

# Beneficiary Distribution Options for 2021

## Traditional IRAs and Roth IRAs

### (Generalized Summary)

	When IRA or Roth IRA Owner Died Before the Required Beginning Date	When IRA Owner Died On or After the Required Beginning Date
<b>Beneficiary Applicability</b>	<ul style="list-style-type: none"> <li>▪ Traditional IRAs</li> <li>▪ Roth IRAs</li> </ul>	<ul style="list-style-type: none"> <li>▪ Traditional IRAs</li> <li>▪ DOES NOT apply to Roth IRAs</li> </ul>
<b>Spouse is Sole Primary Beneficiary</b>	<ul style="list-style-type: none"> <li>✓ Spouse (sole primary beneficiary)</li> </ul>	
	<ul style="list-style-type: none"> <li>▪ Treat as own by transfer or rollover to own traditional IRA/Roth IRA</li> <li>▪ Rollover to account in employer plan</li> <li>▪ 10-year rule (i.e., by December 31 of the year of the 10<sup>th</sup> anniversary of the owner's death)</li> <li>▪ Life expectancy payments (exception to 10-year rule): Made over the <i>recalculated</i> single life expectancy of the surviving spouse, beginning by the <i>later of</i>:               <ol style="list-style-type: none"> <li>a. December 31 of the year following the year in which the IRA owner dies, or</li> <li>b. December 31 of the year the IRA/Roth IRA owner would have reached age 72</li> </ol> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Treat as own by transfer or rollover to own traditional IRA</li> <li>▪ Rollover to account in an employer plan</li> <li>▪ 10-year rule (IRS Pub. 590-B calls applicability into question)</li> <li>▪ Life expectancy payments: Beginning by December 31 of the year following the year in which the IRA owner dies, over the <i>longer of</i>:               <ol style="list-style-type: none"> <li>a. The remaining <i>nonrecalculated</i> life expectancy of the deceased IRA owner, or</li> <li>b. The <i>recalculated</i> life expectancy of the surviving spouse</li> </ol> </li> </ul>
<b>Eligible Designated Beneficiary (EDB)</b>	<ul style="list-style-type: none"> <li>✓ Spouse (not sole primary beneficiary)</li> <li>✓ Disabled or chronically ill</li> <li>✓ Individuals not more than 10 years younger than IRA/Roth IRA owner</li> <li>✓ Children of IRA/Roth IRA owner who have not reached age of majority</li> </ul> <p><i>Note.</i> The same rules apply to conduit trusts for EDBs. All distributions from the IRA/Roth IRA to the trust must be paid out to the EDB on a current basis.</p>	
	<ul style="list-style-type: none"> <li>▪ 10-year rule</li> <li>▪ Life expectancy payments (exception to the 10-year rule): Over the <i>nonrecalculated</i> life expectancy of the beneficiary beginning by December 31 of the year following the year in which the IRA/Roth IRA owner dies</li> <li>▪ Spouse beneficiary can rollover or transfer amount to own IRA/Roth IRA (or account in employer plan)</li> </ul>	<ul style="list-style-type: none"> <li>▪ 10-year rule (IRS Pub. 590-B calls applicability into question)</li> <li>▪ Life expectancy payments: Beginning by December 31 of the year following the year in which the IRA owner dies. Distributions are made over the <i>longer of</i>:               <ol style="list-style-type: none"> <li>a. The remaining <i>nonrecalculated</i> life expectancy of the deceased IRA owner or</li> <li>b. The <i>nonrecalculated</i> life expectancy of the beneficiary</li> </ol> </li> <li>▪ Spouse beneficiary can rollover or transfer amount to own IRA (or account in employer plan)</li> </ul>
<b>Designated Beneficiary Who is Not an EDB (DB)</b>	<ul style="list-style-type: none"> <li>✓ Not disabled or chronically ill</li> <li>✓ Individual (other than a spouse) who is more than 10 years younger than IRA/Roth IRA owner</li> <li>✓ Adult children of IRA/Roth IRA owner (those who have reached age of majority)</li> </ul> <p><i>Note.</i> The same rules apply to conduit trusts for DBs. All distributions from the IRA/Roth IRA to the trust must be paid out to the DB on a current basis.</p>	
	<ul style="list-style-type: none"> <li>▪ 10-year rule</li> </ul>	<ul style="list-style-type: none"> <li>▪ 10-year rule</li> </ul>

<b>Estate, Charity, or Non-Qualified Trust</b>	✓ Nonpersons and non-qualified trusts	
	<ul style="list-style-type: none"> <li>▪ The 5-year rule (by December 31 of the year of the 5<sup>th</sup> anniversary of the owner's death)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Life expectancy payments: Made over the remaining <i>nonrecalculated</i> life expectancy of the deceased IRA owner beginning by December 31 of the year following the year in which the IRA owner dies</li> </ul>
<b>Qualified Trust (see below) for Disabled or Chronically Ill</b>	<ul style="list-style-type: none"> <li>▪ Current beneficiary must be disabled or chronically ill</li> <li>▪ Distributions by December 31 of the year following the year of the IRA/Roth IRA owner's death</li> <li>▪ Life expectancy payments: Beginning by December 31 of the year following the year in which the IRA/Roth IRA owner dies, over the <i>longer of</i>: <ul style="list-style-type: none"> <li>a. The remaining <i>nonrecalculated</i> life expectancy of the deceased IRA owner, or</li> <li>b. The <i>nonrecalculated</i> life expectancy of the disabled or chronically ill individual</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Current beneficiary must be disabled or chronically ill</li> <li>▪ Distributions by December 31 of the year following the year of the IRA owner's death</li> <li>▪ Life expectancy payments: Beginning by December 31 of the year following the year in which the IRA owner dies, over the <i>longer of</i>: <ul style="list-style-type: none"> <li>a. The remaining <i>nonrecalculated</i> life expectancy of the deceased IRA owner, or</li> <li>b. The <i>nonrecalculated</i> life expectancy of the disabled or chronically ill individual</li> </ul> </li> </ul>
	To be considered a designated beneficiary of an IRA or Roth IRA, a trust must be a qualified trust. A qualified trust is a trust that meets <i>all</i> of the following requirements: <ul style="list-style-type: none"> <li>✓ The trust is a valid trust under state law or would be but for the fact that there is no corpus</li> <li>✓ The trust is irrevocable or will, by its terms, become irrevocable on the death of the IRA or Roth IRA owner</li> <li>✓ The beneficiaries of the trust who are beneficiaries with respect to the trust's interest in the testator's or grantor's benefit are identifiable from the trust instrument</li> <li>✓ The proper documentation has been provided to the plan administrator</li> </ul>	
<b>Other Qualified Trust</b>	<ul style="list-style-type: none"> <li>▪ 10-year rule</li> </ul>	<ul style="list-style-type: none"> <li>▪ 10-year rule</li> </ul>
	<p><small>Copyright 2021. All rights reserved. This chart may be reproduced in its entirety provided an appropriate copyright notice is included and that the chart was taken from the 2021 Supplement to the 9th Edition of the <i>Roth IRA Answer Book</i> (Wolters Kluwer, 2021).</small></p>	