

What changes for inherited IRAs under the SECURE Act?

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Q. My wife inherited two IRAs from her mother in 2015. Her mother was over 70 1/2 and was taking Required Minimum Distributions (RMDs). My wife, 60, has continued taking the required RMDs. When my wife passes and I inherit the inherited IRAs, do I have to empty the accounts over 10 years because of the SECURE Act? — Husband

A. The rules surrounding the changes to inherited IRAs under the SECURE Act have confused many account holders.

Here's how it works.

If a surviving spouse [inherits an IRA](#) directly from a spouse, the surviving spouse is exempt from the 10-year withdrawal rule and may continue to take distributions over their life expectancy, said Marnie Hards, a certified financial planner with Aznar Financial Advisors in Morris Plains.

Unfortunately, she said, under the [SECURE Act](#), this rule does not apply to a surviving spouse who inherits an inherited IRA.

“A non-spouse beneficiary — your wife as the inheritor of her mother’s IRAs — is not permitted to name another `designated beneficiary,” she said. “She can only name a `successor beneficiary,’ so you as the successor beneficiary must withdraw the balance within 10 years.”

Hards said the RMD schedule after your wife’s passing would work like this:

First, the RMD for the year of her death, calculated based on her life expectancy as usual, must be distributed by year-end if it was not distributed prior to death, Hards said.

Then all [remaining assets](#) must be distributed to you by Dec. 31 of the year that contains the tenth anniversary of the spouse’s death.

As a surviving spouse, you are considered the successor beneficiary, she said. However, under the new law, upon the eligible designated beneficiary’s (EDB’s) death, Section 401(a)(9)(H)(iii) provides that “the exception under clause (ii) [granting life expectancy payout to the EDB] shall not apply to any beneficiary of such eligible designated beneficiary and the remainder of such portion shall be distributed within 10 years after the death of such eligible designated beneficiary.”

So if you inherit the IRAs, you'll have to [cash them out over 10 years](#).

Keep in mind that the law is still new, so IRS guidance can change over time.

Email your questions to Ask@NJMoneyHelp.com.

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