



ED SLOTT'S IRA ADVISOR

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Tax & Estate Planning for Your Retirement Savings

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Top IRA Rulings of 2021

When 2021 began, Democrats had gained control of both the White House and Congress, leading many observers to expect substantial tax legislation, including provisions covering IRAs and employer-sponsored retirement plans. As of this writing, we're still waiting to see what might come from Washington at year's end or in 2022. Nevertheless, 2021 turned out to be a year with important developments for retirement accounts.

Required Reading

Although the SECURE Act was signed into law in December 2019, the Treasury Department had yet to issue regulations as this issue went to press, reports Natalie Choate, an attorney in Wellesley, MA. "Assuming that's still the case as you read this," she says, "[IRS Publication 590-B, Distributions from IRAs](#), provides a preview of what the regulations eventually *might say*."

SECURE laid out three distribution schemes for inherited retirement benefits, assuming the account owner died after 2019:

1. Life expectancy payouts will be allowed only for five types of eligible designated beneficiaries (EDBs).
2. Plain, old, designated beneficiaries (DBs) will follow the new 10-year rule.

3. For non-designated beneficiaries (non-DBs), including estates, charities, and certain trusts, the 5-year rule will apply when the account owner dies prior to the required beginning date (RBD), as in the past. For deaths after the RBD, benefits would be paid over the decedent's remaining life expectancy, or "ghost life expectancy."



"IRS Publication 590-B, *Distributions from IRAs*, provides a preview of what the regulations eventually *might say*."
-Natalie Choate

Unexpected Result

"Supposedly, non-DBs have the least desirable option. "In some cases, though," says Choate, "the ghost life expectancy provides a longer payout than the 10-year rule."

Say, for example, Carol died at age 74, after her RBD, leaving her IRA to her son Brad, a DB. "SECURE says Brad must follow the 10-year rule," says Choate, "but if Carol's IRA were left to her estate, a non-DB, the ghost life expectancy of 15.6 years would apply."

Can Brad elect the ghost life expectancy? "According to Publication 590-B, the answer is no," says Choate.

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