

Beneficiary IRA Withdrawal Rules

For IRAs Inherited After 2019

When you inherit a traditional, Roth, SEP, or SIMPLE IRA (IRA), government rules generally require that you distribute the account over a period of years. The amount of time over which the IRA must be distributed varies based on the relationship of the beneficiary to the original IRA owner. The spouse of the decedent generally has the most distribution flexibility, including the ability to treat the IRA as his or her own. Some non-spouse beneficiaries may have the option of taking annual Required Minimum Distributions (RMDs), while others are subject to a 10-year distribution requirement. Distribution requirements for beneficiaries such as an estate, charity and other nonperson beneficiary depends on the type of IRA and/or the timing of the IRA owner's death.

The below guidance is for situations where the IRA owner died after 2019, and therefore, the rules under the SECURE Act of 2019 apply. If the IRA owner died before 2020, you should request Oppenheimer's pre-SECURE Act IRA Distribution Brochure for further guidance.

Spousal IRA Beneficiary Options

If you inherit an IRA from a spouse, you have multiple options. Most commonly, those who inherit an IRA from a spouse transfer the funds to their own IRA, although some who are below age 59½ may wish to maintain a beneficiary IRA instead in order to take distributions without a premature distribution penalty, at least until the spousal beneficiary reaches 59½. A spousal beneficiary has the following options:

Spousal transfer (treat as your own)

ACCOUNT TYPE:	<ul style="list-style-type: none">You transfer the assets into your own existing or a new IRA.
DISTRIBUTIONS:	<ul style="list-style-type: none">May be made at any time from your own IRA. An early distribution penalty may apply to withdrawals from a traditional, SEP or SIMPLE IRA made before you reach age 59½. Non-qualified withdrawals from a Roth IRA may be taxable and/or subject to the early distribution penalty.Distributions from your traditional, SEP or SIMPLE IRA are not required until the year you turn age 72. Distributions from your own Roth IRA are not required while you are alive but will be required to be taken by your beneficiaries after your death.
OTHER CONSIDERATIONS:	<ul style="list-style-type: none">Spousal transfer is only available if you are the sole beneficiary or become the sole beneficiary through separate account treatment by December 31 that follows the year of the IRA owner's death. If the spousal transfer option is not available to you, you may, as a spouse beneficiary, complete a rollover of the inherited IRA assets to your own IRA.As a spouse beneficiary, you may always, at any time opt to move the inherited IRA assets into an IRA of your own.

Open a Beneficiary IRA: Life expectancy method

ACCOUNT TYPE:	<ul style="list-style-type: none"> You transfer the assets into a Beneficiary IRA held in the name of the original IRA owner, with you listed as beneficiary in the account title.
DISTRIBUTIONS:	<ul style="list-style-type: none"> Annual RMDs must be taken, beginning with the later of 1) the year the original IRA owner would have turned age 72, or 2) December 31 of the year following the year of the original IRA owner's death. Distributions are not subject to the early distribution penalty, even if you are below age 59½.
OTHER CONSIDERATIONS:	<ul style="list-style-type: none"> RMDs are calculated based on whichever is longer: your single life expectancy, which is determined by your age in each calendar year in which a distribution is required, or based on the original IRA owner's term certain single life expectancy, which is determined by the IRA owner's age in the year of the owner's death and reduced by one for each year that passes. If there are multiple beneficiaries for the decedent's IRA account, separate accounts must be established by the December 31 of the year following the year of death; otherwise, distributions will be based on the life expectancy of the oldest beneficiary or the original IRA owner, depending on the scenario.

Open a Beneficiary IRA: 10 year method*

ACCOUNT TYPE:	<ul style="list-style-type: none"> You transfer the assets into a Beneficiary IRA held in the name of the original IRA owner, with you listed as beneficiary in the account title.
DISTRIBUTIONS:	<ul style="list-style-type: none"> May be made at any time up until December 31 of the year containing the 10th anniversary of the original owner's death, at which point all assets must be fully distributed.

Note: If the spouse beneficiary dies before December 31 of the year he or she must begin receiving required minimum distributions, the surviving spouse will be treated as if he or she were the owner of the IRA. The successor beneficiary's withdrawal options will depend on the category of beneficiary they fall into (i.e. EDB, NEDB, etc.).

Eligible Designated Beneficiary (EDB) Options

Eligible Designated Beneficiaries (EDBs) include:

- Minor children of the original IRA owner
- Those that are chronically ill or permanently disabled under IRS rules
- Those that are not more than 10 years younger than the original IRA owner
- Applicable multi-beneficiary trusts (defined below)

IRA owner dies before the Required Beginning Date (RBD)¹

An individual who is an EDB may have the following distribution options:

Open a Beneficiary IRA: Life expectancy method

ACCOUNT TYPE:	<ul style="list-style-type: none"> You transfer the assets into a Beneficiary IRA held in the name of the original IRA owner, with you listed as beneficiary in the account title.
DISTRIBUTIONS:	<ul style="list-style-type: none"> Annual RMDs must be taken beginning no later than December 31 of the year after death.
OTHER CONSIDERATIONS:	<ul style="list-style-type: none"> Your annual distributions are spread over your term certain single life expectancy, which is determined by your age in the calendar year following the year of death and reduced by one for each year that passes. Note: If an EDB is the minor child of the deceased IRA owner, the life expectancy method of distribution is no longer available when the child reaches the age of majority. At that point, the individual is required to switch to the 10-year method and all remaining assets must be distributed by the end of the 10th year after the minor turns the age of majority. If multiple beneficiaries, separate accounts must be established by the December 31 of the year following the year of death; otherwise, distributions will be based on the life expectancy of the oldest beneficiary.

1. The RBD is the date by which an IRA owner must begin minimum distributions. For tax years 2019 and earlier, traditional IRA owners were required to begin receiving distributions by April 1 of the year following the year in which they reached age 70½. If traditional IRA owners reach age 70½ in tax year 2020 or later, they must generally begin receiving distributions from their traditional IRA by April 1 of the year following the year in which they reach age 72.

Open a Beneficiary IRA: 10 year method*

ACCOUNT TYPE:	<ul style="list-style-type: none"> You transfer the assets into a Beneficiary IRA held in the name of the original IRA owner, with you listed as beneficiary in the account title.
DISTRIBUTIONS:	<ul style="list-style-type: none"> May be made at any time up until the December 31 of the year containing the 10th anniversary of the original owner's death, at which point all assets must be fully distributed.

IRA owner dies on or after the RBD

If the IRA owner dies on or after the RBD, your annual distributions are spread over your single life expectancy (determined by your age in the calendar year following the year of death and reduced by one for each year that passes) or the deceased IRA owner's remaining life expectancy (life expectancy is determined in the year of death and reduced by one for each year that passes), whichever is longer.

As of the date of this document, it is unclear if the 10-year rule may be available to EDBs of IRA owners who died after RBD. Future guidance is expected, which may clarify that this option is available.*

Applicable Multi-Beneficiary Trust (AMBT) Options

An Applicable Multi-Beneficiary Trust (AMBT) has the same distribution options as EDBs.

To be considered an AMBT that is eligible to elect the Life Expectancy Method, the trust must have no non-person trust beneficiaries. In addition, the trust must provide that either no trust beneficiaries other than disabled and/or chronically ill beneficiaries have any right to the inherited IRA assets until all such disabled/chronically ill trust beneficiaries are deceased, or the trust is divided into separate trusts for each beneficiary by the December 31 of the year following the year of the death of the IRA owner (in which case only the separate trust covering a disabled or chronically ill beneficiary may elect the Life Expectancy Method).

Beneficiary Options for Trusts that are not AMBTs

As of the date of this document, IRS clarification is required concerning under what circumstances (if any) an IRA trust beneficiary that is not an AMBT may elect the Life Expectancy Method. In addition, further clarification is required concerning under what circumstances (if any) a trust beneficiary that is not an AMBT is eligible to take distributions in accordance with the 10 year method (versus a 5 year method).

Until the IRS provides necessary clarification, trust beneficiaries are advised to consult with a competent attorney or tax professional to determine the best interim distribution strategy for various trust beneficiary scenarios.*

Non-Eligible Designated Beneficiary (NEDB) Options

If you are an individual and do not meet the requirements to be considered an EDB, you are an NEDB and required to fully distribute all assets by December 31 of the year containing the 10th anniversary of the original owner's death.

Estates, Charities and Other Non-person Entity Options

IRA owner dies before the RBD

Open a Beneficiary IRA: 5 year method

ACCOUNT TYPE:	<ul style="list-style-type: none"> Transfer the assets into a Beneficiary IRA held in the name of the original IRA owner, with the entity listed as beneficiary in the account title.
DISTRIBUTIONS:	<ul style="list-style-type: none"> May be made at any time up until the December 31 of the year containing the 5th anniversary of the original owner's death, at which point all assets must be fully distributed.

IRA owner dies on or after the RBD

Open a Beneficiary IRA: Life expectancy method

ACCOUNT TYPE:	<ul style="list-style-type: none"> Transfer the assets into a Beneficiary IRA held in the name of the original IRA owner, with the entity listed as beneficiary in the account title.
DISTRIBUTIONS:	<ul style="list-style-type: none"> Annual RMDs must begin no later than December 31 of the year after death.
OTHER CONSIDERATIONS:	<ul style="list-style-type: none"> Annual distributions are spread over the original IRA owner's term-certain single life expectancy (life expectancy is determined in the year of death and reduced by one for each year that passes).

Successor beneficiaries: If the original beneficiary was subject to the 10 year-rule, his or her successor beneficiary(s) must fully distribute the entire account by December 31 of the year containing the 10 year anniversary of the original IRA owner's death. If the original beneficiary was taking life expectancy payments, his or her successor beneficiary(s) must fully distribute the entire account by December 31 of the year containing the 10 year anniversary of the original beneficiary's death.

Note Regarding Roth IRAs: The above guidance applies to all types of IRAs, although Roth IRA owners are not subject to RMDs, and therefore beneficiaries should assume the original account owner had not reached RBD for the purpose of determining distribution options.

*In February 2022, the IRS proposed rules that may make the 10-year rule available to EDBs provided the account owner died before the RBD. Additionally, the proposed rules require annual RMDs during the 10-year period for Non-EDBs and may permit some distribution flexibility for trust beneficiaries. If they become final, the new rules may apply starting with 2022. The guidance herein is provided based on the rules in effect as of the date of this document. Source: IRS Publication 590.

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