



ED SLOTT'S IRA ADVISOR

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Tax & Estate Planning for Your Retirement Savings

WHAT'S INSIDE?

Next in Line: The Successor Beneficiary

- What About the Stretch?
- One Possible Stretch, One Ten-Year Window
- Interpreting the SECURE Act
- Final Thoughts

<Pages 1-3>

Executive Summary

<Page 2>

Navigating the 5-Year Rules for Roth Accounts

- 5-Year "Forever Clock"
- 5-Year Rule for Converted Funds
- Inherited Roth IRAs
- Rollovers from Roth Employer Plans
- Advisor Takeaway

<Pages 4-5>

Insert: Roth IRA: 5-Year Clocks & Distribution Ordering Rules

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Roths for All Seasons

<Pages 6-8>

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Next in Line: The Successor Beneficiary

A successor beneficiary is the beneficiary of a beneficiary. While most of the recent attention has focused on the impact of the SECURE Act on the first beneficiary to inherit an IRA, less awareness surrounds what happens after that first beneficiary dies.

What options does the next person in line have? What about subsequent successor beneficiaries? As time passes, the new successor beneficiary rules under the SECURE Act will gradually apply to more individuals, and understanding those guidelines will become increasingly important as retirement dollars transition from one generation to the next.

What About the Stretch?

When the original beneficiary of an IRA first took ownership of the inherited IRA is irrelevant. What matters in determining the successor beneficiary rules is: *When did the previous beneficiary die?*

Prior to the SECURE Act (2019 and earlier), a successor beneficiary could "step into the shoes" of the first beneficiary in order to continue stretching required minimum distribution (RMD) payments. For example, if the first beneficiary died with a remaining single life expectancy of 50 years, upon the death of that beneficiary, the successor beneficiary (regardless of

age) could "step into the shoes" of the first beneficiary and continue stretch RMD payments over that remaining 50-year life expectancy.

This is no longer the case. Post-SECURE Act (meaning if any beneficiary dies in 2020 or later), the *successor* beneficiary gets the 10-year payout. While there are no annual RMDs during the 10-year payout window, the account must be emptied by the end of the 10th year after the year of death of the original beneficiary.

Yes, the SECURE Act defines a class of eligible designated beneficiaries (EDBs) who can still stretch payments when they are the *first* beneficiary: spouse, minor child(ren) of the account owner, disabled or chronically ill person(s), and person(s) not more than 10 years younger than the original account owner. Nevertheless, even these EDBs are precluded from stretching RMD payments when they are a *successor* beneficiary.

Example 1: Prior to the SECURE Act, Archie inherited an IRA from his dad. At that time, Archie used his own single life expectancy to stretch RMD payments. Archie named three equal successor beneficiaries on the inherited IRA: his spouse, his disabled brother, and his minor daughter.

Since it was pre-SECURE Act, Archie knew that these successor

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