

IRAs at Death & Beyond

*Planning for post-mortem distributions after
the proposed regulations implementing the
SECURE Act*

Robert S. Keebler, CPA/PFS, MST, AEP (Distinguished)

Secure Proposed Regulations Effective Date

- The new proposed regulations apply to distributions on or after January 1, 2022.
- *Recall*, taxpayers were to calculate 2021 distributions by applying the existing regulations and a reasonable, good faith interpretation of the Secure Act

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Death Before
Required Beginning Date
§1.401(a)(9)-3

Death Before RBD

- 5-year Rule – Proposed Regulations
 - Full distribution by the end of the calendar year that includes the fifth anniversary of death (e.g. 2022 deaths = 12/31/27 liquidation)
 - Pre-2020 deaths can disregard the 2020 calendar year when determining the fifth anniversary (due to corona-virus related relief)
 - This rule applies if there's **no qualified Designated Beneficiary**

Treas. Reg. §§ 1.401(a)(9)-3(c)(2),(5)

Death Before RBD

- 10-year Rule– Proposed Regulations:
 - Full distribution by the end of the calendar year that includes the tenth anniversary of death (e.g. 2021 deaths = 12/31/31 liquidation)
 - This rule applies if there is a **qualified Designated Beneficiary** who is not an **Eligible Designated Beneficiary**

Treas. Reg. §§ 1.401(a)(9)-3(c)(3),(5)

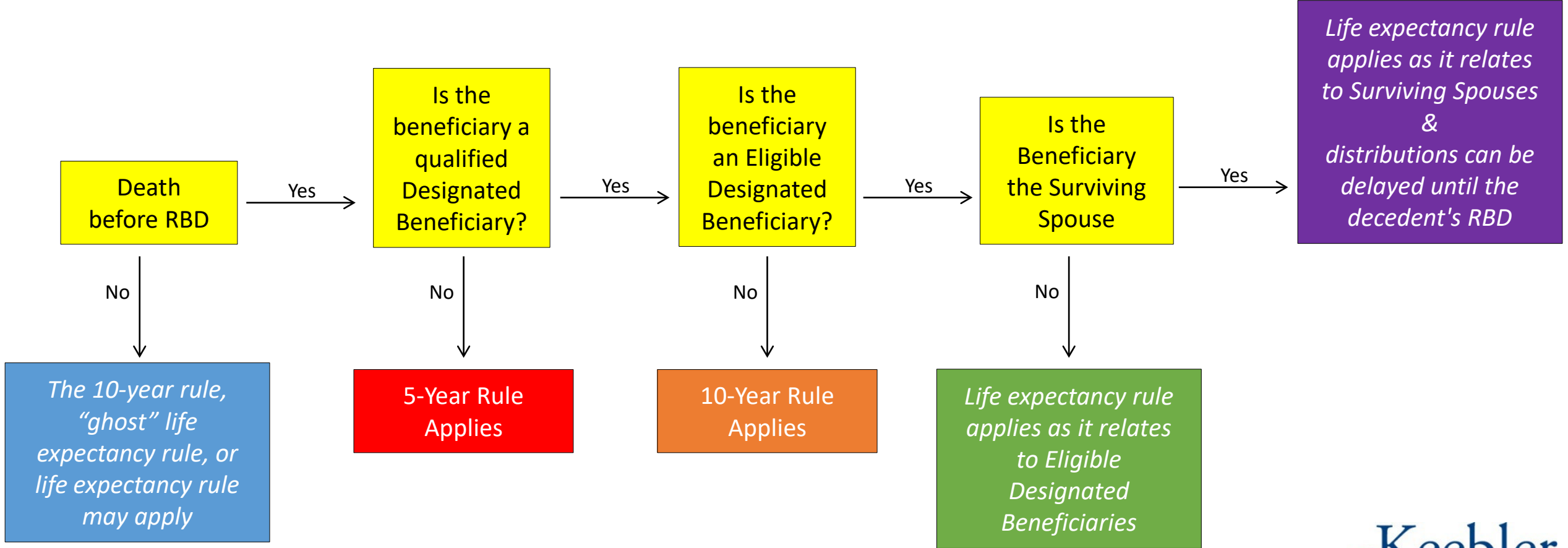
Death Before RBD

- **Surviving Spouse as Beneficiary – Proposed Regulations:**
 - Commencement of distributions can be delayed under the end of the calendar year in which the decedent would have reached age 72 (Age 70½ applies if the decedent was born before July 1, 1949)
 - If the surviving spouse is the employee’s sole beneficiary and dies after the employee, but before distributions commence or should have (due to the above) then the 5-year or 10-year rule applies, as the case may be, and date of death of the surviving spouse is used to determine when the IRA must be fully distributed
 - If the surviving spouse remarries and then dies before receiving distributions, distributions cannot be further delayed

Treas. Reg. §§ 1.401(a)(9)-3(d), (e)

Death Before RBD

§1.401(a)(9)-3 Summary



Determination of The Designated Beneficiary §1.401(a)(9)-4

Determination of The Designated Beneficiary

- General Rules in the Proposed Regulations:
 - A beneficiary need not be specified by name, provided the beneficiary is identifiable – for example: “children in equal shares” is OK
 - A beneficiary can be designated by default election provided by the custodian (plan) agreement or by affirmative election
 - A qualified Designated Beneficiary must be an individual or an individual who is an identifiable beneficiary of a see-through trust; it cannot be an estate for example
 - A named beneficiary can or must be disregarded in certain circumstances

Determination of The Designated Beneficiary

- When can a designated beneficiary be disregarded:
 - A designated beneficiary who executes a qualified disclaimer within 9-months of death can be disregarded
 - A beneficiary who disclaims before September 30 of the calendar year following the calendar year of death, but not within 9-months of death, remains a designated beneficiary
 - A beneficiary who receives consideration in exchange for their disclaimer, remains a designated beneficiary
 - A charity named as beneficiary can be disregarded if their interest is satisfied by September 30 of the calendar year following the calendar year of death
 - A surviving spouse treated as predeceasing under a simultaneous death provision, can be disregarded as a beneficiary
 - A beneficiary who dies before September 30 of the calendar following the calendar year of death, remains a beneficiary absent specific events

Determination of The Designated Beneficiary

- Application to the Surviving Spouse
 - If the surviving spouse is the employee's sole beneficiary and dies after the employee, but before distributions commence – the successor beneficiary is the person designated as beneficiary as of the date of the surviving spouse's death and remains a beneficiary as of September 30 of the calendar year following the calendar year of the surviving spouse's death

Eligible Designated Beneficiary Defined

- Added by the SECURE Act, IRC § 401(a)(9)(E)(ii) creates a new concept and exception to the 10-year rule, the Eligible designated beneficiary
- This class of beneficiaries includes designated beneficiaries which are:
 - The surviving spouse of the employee
 - A child of the employee who has not yet reached the age of majority
 - Disabled
 - Chronically ill, or
 - not more than 10 years younger than the employee

IRC § 401(a)(9)(E)(ii); Treas. Reg. § 1.401(a)(9)-4(e)(1)

Eligible Designated Beneficiary Defined

- **Multiple Designated Beneficiaries**

- Generally, if at least one of multiple DBs is not an EDB, favorable treatment under the EDB rules is not available
- However, there are exceptions:
 - For minor children EDBs
 - Applicable multi-beneficiary trusts
 - When separate account treatment is available

Treas. Reg. § 1.401(a)(9)-4(e)(2)

Eligible Designated Beneficiary Defined

- **Special Rule for Children & Multiple Beneficiaries**

- If any DB is an EDB as a minor child, EDB treatment is available even if other DBs are not EDBs

Treas. Reg. § 1.401(a)(9)-4(e)(2)(ii)

Eligible Designated Beneficiary Defined

- **A child of the employee who has not yet reached the age of majority:**
 - The proposed regulations refine the definition of age of majority; the statute does not provide an age.
 - Specifically, the proposed regulations provide a child meets the age of majority on their 21st birthday. Treasury reasoned setting the age higher, to accommodate the definition in all 50 states would avoid conflict of law issues and simplify custodian agreements.

Treas. Reg. § 1.401(a)(9)-4(e)(3)

Eligible Designated Beneficiary Defined

- **A child of the employee who has not yet reached the age of majority:**

Recall, the 10-year rule applies once this exception no longer applies.

Special consideration is warranted when the IRA is forced to liquidate at age 31.

Eligible Designated Beneficiary Defined

- **Disabled:**

- IRC § 401(a)(9)(E)(ii)(III), as added by the secure act, provides that the definition of disability under IRC § 72(m)(7) applies.
- IRC § 72(m)(7) determines disability based on whether an individual is unable to engage in substantial gainful activity.
- The proposed regulations expand this definition to make it easier to apply to those under age 18.

Treas. Reg. § 1.401(a)(9)-4(e)(4)

Eligible Designated Beneficiary Defined

- **Disability Definition – Over 18:**

“Unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or to be of long-continued and indefinite duration”

- **Disability Definition – Under 18:**

“a medically determinable physical or mental impairment that results in marked and severe functional limitations and that can be expected to result in death or to be of long-continued and indefinite duration”

Treas. Reg. §§ 1.401(a)(9)-4(e)(4)(ii),(iii)

Eligible Designated Beneficiary Defined

- **Social Security Disability Determination:**

If an individual is determined to be disabled for Social Security with the meaning of 42 U.S.C. 1382c(a)(3) they will be treated as disabled for these rules

- **Disability Documentation Requirements:**

Documentation must be provided to the plan administrator no later the October 31 of the calendar year following the calendar year of the employee's death.

Treas. Reg. § 1.401(a)(9)-4(e)(4)(iv),(7)

Eligible Designated Beneficiary Defined

- **Chronically III:**

- IRC § 7702B(c)(2) provides the definition of Chronically III
- Documentation requirements in the proposed regulations:
 - A licensed healthcare practitioner's certification is required
 - The certification must include the individual is unable to perform at least two activities of daily living (ADLs) for an indefinite period that is reasonably expected to be lengthy in nature
 - Documentation must be provided to the plan administrator no later the October 31 of the calendar year following the calendar year of the employee's death.

Recall, ADLs include: Mobility, Dressing, Eating, Personal Hygiene, and Toileting

Treas. Reg. §§ 1.401(a)(9)-4(e)(5),(7)

Eligible Designated Beneficiary Defined

- **Beneficiaries who qualify as an Eligible Designated Beneficiary (EDB) *as a minor child and as disabled or chronically ill:***
 - Minor children will continue to be treated as an EDB after reaching the age of majority
 - However, the documentation requirements outlined in the previous slides *must be timely met*

Treas. Reg. § 1.401(a)(9)-4(e)(8)

Eligible Designated Beneficiary Defined

- **Disabled:**

This modification is important as it allows a minor who is also disabled to take life expectancy-based distributions over their entire life span rather than merely while under 21 as a person who has not yet reached the age of majority.

Treas. Reg. § 1.401(a)(9)(E)(ii)(III)

Eligible Designated Beneficiary Defined

- **Disabled:**

The regulations fail to provide relief for a minor beneficiary who becomes disabled before reaching the age of majority.

IRC § 401(a)(9)(E)(ii) requires the disability determination made at the employee's death.

Treas. Reg. § 1.401(a)(9)(E)(ii)(III)

Eligible Designated Beneficiary Defined

- **Examples involving EBDs *as both a minor child and as disabled or chronically ill*:**
 1. Parent dies in 2022 with their child as beneficiary. The child won't reach the age of majority until 2024 and qualifies as disabled. If the documentation requirements are satisfied, life expectancy payments can continue after 2024 rather than the 10-year rule forcing complete distribution by 2034.
 2. Parent dies in 2022 with their child as beneficiary. The child won't reach the age of majority until 2024 and qualifies as disabled. However, the documentation requirement to qualify as disabled is not timely satisfied. Total distribution must occur by 2034.
 3. Parent dies in 2022 with their child as beneficiary. The child won't reach the age of majority until 2024 and becomes disabled in 2023. Because the child was not disabled at the parent's death, they cannot qualify as disabled and therefore total distribution must occur by 2034.

Treas. Reg. §§ 1.401(a)(9)-4(e)(9)

Eligible Designated Beneficiary Defined

- **Individual not more than 10 years younger than the employee.**
 - The proposed regulations clarify how this is measured
 - Specifically, they provide its based on dates of birth
 - The example used is as follows:
 - If the decedent's date of birth is 10/1/1953
 - The youngest possible beneficiary's date of birth is 10/1/1963

Treas. Reg. § 1.401(a)(9)-4(e)(6)

Eligible Designated Beneficiary Defined

- **EDBs as DBs of the Surviving Spouse**

- If the DB of a Surviving Spouse qualifies as an EDB at the time of the Surviving Spouse's death, EDB treatment is available

Treas. Reg. § 1.401(a)(9)-4(e)(8)

Trusts as Beneficiaries

- The proposed regulations retain:
 - The see-through concept to identify beneficiaries
 - The conduit and accumulation trust concept
 - The four requirements for a trust to be a qualified designated beneficiary
- The proposed regulations also provide additional guidance regarding identifying beneficiaries with new fact pattern examples.

Treas. Reg. § 1.401(a)(9)-4(f)

Trusts as Beneficiaries

- Certain beneficiaries can be disregarded – #1: conditioned on the death of secondary beneficiary
 - A beneficiary that could receive retirement assets solely because of the death of another beneficiary can be disregarded
 - Applies to accumulation trusts
 - The current beneficiary cannot pre-decease the IRA owner (plan beneficiary/employee) for the residuary beneficiary to be disregarded
 - Meant to exclude minimal interests

Treas. Reg. § 1.401(a)(9)-4(f)(3)(ii)(A)

Trusts as Beneficiaries

- See-through trust beneficiaries disregarded – an example:

IRA trust provides: (1) first to surviving spouse, (2) then to brother, if he's alive, at the spouses death, and (3) then to charity.

In this case, the brother is only entitled to a residual interest and the charity is entitled to only what remains thereafter – so the charity can be disregarded.

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The charity would be counted if the brother's interest was not subject to any contingences or contingent on an event other than the surviving spouse's death.

Treas. Reg. § 1.401(a)(9)-4(f)(3)(ii)(A)

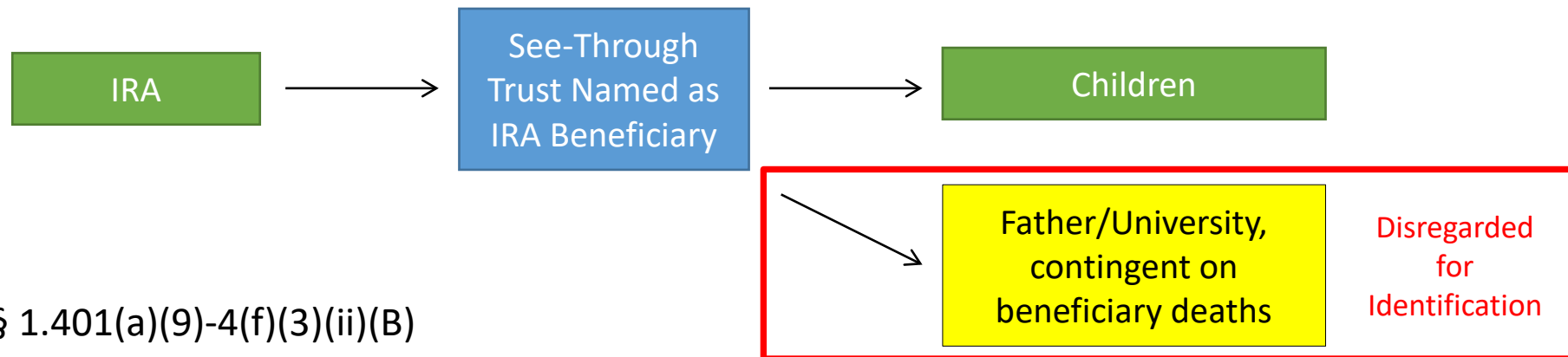
Trusts as Beneficiaries

- Certain see-through trust beneficiaries disregarded - #2: entitlement conditioned on death of young individual
 - If a trust provides for full distribution by the calendar year following the death, any beneficiary whose sole entitlement is contingent on the primary beneficiary's death can be disregarded.
 - If a trust provides for a minor beneficiary, any beneficiary whose sole entitlement is contingent on the primary beneficiary's death within 10-years of reaching the age of majority can also be disregarded
 - Meant to exclude remote interests

Treas. Reg. § 1.401(a)(9)-4(f)(3)(ii)(B)

Trusts as Beneficiaries

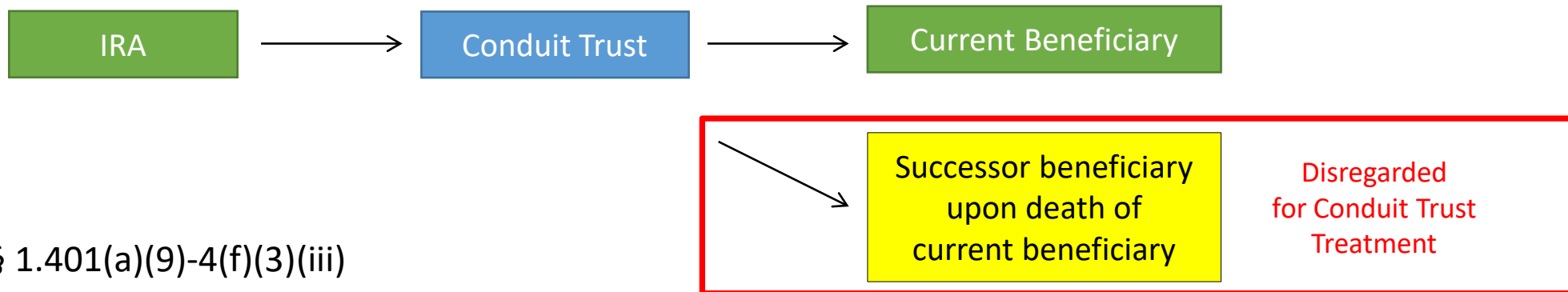
- See-through trust beneficiaries disregarded – an example:
 - You have a 45 year old physician client, recently divorced, who dies in a car accident
 - He had accumulated about \$500,000 in his qualified plan (diligent contributions since residency) so you advised a testamentary stand-alone IRA trust in his estate plan
 - He leaves behind a 15 and 13 year old who are beneficiaries of trust
 - Since he had no one else, his 72 year-old father is the contingent beneficiary in case that both the children are unavailable and thereafter the trust is payable to his alma mater



Treas. Reg. § 1.401(a)(9)-4(f)(3)(ii)(B)

Trusts as Beneficiaries

- Conduit trusts allowed terms for certain accumulations
 - A trust will not fail to be treated as a conduit trust merely because the trust terms requiring the direct payment of amounts received from the plan do not apply after the death of all of the current beneficiaries

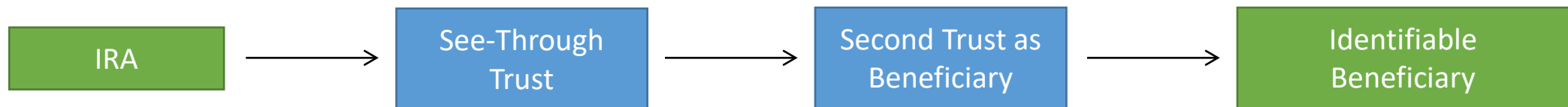


Treas. Reg. § 1.401(a)(9)-4(f)(3)(iii)

Trusts as Beneficiaries

- Multiple Trust Arrangements

- If a beneficiary of a see-through trust is another trust, the beneficiaries of the second trust will be treated as beneficiaries of the first trust, provided the second trust is a Qualified Designated Beneficiary



Treas. Reg. § 1.401(a)(9)-4(f)(4)

Trusts as Beneficiaries

- Identifiability of trust beneficiaries
 - Generally, it must be possible to identify each person designated by the employee to receive retirement plan assets
 - However, the proposed regulations provide some relief:
 - An employee can name a class of individuals as the beneficiary
 - And now the addition of another member of that class will not fail the identifiability requirements
 - For example, grandchildren can be named as a class and the birth of another grandchild will not pose a problem

Treas. Reg. § 1.401(a)(9)-4(f)(5)

Trusts as Beneficiaries

- Powers of Appointment

- Generally, if an individual holds a power of appointment over the retirement assets it creates an identifiability problem.
- However, the proposed regulations provide relief:
 - Power to name a non-identifiable beneficiary doesn't cause the trust to fail the Qualified Designated Beneficiary (QDB) requirements
 - If the power is exercised by September 30 in the calendar year following the calendar year of death the appointed beneficiaries are DBs
 - The power can also be restricted by September 30 to a group of beneficiaries which will then be treated as DBs.
 - If the power is not exercised (or restricted) by that September 30 then the taker in default is treated as the DB.

Treas. Reg. § 1.401(a)(9)-4(f)(5)(ii)(A)

Trusts as Beneficiaries

- Powers of Appointment

- If a POA adds a new beneficiary after September 30 of the calendar year following the calendar year of death that the added beneficiary is considered a DB
- If the added beneficiary requires a full distribution, the distribution must occur by the end of the calendar year following the calendar year in which the beneficiary was added

Treas. Reg. § 1.401(a)(9)-4(f)(5)(ii)(B)

Trusts as Beneficiaries

- Reformation & Decanting

- The proposed regulations provide that a see-through trust will not fail to satisfy the identifiability requirements if state law permits the trust to be modified after death (and the terms are modified after the death to a change beneficiaries).
- If a beneficiary is removed by September 30 of the calendar year following the calendar year of the employee's death, the beneficiary is simply disregarded.
- A beneficiary added by that September 30 will also be considered a beneficiary for the see-through rules.

Treas. Reg. § 1.401(a)(9)-4(f)(5)(iii)(A)

Trusts as Beneficiaries

- Reformation & Decanting

- **Remove Beneficiary:** A beneficiary cannot be removed the after September 30 of the calendar year of the calendar year following death

- **Add Beneficiary:**

- A beneficiary added before September 30 of the calendar year of the calendar year following death is considered a DB
 - A beneficiary is added after the September 30 deadline is analyzed under the new POA rules
 - ✓ Will not cause the trust to fail the identifiability rules
 - ✓ The added beneficiary will be considered in determining the proper distribution in the calendar year after the calendar year of addition (including an addition which requires full distribution)

Treas. Reg. §§ 1.401(a)(9)-4(f)(5)(iii)(B),(iii)(C),(iv)

Trusts as Beneficiaries

- Applicable Multiple Beneficiary Trusts
 - A see-through trust with multiple QDBs and at least one EDB
 - The proposed regulations defined two types:
 - Type I – Divided immediately upon death into separate trusts
 - Type II – Provides **solely** for a disabled or chronically ill EDB, until death of that person
 - A Type II trust is treated as an EDB regardless of the other beneficiaries
 - A Type II trust can be also be created when a Type I trust is split

Treas. Reg. §§ 1.401(a)(9)-4(g)

Trusts as Beneficiaries

- Special rules for multiple designated beneficiaries
 - The general rule in the proposed regulations is that if a trust as multiple beneficiaries and at least one is not an EDB, the 10-year rule applies
 - Exceptions
 1. If any designed beneficiary is a minor child of the employee, the life expectancy distribution rules apply until the age of majority and the 10-year rule applies thereafter
 2. A Type II Applicable Multiple Beneficiary Trust

Treas. Reg. §§ 1.401(a)(9)-4

Trusts as Beneficiaries

- Applicable Multiple Beneficiary Trusts
 - SNT & Type II trusts:
 - A SNT usually includes provisions providing the disabled individual loses their interest in the trust in the event the interest causes losses of mean-tested benefits
 - Treasury is seeking comments regarding how a trust can include this provision while not providing for trust payments to any other individual until the death of the disabled individual

Treas. Reg. §§ 1.401(a)(9)

Trusts as Beneficiaries

- Documentation Requirements – Post-mortem Minimum Distributions
 - Trustee must provide the custodian a list of beneficiaries or a copy of the trust instrument
 - If a beneficiary list is provided the trustee must:
 - Include a description of the conditions on their entitlement sufficient to establish who are the beneficiaries
 - Certifies that, to the best of the trustee's knowledge, this list is correct and complete and the trust is a QDB
 - Submission Deadline: October 31 of the calendar year following the calendar year of death

Treas. Reg. §§ 1.401(a)(9)-4(h)

Required Minimum Distributions from Defined Contribution Plans §1.401(a)(9)-5

RMDs from DC Plans

- The existing general rules are maintained
- The “applicable divisor” is renamed the “applicable denominator”
- The proposed regulations also outline events which require full distribution

Treas. Reg. §§ 1.401(a)(9)-5

Post-mortem Distributions

- Death on or After the RBD:
 - Designated Beneficiary – the applicable dominator is the greater of:
 - The DB's remaining life expectancy
 - The decedent's remaining life expectancy ("Ghost" life expectancy rule)
 - No Designated Beneficiary – the applicable dominator is the decedent's remaining life expectancy
 - All life expectancies are determined using the single life table for this purpose
 - The decedent's remaining life expectancy is determined in the calendar year of death and reduced by one in each subsequent year (subtract-one method)
 - A non-Spouse DB's life expectancy is also determined in the calendar year of death and reduced by one in each subsequent year (subtract-one method)

Treas. Reg. § 1.401(a)(9)-5(d)

Post-mortem Distributions

- Life expectancy to compute the applicable denominator:
 - Determined using the single life table
 - The decedent's remaining life expectancy is determined in the calendar year of death and reduced by one in each subsequent year
 - A non-Spouse DB's life expectancy is also determined in the calendar year of death and reduced by one in each subsequent year
 - A surviving spouse's life expectancy is redetermined annually

Treas. Reg. §§ 1.401(a)(9)-5(d)(3)

Post-mortem Distributions

- Distribution of Entire Interest Required on the earliest of the Following:
 - (1) End of the 10th year following the calendar year in which the employee died if the DB is not an EDB
 - (2) End of the 10th year following the calendar year in which the DB died, if the DB was an EDB
 - (3) End of the 10th year following the calendar year the beneficiary reaches the age of majority if the DB was a minor child EDB
 - (4) End of the calendar year in which the applicable denominator is less than or equal to 1, if life expectancy distributions apply.

Treas. Reg. §§ 1.401(a)(9)-5(e)

Post-mortem Distributions

The general rules are maintained:

	Eligible DB	Qualified DB	No Qualified DB
Death Before RBD	<i>EBD's Life Expectancy Annual RMDs</i>	10-Year Rule <i>(No Annual RMDs)</i>	5-Year Rule <i>(No Annual RMDs)</i>
Death After RBD	<i>EBD's Life Expectancy Annual RMDs</i>	Life Expectancy Annual RMDs & the 10-Year Rule*	Ghost Life Expectancy Annual RMDs

*Annual RMDs may not be required for Roth IRAs & the greater of decedent's or DB's life expectancy is used

Treas. Reg. § 1.401(a)(9)(E)(ii)(IV)

Post-mortem Distributions

- Multiple Designated Beneficiaries
 - The proposed regulations require the applicable denominator is determined using the life expectancy of the oldest DB – rather than the beneficiary with the shortest life expectancy
 - The proposed regulations also require the life expectancy of the oldest DB will generally be used to determine whether a full distribution is required

Treas. Reg. § 1.401(a)(9)-5(f)

Post-mortem Distributions

- Multiple Designated Beneficiaries
 - First Exception: For a Type II Applicable Multi-Beneficiary Trust, then only the disabled and chronically ill beneficiaries of the trust are taken into account in determining the oldest beneficiary
 - All ages are disregarded, except the age of the disabled or chronically ill beneficiary
 - The death of the (last) disabled or chronically ill beneficiary triggers the 10-year rule
 - Second Exception: If any of the beneficiaries qualifies as a minor child EDB, only the age any minor child EBD is taken into account
 - Death of an older DB, who is not an EDB, will trigger the 10-year rule and require a full distribution before the oldest child reaches the age of majority plus 10-years.

Treas. Reg. § 1.401(a)(9)-5(f)

Special Rules

§1.401(a)(9)-8

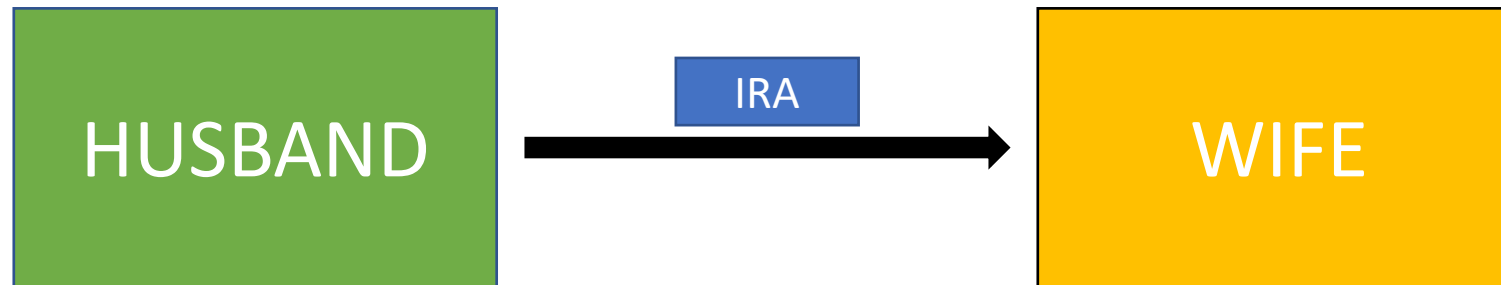
Special Rules

- Separate account treatment for beneficiaries
 - Continues the existing regulation rules to prohibit applying the 401(a)(9) rules to separate shares in a trust
 - However, an exception is added to accommodate the new multi-beneficiary trust rules – specifically the separate application of the rules to Type I subtrusts
- Definition of a spouse (updated to include the post-Obergefell regulations under §301.7701-18)
- Application of the qualified domestic relations order (QDRO) rules

PRACTICAL EXAMPLES

IRAs at Death & Beyond

Example 1: Husband to Wife



- **Spousal rollover available.** The Uniform Lifetime Table is used to compute RMDs. No RMDs required for Roth IRAs.
- **Inherited IRA available.** EDB rules apply for wife's distributions. RMDs based on the wife's life expectancy and the Single Life Table. The Wife's life expectancy is redetermined annually (The Subtract-One Method does not apply). Also, distributions can be delayed until the Wife's RBD.

IRAs at Death & Beyond

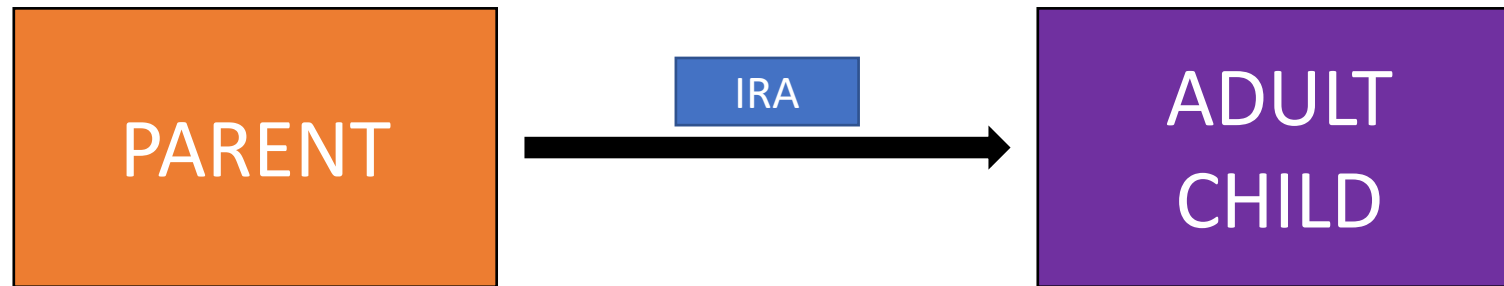
Example 2: Husband to Wife to Child



- **Spousal rollover available.** The Uniform Lifetime Table is used to compute RMDs. No RMDs required for Roth IRAs during wife's life. At wife's death, the 10-year rule applies with RMDs based on the child's life expectancy, the Single Life Table, and the Subtract-One Method. At Wife's death, the 10-year rule applies with RMDs.
- **Inherited IRA available.** EDB rules apply for wife's distributions. RMDs based on the wife's life expectancy and the Single Life Table. The Wife's life expectancy is redetermined annually (The Subtract-One Method does not apply). Also, distributions can be delayed until the Wife's RBD, despite it being an "inherited" IRA. At Wife's death, the 10-year rule applies without RMDs.

IRAs at Death & Beyond

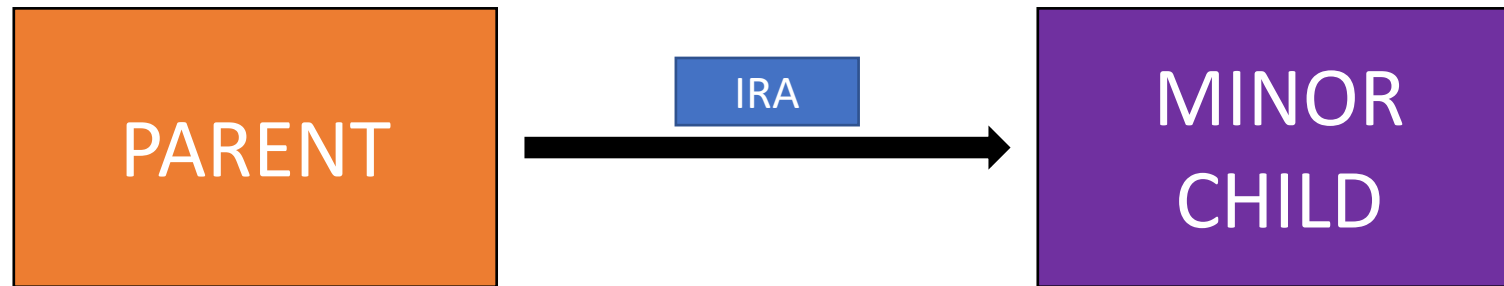
Example 3: Parent to Adult Child



- The 10-year rule applies with RMDs based on the child's life expectancy, the Single Life Table, and the Subtract-One Method.
- No 10-year rule RMDs required if Parent dies before their RBD
- No 10-year rule RMDs required for Roth IRAs.

IRAs at Death & Beyond

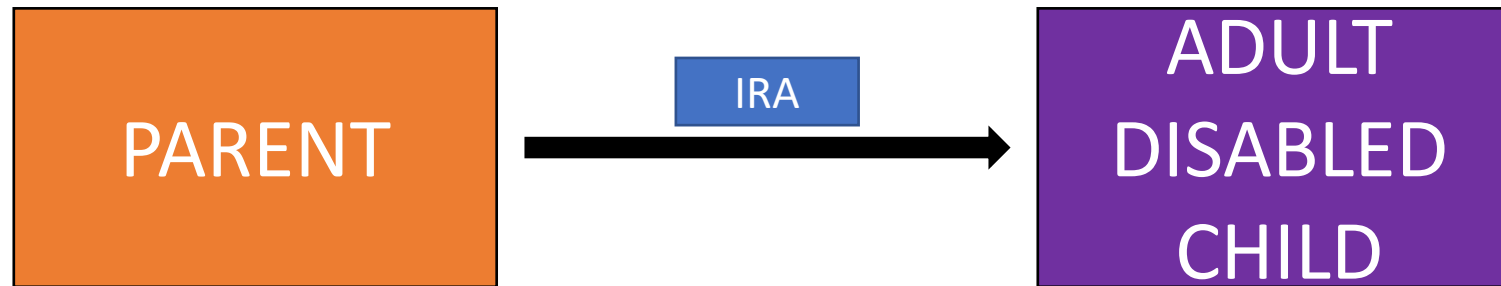
Example 4: Parent to Minor Child



- EDB rules apply. RMDs based on the child's life expectancy, the Single Life Table, and the Subtract-One Method.
- When the child reaches the age of majority, the 10-year rule without RMDs applies.

IRAs at Death & Beyond

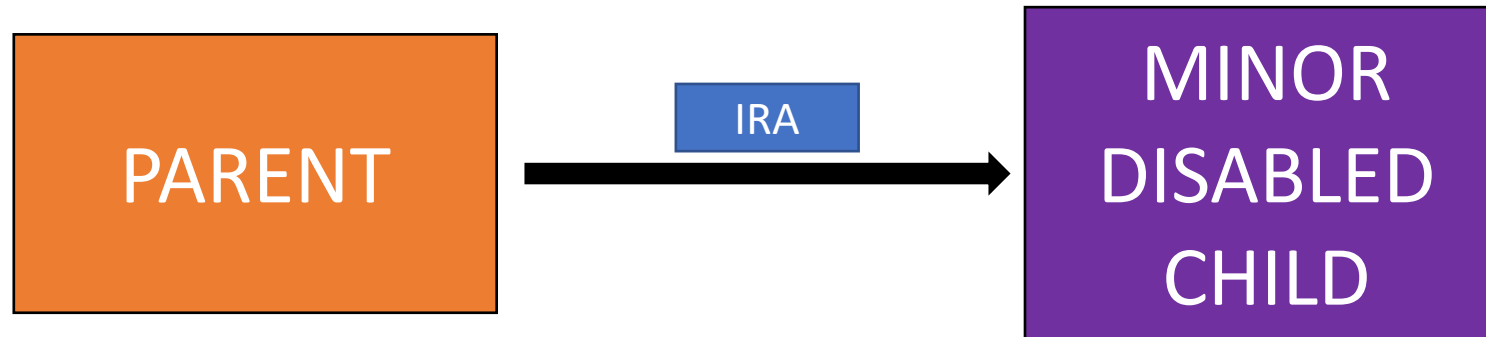
Example 5: Parent to Adult Disabled Child



- EDB rules apply. RMDs based on the child's life expectancy, the Single Life Table, and the Subtract-One Method.
- Documentation of disability must be provided to the custodian at the parent's death.
- At the Disabled Child's death, the 10-year rule without RMDs applies

IRAs at Death & Beyond

Example 6: Parent to Minor Disabled Child



- EDB rules apply. RMDs based on the child's life expectancy, the Single Life Table, and the Subtract-One Method.
- Documentation of disability must be provided to the custodian at the parent's death.
- If documentation is not provided timely, the 10-year rule applies when the child reaches the age of majority. The child cannot become disabled after the parent dies and qualify as disabled EDB.

IRAs at Death & Beyond

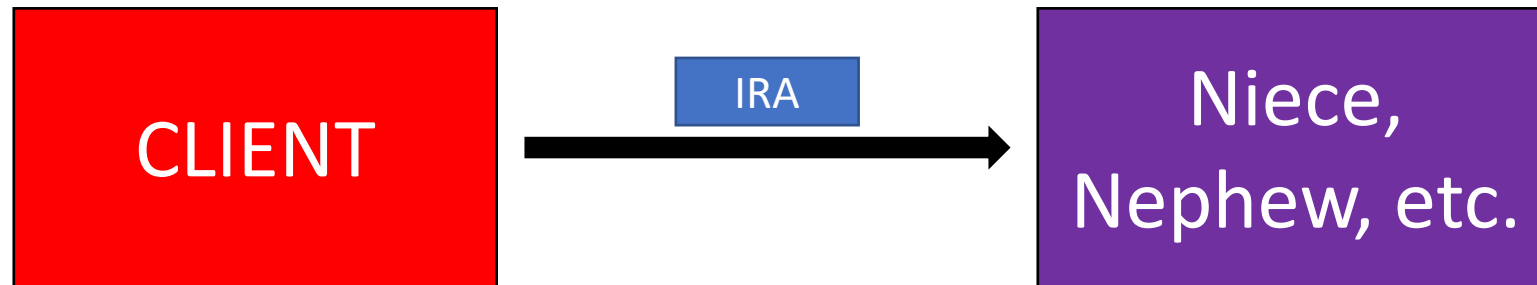
Example 7: Client to Sibling, Cousin, Friend, etc. (beneficiary of similar age)



- Generally, the 10-year rule applies with RMDs based on the beneficiary's life expectancy, the Single Life Table, and the Subtract-One Method. No 10-year rule RMDs required for Roth IRAs or if Client died before their RBD.
- However, the EDB rules might apply if the beneficiary is disabled, chronically ill, or not more than 10-years younger than the client. In that case, RMDs based on beneficiary's life expectancy, the Single Life Table, and the Subtract-One Method.
- If the EDB rule applies, at the beneficiary's death the 10-year rule will apply without RMDs.

IRAs at Death & Beyond

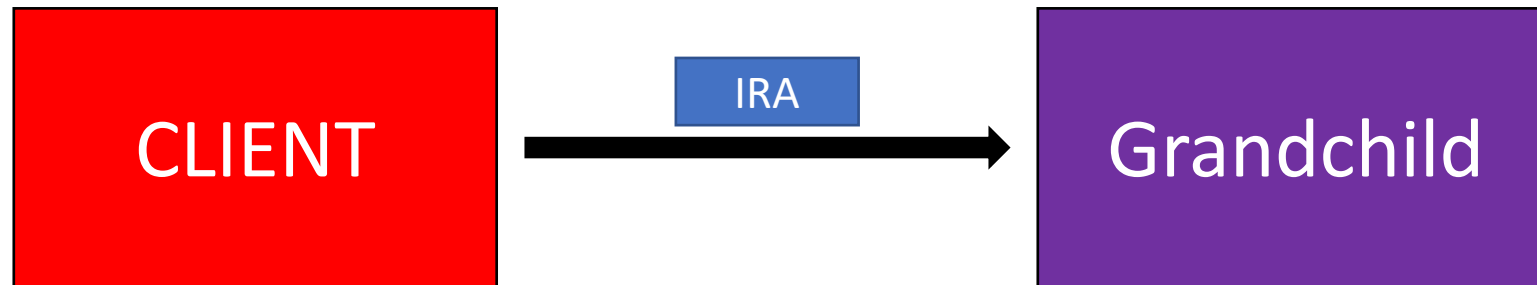
Example 8: Client to Niece, Nephew, etc. (younger beneficiary)



- Generally, the 10-year rule applies with RMDs based on the beneficiary's life expectancy, the Single Life Table, and the Subtract-One Method. No 10-year rule RMDs required for Roth IRAs or if Client died before their RBD.
- However, the EDB rules might apply if the beneficiary is disabled or chronically ill. RMDs based on the beneficiary's life expectancy, the Single Life Table, and the Subtract-One Method.
- If the EBD rule applies, at the beneficiary's death the 10-year rule will apply without RMDs.

IRAs at Death & Beyond

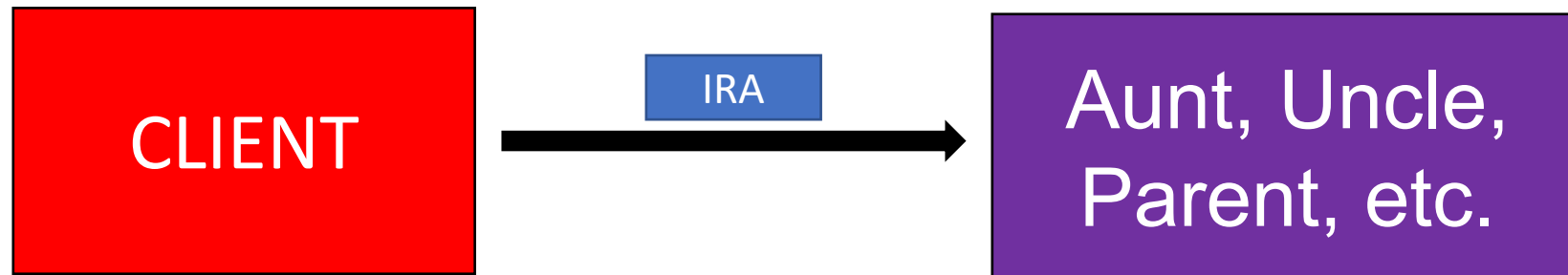
Example 9: Client to Niece, Nephew, etc. (much younger beneficiary)



- Generally, the 10-year rule applies with RMDs based on the beneficiary's life expectancy, the Single Life Table, and the Subtract-One Method. No 10-year rule RMDs required for Roth IRAs or if Client died before their RBD.
- However, the EDB rules might apply if the beneficiary is disabled or chronically ill. RMDs based on the beneficiary's life expectancy, the Single Life Table, and the Subtract-One Method.

IRAs at Death & Beyond

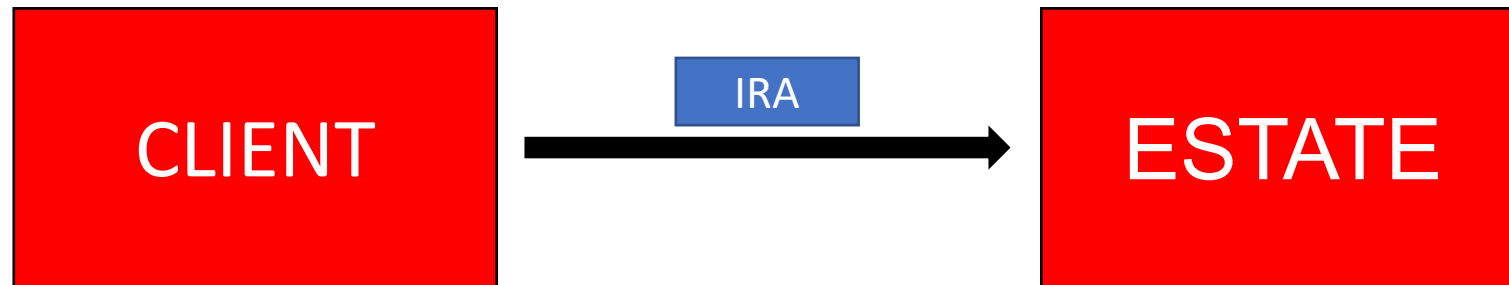
Example 10: Client to Aunt, Uncle, Parent, etc.
(older beneficiary)



- Generally, the 10-year rule applies with RMDs based on the beneficiary's life expectancy, the Single Life Table, and the Subtract-One Method. No 10-year rule RMDs required for Roth IRAs or if Client died before their RBD.
- However, the EDB rules might apply if the beneficiary is disabled or chronically ill. RMDs based on the beneficiary's life expectancy, the Single Life Table, and the Subtract-One Method.

IRAs at Death & Beyond

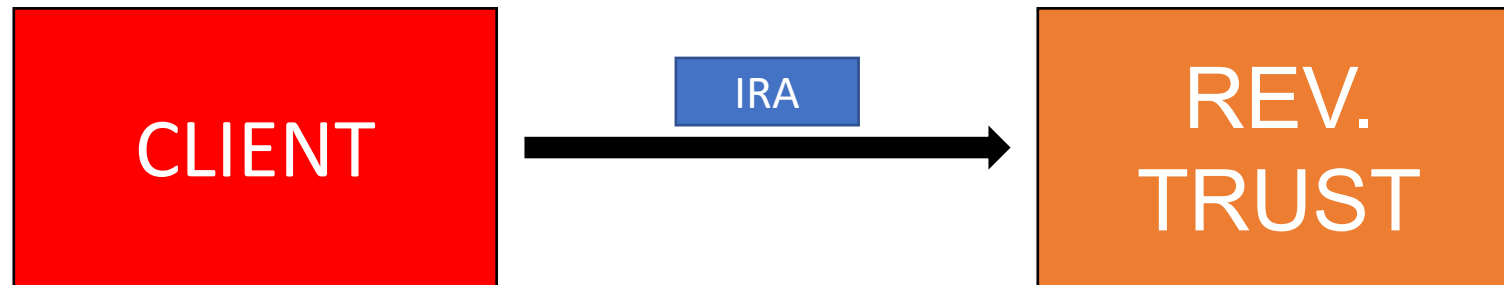
Example 11: Client to their Estate



- An estate is not a Qualified Designated Beneficiary
- If the client dies their Required Beginning Date (RBD), the 5-year rule applies. No RMDs, but full distribution must occur within 5-years.
- If the client dies after the RBD, the “Ghost” Life Expectancy rule applies. The RMD denominator is computed using decedent's remaining life expectancy according to the Single Life Table using the subtract-one method.

IRAs at Death & Beyond

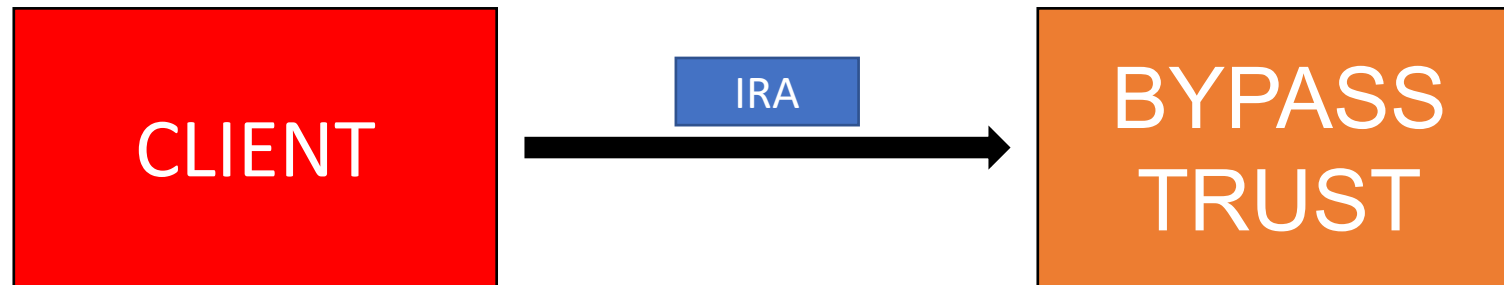
Example 12: Client to their Rev. Trust



- Generally, the 10-year rule will apply with RMDs based on the oldest beneficiary. The 10-year rule applies, but no RMDs for Roths.
- The 5-year rule, ghost life expectancy rule or EDB rules could apply but it would be dependent on the circumstances surrounding death & how the trust is drafted.

IRAs at Death & Beyond

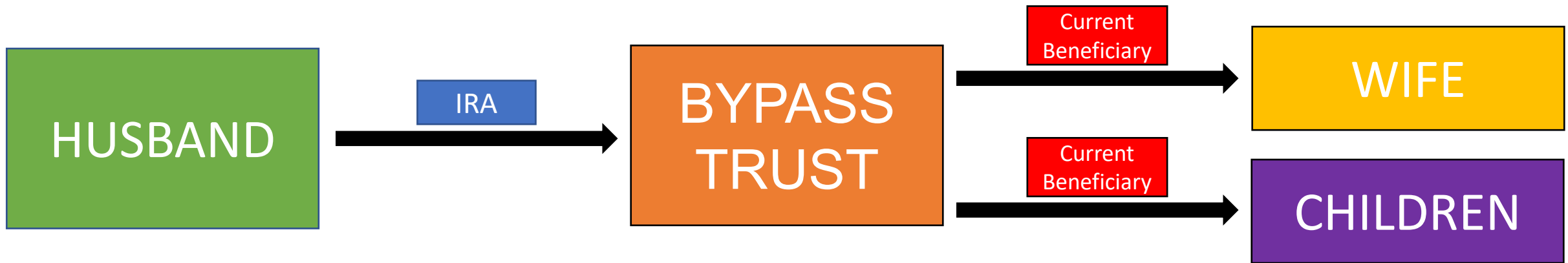
Example 13: Client to their Bypass Trust



- Generally, the 10-year rule will apply with RMDs based on the oldest beneficiary. The 10-year rule applies, but no RMDs for Roths.
- The 5-year rule, ghost life expectancy rule or EDB rules could apply but it would be dependent on the circumstances surrounding death & how the trust is drafted.

IRAs at Death & Beyond

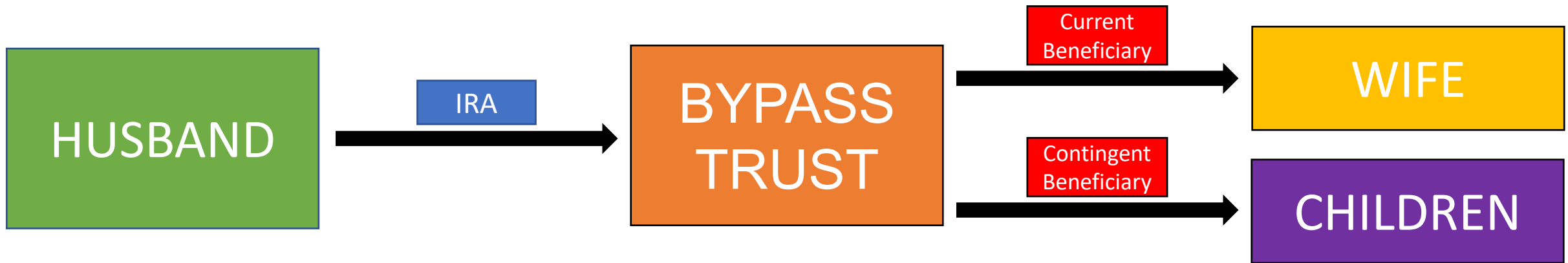
Example 14: Husband to Bypass Trust



- Generally, the 10-year rule will apply with RMDs based on the oldest beneficiary. The 10-year rule applies, but no RMDs for Roths.

IRAs at Death & Beyond

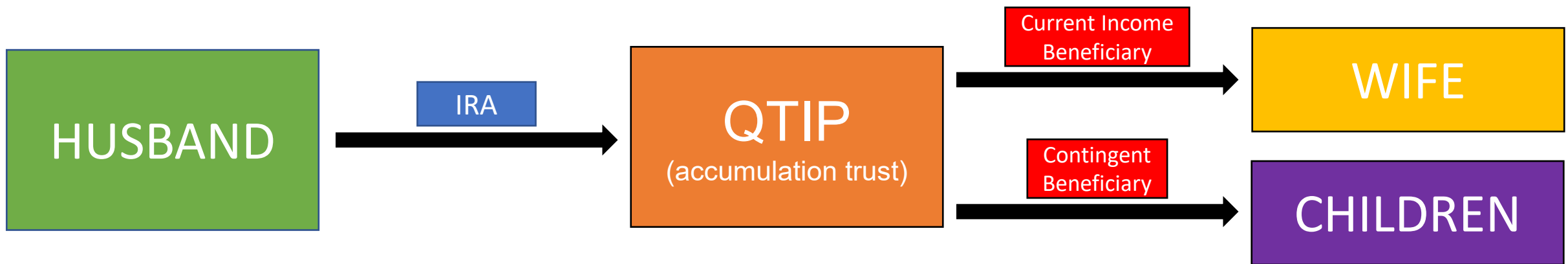
Example 15: Husband to Bypass Trust



- Generally, the 10-year rule will apply with RMDs based on the oldest beneficiary. If 10-year rule applies, to a Roth IRA there will be no RMDs.
- However, if the Surviving Spouse is chronically ill or disabled and the children's interest is contingent on her death, EBD treatment based on the wife's life may be possible.

IRAs at Death & Beyond

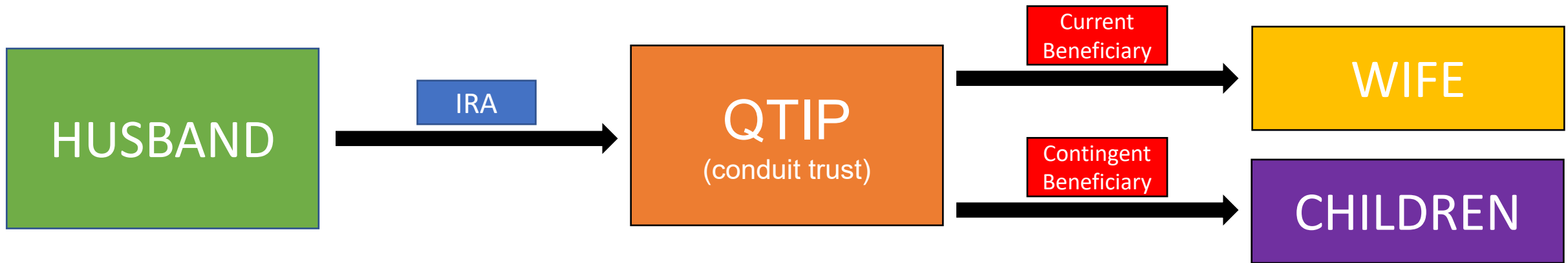
Example 16: Husband to QTIP Trust



- Generally, the 10-year rule will apply with RMDs based on the oldest beneficiary. If 10-year rule applies, to a Roth IRA there will be no RMDs.
- However, if the Surviving Spouse is chronically ill or disabled and the children's interest is contingent on her death, EBD treatment based on the wife's life may be possible.

IRAs at Death & Beyond

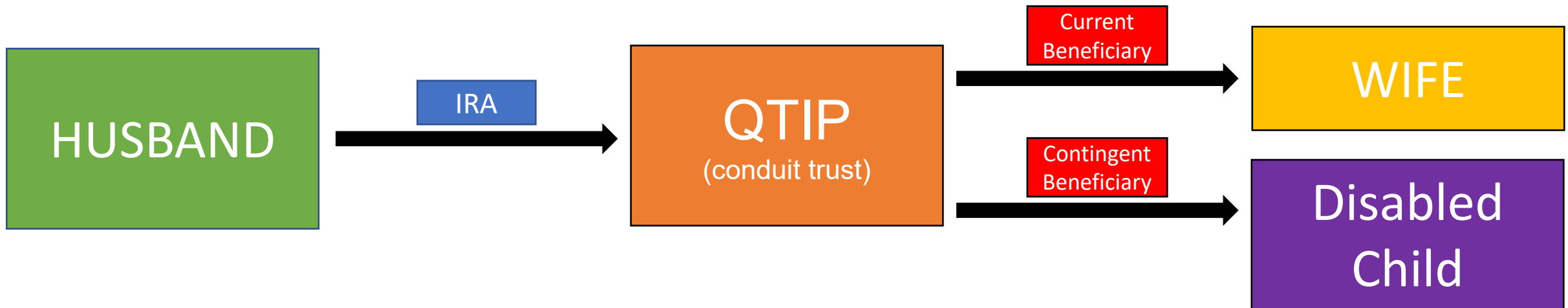
Example 17: Husband to QTIP Trust



- If the QTIP is a conduit trust, EDB treatment based on the wife's life expectancy is available. The single life table and subtract-one method is used. Moreover, the wife can wait until the earlier of when she reaches her RBD or when her deceased husband (would have) reached his RBD to begin distributions.
- When the wife dies, the 10-year rule with no RMDs applies.

IRAs at Death & Beyond

Example 18: Husband to QTIP Trust



- If the contingent beneficiary is a disabled child, EDB life expectancy distributions may be able to continue based on the child's life expectancy.

IRAs at Death & Beyond

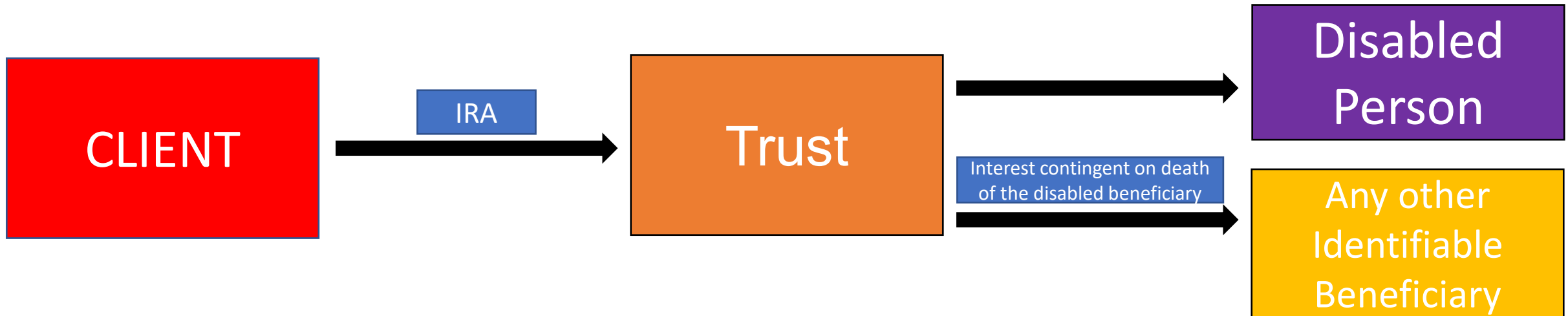
Example 19: Trust for a Minor Child



- If a current trust beneficiary is the deceased client's minor child, EDB treatment is available and is generally not limited by other beneficiaries. The single life table and subtract-one method is used. When the child reaches the age of majority, the 10-year rule without RMDs applies.

IRAs at Death & Beyond

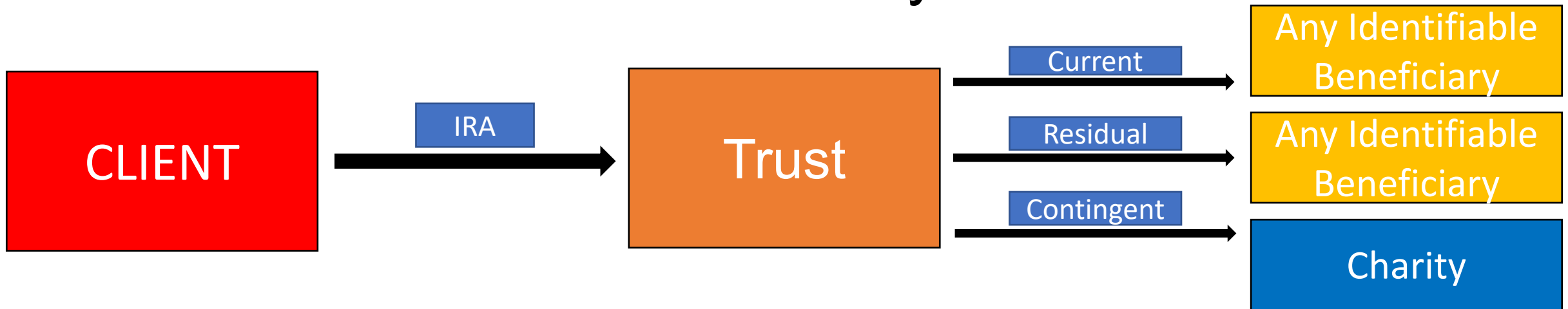
Example 20: Trust for a Disabled Person



- If a current trust beneficiary is disabled and the only interest(s) are contingent on the death of the disabled beneficiary, EDB treatment is available. The single life table and subtract-one method is used. When the disabled person dies, the 10-year rule without RMDs applies.

IRAs at Death & Beyond

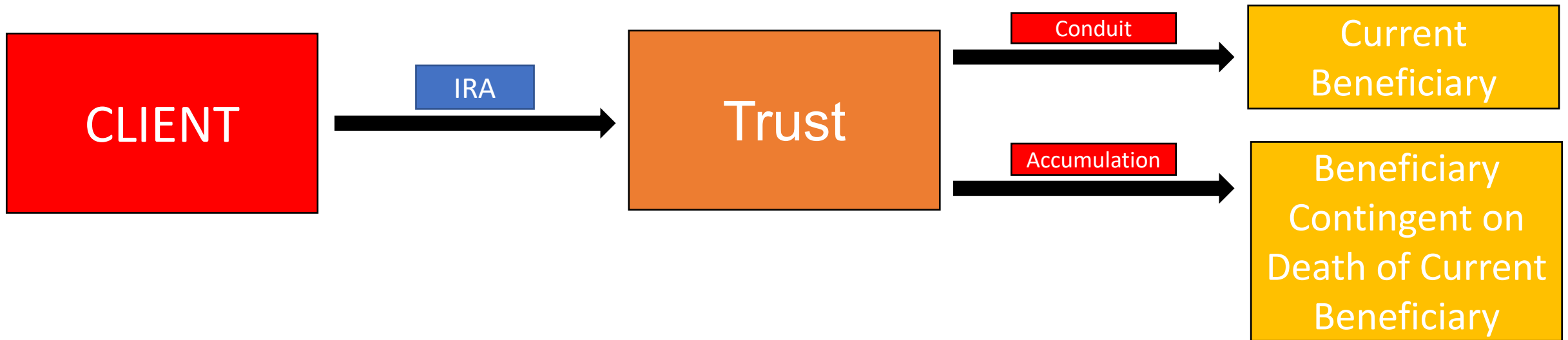
Example 21: Charity as a Remote Contingent Beneficiary



- If a charity's potential interest in an IRA is contingent on the death of a beneficiary with merely a residual interest in the IRA, the charity can be disregarded.
- The trust can be treated as a qualified designated beneficiary and the Section 409(a) rules are applied ignoring the charity's interest.

IRAs at Death & Beyond

Example 22: Conduit to Accumulation Trust



- If a conduit trust will switch to an accumulation trust at the death of the current beneficiary to an accumulation trust, the trust will be treated as a conduit currently

CONCLUSION