy is adjusted by subtracting one from his or her prior year life expectancy.

If the eligible non-spouse designated beneficiary does not make a timely life expectancy payout election, depending on the default option provided in the plan document he or she will be required to either receive a lump sum distribution by December 31st of the year after the year of death or take distributions under one of two rules:

- If the decedent died *before* his or her required beginning date, the 10-year rule applies.
- If the decedent died *on or after* his or her required beginning date, distributions must be made over the remaining life expectancy of the participant/decedent, determined using the factor from the Single Life Table for his or her age in the year in the year of death, minus one for each year that elapses thereafter. Each distribution must be made by December 31 beginning in the year after the year of the decedent’s death.

There are special rules that apply if an IRA or plan account is payable to **multiple beneficiaries**. One of the rules provides that unless all of the beneficiaries are individuals as of the determination date, none of the individuals are designated beneficiaries. The Act does not change this rule. Another rule provides if there are multiple beneficiaries of an IRA or plan account, the payouts to all beneficiaries must be calculated using the life expectancy of the oldest beneficiary. It’s not clear how this rule applies after the Act especially in the situation where some of the beneficiaries are eligible designated beneficiaries and others are not. Where there are multiple individuals as designated beneficiaries of an account, it’s possible to create separate accounts for each beneficiary to calculate RMDs. Creating separate accounts may permit each beneficiary to use his or her own distribution payout.



After-Death RMD Where Beneficiary is a Non-Eligible Designated Beneficiary.

The biggest changes made to post death distribution rules made by the Act will be felt by designated beneficiaries that do not qualify as eligible designated beneficiaries (such as adult children). These beneficiaries will not be able to stretch. Instead the Act subjects these beneficiaries to the new 10-year rule.

As indicated earlier, the new 10-year rule requires that the beneficiaries distribute the balance of an inherited account by December 31st of the 10th year following the participant's death. No distributions are required prior to this deadline. So, a beneficiary can delay taking distributions and take it in a lump sum at the deadline or take distributions ratably throughout the time period to spread out income.

The Act appears to require this distribution whether the participant dies before or after the required beginning date (RBD). One question that is not clear from the Act's language is whether a non-eligible designated beneficiary who receives benefits from a participant who dies after his/her required beginning date can continue to use what's referred to as the "As Rapidly" Rule.

Specifically, prior to SECURE Act a designated beneficiary was able to take distributions from an inherited account using the owner's life expectancy under the "As Rapidly" Rule. The Act does not appear to permit non-eligible designated beneficiaries to use this distribution but permits non-designated beneficiaries to continue to use the "As Rapidly" option. The "As Rapidly" Rule has a window where a participant's death between the ages of 73 and 78 (current table) and 73 and 80 (proposed table) where distributions could be extended beyond the 10 years required by the 10-Year Rule.

It's hard to believe that Congress intended to put non-eligible designated beneficiaries at a disadvantage to non-designated beneficiaries, but that appears to be the case based on the plain language in the Act. Most experts hope that regulations will clarify that non-eligible designated beneficiaries will be able to use the "As Rapidly" Rule.

After-Death RMD Where No Designated Beneficiary.

If the decedent has no "designated beneficiary," (if one or more beneficiaries is an estate, charity, or non-qualifying trust) one of two rules applies:

- If the decedent died before his or her required beginning date, the entire account balance must be paid by the end of the fifth calendar year following the decedent's death.
- If the decedent died on or after his or her required beginning date, distributions must be made over the remaining life expectancy of the participant/decedent, determined by using the Single Life Table for his or her age in the year in the year of death, minus one for each year thereafter.

There is one possible exception to the "no designated beneficiary" rules. In numerous private letter rulings, the IRS has permitted a spouse beneficiary to make a rollover of his or her interest despite lacking "designated beneficiary" status. However, these rulings are binding only on the individuals to whom they are issued

In Summary.

The SECURE Act introduced a number of changes to long-standing retirement distribution rules. In this article we attempted to describe the after-death minimum distribution requirements for participants who die after December 31st, 2019. Beneficiaries wishing to extend payouts over their life expectancy (where permitted to do so) continue to have important elections that must be made within specific time periods. Unfortunately, for a large class of non-eligible designated beneficiaries the Act significantly limits the payout period.



Current Single Life Table
(For Use by Beneficiaries)

Age	Life Expectancy										
0	82.4	22	61.1	44	39.8	66	20.2	87	6.7	109	1.2
1	81.6	23	60.1	45	38.8	67	19.4	88	6.3	110	1.1
2	80.6	24	59.1	46	37.9	68	18.6	89	5.9	111	1
3	79.7	25	58.2	47	37.0	69	17.8	90	5.5		
4	78.7	26	57.2	48	36.0	70	17.0	91	5.2		
5	77.7	27	56.2	49	35.1	71	16.3	92	4.9		
6	76.7	28	55.3	50	34.2	72	15.5	93	4.6		
7	75.8	29	54.3	51	33.3	73	14.8	94	4.3		
8	74.8	30	53.3	52	32.3	74	14.1	95	4.1		
9	73.8	31	52.4	53	31.4	75	13.4	96	3.8		
10	72.8	32	51.4	54	30.5	76	12.7	97	3.6		
11	71.8	33	50.4	55	29.6	77	12.1	98	3.4		
12	70.8	34	49.4	56	28.7	78	11.4	99	3.1		
13	69.9	35	48.5	57	27.9	79	10.8	100	2.9		
14	68.9	36	47.5	58	27	80	10.2	101	2.7		
15	67.9	37	46.5	59	26.1	81	9.7	102	2.5		
16	66.9	38	45.6	60	25.2	82	9.1	103	2.3		
17	66.0	39	44.6	61	24.4	83	8.6	104	2.1		
18	65.0	40	43.6	62	23.5	84	8.1	105	1.9		
19	64.0	41	42.7	63	22.7	85	7.6	106	1.7		
20	63.0	42	41.7	64	21.8	86	7.1	107	1.5		
21	62.1	43	40.7	65	21.0			108	1.4		

For the Education of Financial Advisors & Financial Professionals. Not for use with the General Public.



Proposed Single Life Table
(For Use by Beneficiaries)

Age	Life Expectancy	Age	Life Expectancy								
0	84.5	22	63	44	41.8	66	22	88	6.6	110	2
1	83.7	23	62	45	40.9	67	21.2	89	6.1	111	2
2	82.7	24	61.1	46	39.9	68	20.4	90	5.7	112	2
3	81.7	25	60.1	47	39	69	19.5	91	5.3	113	1.9
4	80.8	26	59.1	48	38	70	18.7	92	4.9	114	1.9
5	79.8	27	58.2	49	37.1	71	17.9	93	4.6	115	1.8
6	78.8	28	57.2	50	36.1	72	17.1	94	4.2	116	1.8
7	77.8	29	56.2	51	35.2	73	16.3	95	3.9	117	1.6
8	76.8	30	55.3	52	34.3	74	15.6	96	3.7	118	1.4
9	75.8	31	54.3	53	33.3	75	14.8	97	3.4	119	1.1
10	74.8	32	53.4	54	32.4	76	14	98	3.2	120+	1
11	73.8	33	52.4	55	31.5	77	13.3	99	3		
12	72.8	34	51.4	56	30.6	78	12.6	100	2.8		
13	71.9	35	50.5	57	29.7	79	11.9	101	2.6		
14	70.9	36	49.5	58	28.8	80	11.2	102	2.5		
15	69.9	37	48.6	59	27.9	81	10.5	103	2.3		
16	68.9	38	47.6	60	27.1	82	9.9	104	2.2		
17	67.9	39	46.6	61	26.2	83	9.2	105	2.1		
18	66.9	40	45.7	62	25.3	84	8.6	106	2.1		
19	66	41	44.7	63	24.5	85	8.1	107	2.1		
20	65	42	43.8	64	23.6	86	7.5	108	2		
21	64	43	42.8	65	22.8	87	7	109	2		



¹ There is only one situation where the identity of the beneficiary affects lifetime RMD distributions and that is where the spouse is the sole beneficiary and the spouse is more than 10 years younger than the participant.

² It's not entirely clear what will happen when a designated beneficiary of a pre-2020 participant/decedent dies. The Act appears to indicate that the 10-year rule kicks in, but even if this interpretation is correct it's not clear how the 10-year rule applies to the situation where there are multiple beneficiaries or a see-through accumulation trust.

³ Sometimes IRA owners and plan participants name a trust as beneficiary of their account, either to achieve estate planning objectives or for nontax reasons (e.g., the beneficiary is a minor child or another individual for whom outright ownership is not appropriate). If a trust is named as beneficiary, an individual receiving his or her interest through the trust can be a designated beneficiary if the trust meets four requirements:

- 1) The trust is valid under state law.
- 2) The trust is irrevocable or becomes irrevocable at death.
- 3) The beneficiaries are identifiable from the trust instrument.
- 4) A documentation requirement is met (this includes providing the trust document or a list of all the beneficiaries to the plan administrator or IRA custodian) by October 31st of the year after death.

⁴ While this group of beneficiaries is new, the rules that apply to them is not. The rules that apply to the new eligible designated beneficiary are the same rules that apply to the old pre-SECURE Act group of designated beneficiaries. Specifically, they are able to stretch distributions from inherited retirement accounts.

⁵ Clarification is still needed to determine if the age of majority is 18 or 21 and whether there is an exception for a child that is under the age of 26 and still in school. On reaching majority the 10-year distribution applies.

⁶ This requires an individual to be unable to engage in any substantial gainful activity which is expected to result in death or to be a long-continued and indefinite duration.

⁷ A person will generally be considered chronically ill if they meet the rules continued in 7702B(c)(2). However, instead of being unable to perform at least two of the six activities of daily living for only 90 days, the Act requires that the impairment be an indefinite one which is reasonably expected to be lengthy in nature.

⁸ It's unclear whether "not more than 10 years" should be interpreted as meaning exactly 10 years or not more than 10 calendar years. For example, assume an IRA owner born on 1/2/1956 has a beneficiary sister born on 3/8/66. If this provision is interpreted to mean exactly 10-years, the beneficiary would be subject to the 10-year distribution rule. However, if this is interpreted to mean 10 calendar years then the sister beneficiary would be able to stretch distributions.

⁹ RMDs can be delayed until 4/1 of the year after the spouse reaches 72, then determined using the Uniform Lifetime Table of the spouse recalculated annually.

¹⁰ Only one tax-free withdrawal is allowed from an IRA in a 12-month period IRC §408(d)(3)(B). There is a 20% withholding tax where the 60-day rollover is from a qualified plan.

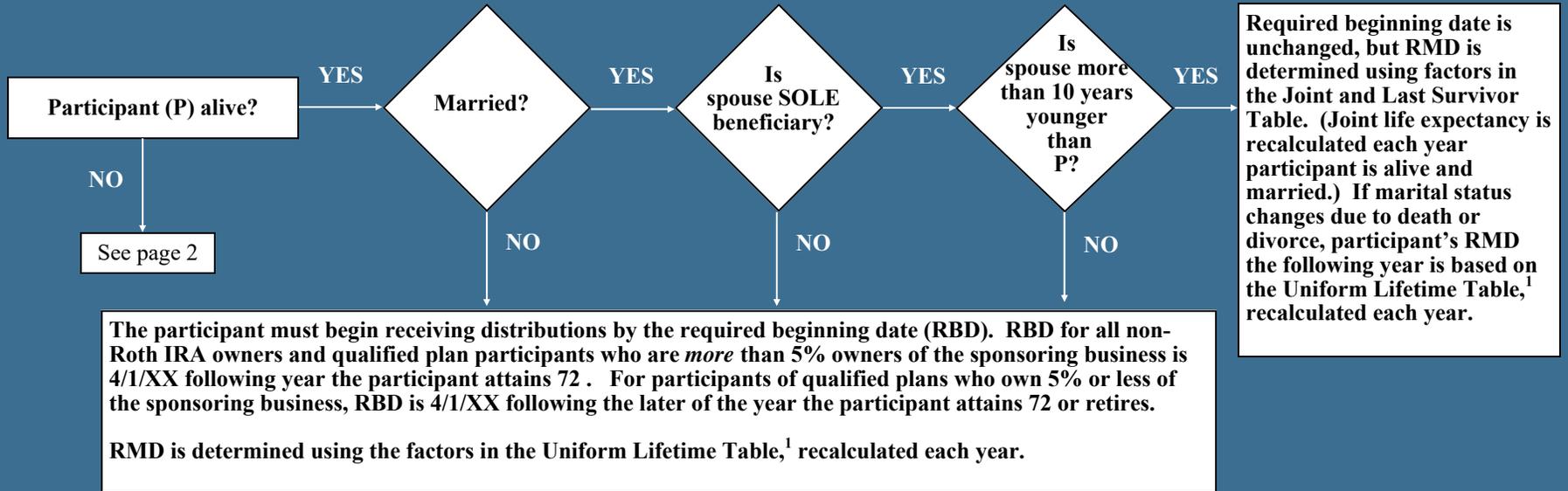
¹¹ Prior to January 1, 2007, nonspouse beneficiaries of employer retirement plans, including tax-sheltered annuities, and eligible Section 457(b) governmental plans, were not permitted to roll over inherited funds to an IRA. However, the Worker, Retiree, and Employer Recovery Act of 2008 included provision mandating employer-sponsored plans offer the option to non-spouse beneficiaries in plan years beginning after 12/31/2009.

¹² If the beneficiary does not begin distributions by December 31st of the year after the year of the decedent's death, a rollover is still possible, but distributions will have to be made under the payout limits of the qualified plan (even after the funds are in the inherited IRA). A rollover under these circumstances may be helpful to make more investments available to the beneficiary. See Notice 2007-7, 2007-5 IRB 395.

For the Education of Financial Advisors & Financial Professionals. Not for use with the General Public.

This material has been prepared to assist our licensed financial professionals and clients' advisors. It is designed to provide general information in regard to the subject matter covered. It should be used with the understanding that we are not rendering legal, accounting or tax advice. Such services must be provided by the client's own advisors. Accordingly, any information in this document cannot be used by any taxpayer for purposes of avoiding penalties under the Internal Revenue Code.

Required Minimum Distributions During Participant's Lifetime



The Prudential Insurance Company of America

Participant's Lifetime

During his or her lifetime, each participant (P) (with one exception) must use the Uniform Lifetime Table (recalculated each year) to calculate required minimum distributions (RMDs). The only exception is where P's spouse is more than 10 years younger, and the spouse is the sole beneficiary of the plan account. In this case the RMD is calculated using the Joint and Last Survivor Table.

To calculate a participant's RMD:

Step 1: Determine the value of the retirement plan account on the last day (or last valuation date) of the preceding year.	<i>Example:</i> Assume that on December 31 of the year immediately preceding the year P turned 72, P's account value was \$274,000.
Step 2: Determine the distribution period factor in the Uniform Lifetime Table using the age that the participant will attain by the end of the applicable year.	P's first distribution is due for the year in which P reaches age 72. The factor for age 72 is 25.6. The first year distribution may be delayed until April 1 of the following year.
Step 3: Divide the account value in Step 1 by the factor in Step 2 for the RMD amount.	$\$274,000 \div 27.4 = \$10,000$; thus, the RMD for the first year is \$10,000.
Step 4: Repeat Steps 1 through 3 each year, using a new distribution factor for each year.	Assume the account balance at the end of the following year is \$285,000. The factor for age 73 is 24.7. The RMD for the second year would be $(\$285,000 \div 24.7)$ or \$11,538.46.

See footnotes on last page.

This material is designed to provide general information in regard to the subject matter covered. It should be used with the understanding that Prudential is not rendering legal, accounting, or tax advice. Such services should be provided by your own advisors. Accordingly, any information in this document cannot be used by any taxpayer for purposes of avoiding the penalties under the Internal Revenue Code.

**Securities and Insurance Products: Not Insured by FDIC or Any Federal Government Agency.
May Lose Value. Not a Deposit of or Guaranteed by Any Bank or Bank Affiliate.**



Required Minimum Distributions After Death

Death Before Required Beginning Date (RBD)

Death on or After Required Beginning Date (RBD)

SPOUSE OPTIONS

1. Life Expectancy. Distributions can be delayed until 12/31 of the year following the year of P's date of death (DOD) or, if later, 12/31 of the year P would have reached age 72. Distribution period is calculated using the factor in the Single Life Table for the surviving spouse's age on his or her birthday in the year following P's DOD and recalculated annually.

2. Spousal Rollover. Spouse (if sole designated beneficiary) may roll over proceeds to own IRA and name own beneficiary or treat account as spouse's own and make additional contributions. RMDs are delayed until 4/1 of the year after spouse reaches 72, then determined using Uniform Lifetime Table (with surviving spouse as owner, and life expectancy recalculated annually)

3. Ten Year. Entire balance must be distributed by 12/31 of the 10th year following P's DOD. No distributions required before tenth year.

4. Lump Sum.

ELIGIBLE NONSPOUSE DESIGNATED BENEFICIARY OPTIONS

1. Life Expectancy. Distributions must begin by 12/31 of the year following the year of P's DOD. Distribution period is calculated using Single Life Table factor for beneficiary's age on the birthday in year following P's DOD and reduced by one in each subsequent year.

2. Ten Year. Beneficiary must take the entire balance by 12/31 of the 10th year following P's DOD. No distributions required before tenth year.

3. Lump Sum.

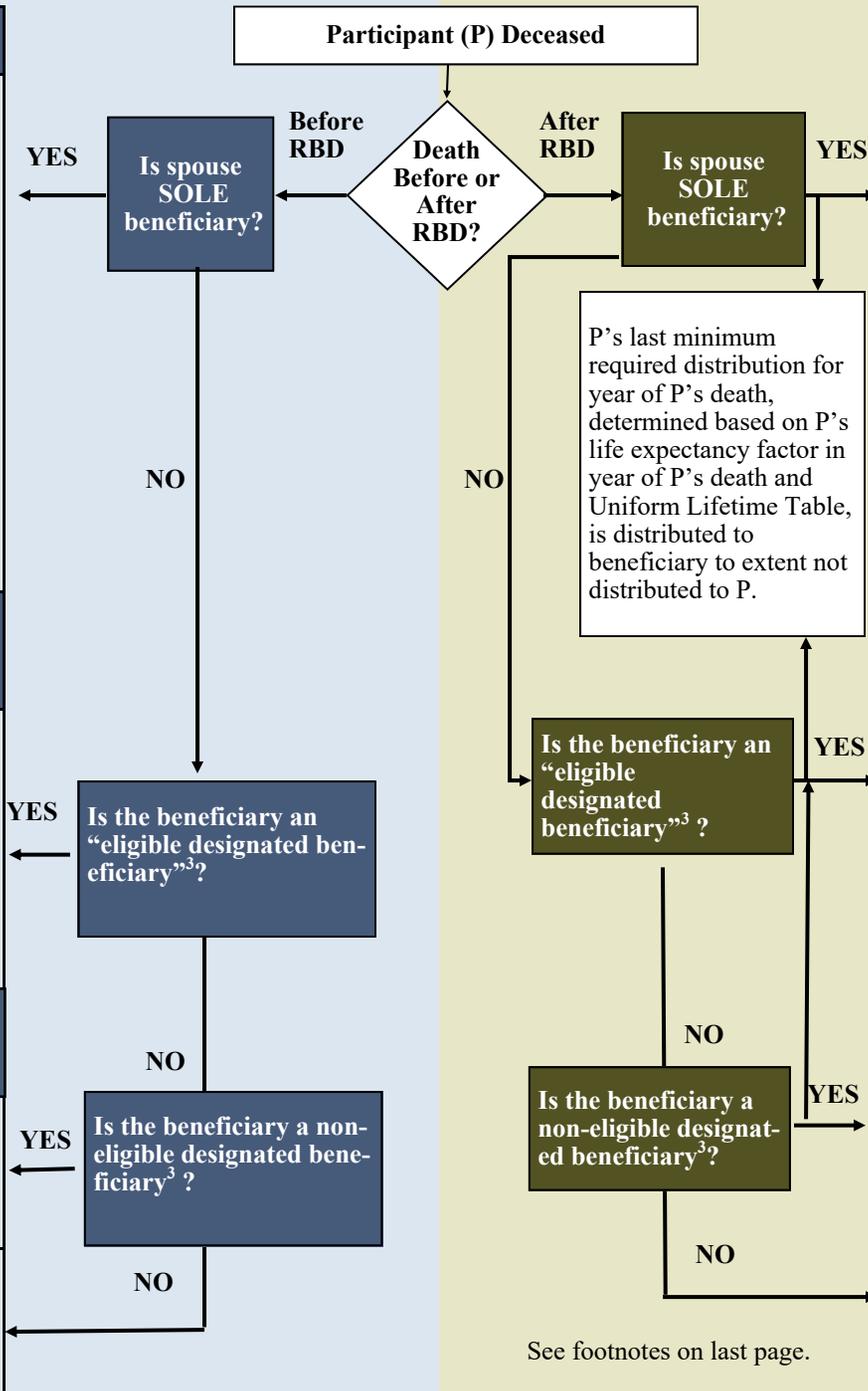
NON-ELIGIBLE DESIGNATED BENEFICIARY OPTIONS

1. Ten Year. Beneficiary must take the entire balance by 12/31 of the 10th year following P's DOD. No distributions required before tenth year.

2. Lump Sum.

**NO DESIGNATED BENEFICIARY³
(Charity⁵ or Estate⁶)**

Five Year. Liquidate balance no later than 12/31 of the fifth year following the year of P's DOD.



SPOUSE OPTIONS

1. Life Expectancy. Distributions must begin by 12/31 of the year following the year of P's date of death (DOD). The distribution period is the longer of (a) period determined using Surviving Spouse's life expectancy from Single Life Table using Surviving Spouse's age on his or her birthday in the year following P's DOD, recalculated annually or (b) the remaining life expectancy of P using Single Life Table and P's age as of P's birthday in the year of death, reduced by one each subsequent year.

2. Spousal Rollover. If sole designated beneficiary, spouse may roll over proceeds to own IRA and name his/her own beneficiary or treat account as spouse's own and make additional contributions.² RMDs are delayed until 4/1 of the year after spouse reaches 72, then determined using Uniform Lifetime Table (with surviving spouse as owner, life expectancy recalculated annually).

3. Lump Sum.

ELIGIBLE NONSPOUSE DESIGNATED BENEFICIARY OPTIONS

1. Life Expectancy. Distributions must begin by 12/31 of the year following the year of P's DOD. Distribution period is the longer of (a) P's remaining life expectancy determined using factor from Single Life Table for P's age as of birthday in the year of death, reduced by one each subsequent year or (b) beneficiary's life expectancy using factor from Single Life Table for beneficiary's age on his/her birthday in the year following P's DOD, reduced by one each subsequent year.

2. Lump Sum.

NON-ELIGIBLE DESIGNATED BENEFICIARY OPTIONS

1. Ten Year. Beneficiary must take the entire balance by 12/31 of the 10th year following P's DOD. No distributions required before tenth year.⁴

3. Lump Sum.

**NO DESIGNATED BENEFICIARY³
(Charity⁵ or Estate⁶)**

In year of P's death, RMD is based on P's age in year of death and factor in Uniform Lifetime Table. In succeeding years, P's life expectancy in year of death is determined using the Single Life Table. Factor reduced by one for each subsequent year.

See footnotes on last page.

Required Minimum Distribution Tables

Uniform Lifetime Table (for 2020)			
Attained Age in Year of Distribution	Applicable Division	Attained Age in Year of Distribution	Applicable Division
70	27.4	92	10.2
71	26.5	93	9.6
72	25.6	94	9.1
73	24.7	95	8.6
74	23.8	96	8.1
75	22.9	97	7.6
76	22.0	98	7.1
77	21.2	99	6.7
78	20.3	100	6.3
79	19.5	101	5.9
80	18.7	102	5.5
81	17.9	103	5.2
82	17.1	104	4.9
83	16.3	105	4.5
84	15.5	106	4.2
85	14.8	107	3.9
86	14.1	108	3.7
87	13.4	109	3.4
88	12.7	110	3.1
89	12.0	111	2.9
90	11.4	112	2.6
91	10.8	113	2.4
		114	2.1
		115+	1.9

Single Life Table (for 2020)					
Age	Distribution Period	Age	Distribution Period	Age	Distribution Period
0	82.4	38	45.6	76	12.7
1	81.6	39	44.6	77	12.1
2	80.6	40	43.6	78	11.4
3	79.7	41	42.7	79	10.8
4	78.7	42	41.7	80	10.2
5	77.7	43	40.7	81	9.7
6	76.7	44	39.8	82	9.1
7	75.8	45	38.8	83	8.6
8	74.8	46	37.9	84	8.1
9	73.8	47	37.0	85	7.6
10	72.8	48	36.0	86	7.1
11	71.8	49	35.1	87	6.7
12	70.8	50	34.2	88	6.3
13	69.9	51	33.3	89	5.9
14	68.9	52	32.3	90	5.5
15	67.9	53	31.4	91	5.2
16	66.9	54	30.5	92	4.9
17	66.0	55	29.6	93	4.6
18	65.0	56	28.7	94	4.3
19	64.0	57	27.9	95	4.1
20	63.0	58	27.0	96	3.8
21	62.1	59	26.1	97	3.6
22	61.1	60	25.2	98	3.4
23	60.1	61	24.4	99	3.1
24	59.1	62	23.5	100	2.9
25	58.2	63	22.7	101	2.7
26	57.2	64	21.8	102	2.5
27	56.2	65	21.0	103	2.3
28	55.3	66	20.2	104	2.1
29	54.3	67	19.4	105	1.9
30	53.3	68	18.6	106	1.7
31	52.4	69	17.8	107	1.5
32	51.4	70	17.0	108	1.4
33	50.4	71	16.3	109	1.2
34	49.4	72	15.5	110	1.1
35	48.5	73	14.8	111+	1.0
36	47.5	74	14.1		
37	46.5	75	13.4		

See footnotes on last page.

Footnotes:

¹ The IRS has proposed new life expectancy tables which are likely to go into effect in 2021. The current life expectancy tables can be found at the following sources:

Single Life Table (see page 3): Treas. Reg. §1.401(a)(9)-9, A-1.

Joint And Last Survivor Table: Treas. Reg. §1.401(a)(9)-9, A-3.

Uniform Lifetime Table (see page 3): Treas. Reg. §1.401(a)(9)-9, A-2.

² A surviving spouse may elect to treat P's IRA as the spouse's own IRA at any time after P's death. Note that a surviving spouse is deemed to have made this election if (a) an amount in an inherited IRA required to be distributed to the surviving spouse under option 1 is not distributed within the required time frame (see chart) or (b) at any time any additional contributions are made to the IRA. Treas. Reg. §1.408-8, A-5.

³ A designated beneficiary is an individual who is a beneficiary as of the date of P's death and who remains a beneficiary as of 9/30 of the year following the year of P's DOD. A person who acquires the right to receive plan benefits under state laws or as a beneficiary of P's estate is not a designated beneficiary. Through post-death planning, beneficiaries may be eliminated through disclaimers but not added. If a beneficiary dies following P's death but before the 9/30 determination date without disclaiming the benefit, that beneficiary is still treated as a designated beneficiary for purposes of calculating RMDs, even though the distributions are paid to a successor. If a charity or estate is named as one of several beneficiaries on the 9/30 determination date, individuals will not qualify as "designated beneficiaries." Trust beneficiaries can be "designated beneficiaries" if certain requirements are met. There are two classes of designated beneficiaries: Eligible designated beneficiaries and all other designated beneficiaries or what is generally referred to as non-eligible designated beneficiaries.

An **eligible designated beneficiary** is a designated beneficiary who also falls into one of the following five categories:

- ◆ The surviving spouse of the decedent (domestic partnerships does not count, but same sex married does);
- ◆ A minor child of the plan participant or IRA owner but only until such minor reaches the age of majority;
- ◆ An individual who is disabled at participant's death as defined by §72(m)(7);
- ◆ A person who is chronically ill at participant's death; or
- ◆ Any other individual who is not more than 10 years younger than the IRA owner..

If one or more beneficiaries is an estate, charity or nonqualifying trust as of the determination date, the minimum distribution requirements will apply as if there is NO designated beneficiary.

⁴ The plain language of the SECURE Act appears to limit distributions to the 10-Year Rule, but this puts non-eligible designated beneficiaries at a disadvantage to non-designated beneficiaries who can use the "As Rapidly" Rule. Many experts believe regulations will clarify this situation.

⁵ If a charity and an individual are both named as beneficiaries, consider cashing out the charity before 9/30 of the year after P's death to preserve the "designated beneficiary" status of the individual. Otherwise, the charity disqualifies the individual from being able to choose a life payout ("stretch") option..

⁶ The IRS has issued numerous private letter rulings allowing surviving spouses to roll over benefits left to an estate or trust where the spouse is sole beneficiary and has the right to demand payment. However, such a rollover essentially requires the widow to obtain a private letter ruling.

