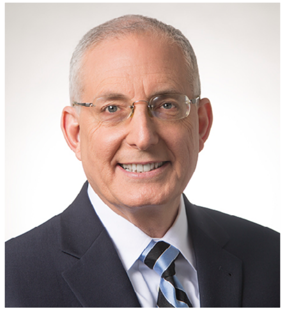

ED SLOTT'S IRA ADVISOR

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Tax & Estate Planning for Your Retirement Savings

WHAT'S INSIDE?

Join the Retirement Planning Conversation

New IRS SECURE Act Regulations Bring Big Surprises

On February 23, 2022, the IRS released long-awaited regulations (REG-105954-20) on required minimum distributions (RMDs) from IRAs and workplace retirement plans. The 275-page document replaces the current regulations that were issued in 2002. Many of the provisions in the new regulations reflect the sweeping changes made to post-death RMDs by the SECURE Act, but the regulations also incorporate IRS guidance on RMDs issued in recent years (e.g., through private letter rulings).

The regulations are proposed to be effective for 2022 RMDs. For 2021 RMDs, the IRS says that taxpayers can use a "reasonable, good faith interpretation" of the SECURE Act. How to handle 2021 RMDs will be an issue for certain beneficiaries of IRA owners and plan participants who died in 2020. This article discusses the most important provisions of these new regulations.

Eligible Designated Beneficiary Definition

The SECURE Act allows a certain class of individual beneficiaries — *eligible designated beneficiaries (EDBs)* — of IRAs and company plans to stretch out post-death RMDs over their life expectancy. Individual beneficiaries who are not EDBs must instead now use the 10-year payment rule. EDBs are designated beneficiaries who are:

- The surviving spouse of the IRA owner or plan participant;
- A minor child of the account holder;
- A disabled individual;
- A chronically ill individual;
- A person not more than 10 years younger than the account holder; *or*
- A designated beneficiary of an account holder who died before the SECURE Act effective date (generally, January 1, 2020).

The proposed regulations make clear that whether or not a designated beneficiary is an EDB is determined as of the date of the IRA owner's or plan participant's death.

The regulations also provide new guidance on several EDB categories:

- Under the old regulations, a minor child of an IRA owner or plan participant reached the age of majority based on state law *— or as late as age 26 if still in school*. However, under the new regulations, minors reach the age of majority on their 21st birthday. This applies regardless of the state's age-of-majority rule or whether the child is still in school.