RETIREMENT PLANNING WHITE PAPER

# Inherited IRA Planning

Beneficiary transfers, titling, the 10-year rule, annual distributions, withholding, and common mistakes.


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**Important:** This paper is designed for education and discussion. It does not recommend a particular security, insurance contract, rollover, claiming age, distribution strategy, or tax action. Individual decisions should be based on complete facts and applicable licensing and compliance requirements.

# Executive Summary

Inherited IRAs are governed by beneficiary rules that are different from the rules for an IRA you own yourself. The correct transfer method, account title, beneficiary category, date of death, and whether the original owner had reached the required beginning date can all change the distribution rules.

A beneficiary should generally avoid taking possession of inherited IRA money before the receiving arrangement is established. For a nonspouse beneficiary, an inherited IRA normally remains titled in a way that preserves the deceased owner's name and identifies the beneficiary. A nonspouse beneficiary generally cannot treat the inherited IRA as their own or roll it into their own IRA.

### Planning principle

The right decision depends on the household's complete circumstances. Use this guide to identify the questions that should be answered before money is moved, benefits are claimed, or long-term income choices are locked in.

## The 10-year rule

For many designated beneficiaries who are not eligible designated beneficiaries, the inherited account must be fully distributed by December 31 of the year containing the 10th anniversary of the original owner's death.

If the owner died before the required beginning date and the 10-year rule applies, IRS Publication 590-B states that no distribution is required before the tenth year solely under that rule. If the owner died on or after the required beginning date, annual required distributions can apply during the 10-year period in addition to the requirement that the account be emptied by the end of year 10.

## Eligible designated beneficiaries are different

Certain beneficiaries can qualify as eligible designated beneficiaries, including a surviving spouse, a minor child of the owner until majority rules apply, a disabled or chronically ill individual, or an individual not more than 10 years younger than the owner, subject to statutory definitions.

These beneficiaries may have life-expectancy options that differ from the standard 10-year rule. Surviving spouses also have unique choices, including in many cases remaining a beneficiary, electing to treat the IRA as their own, or completing a spousal rollover. The best choice depends on age, cash needs, creditor concerns, and future RMD timing.

**What to remember**

Retirement planning is a coordination exercise. Taxes, liquidity, market risk, longevity, income guarantees, and survivor needs should be evaluated together rather than one account at a time.

## Distribution timing is also tax planning

The 10-year deadline does not automatically mean waiting until year 10 is best. A large final-year distribution can push taxable income into higher brackets, affect Medicare income-related surcharges, increase the taxable portion of Social Security, or collide with the beneficiary's own retirement distributions.

A planned series of withdrawals may produce a different tax result, but the right pattern depends on the beneficiary's expected income, deductions, retirement date, and state taxes. Withholding can help manage the tax bill, but it should be coordinated with estimated-tax requirements.

## Common mistakes

Common errors include depositing an inherited IRA check into a personal bank account, retitling the account incorrectly, assuming every beneficiary can stretch distributions over life expectancy, missing an annual RMD when one is required, or overlooking successor-beneficiary rules.

Because beneficiary designations generally control retirement accounts outside the will, estate documents and account beneficiary forms should be reviewed together.

# Questions to Ask Before You Act

- ✓ What was the original owner's date of death and required beginning date status?
- ✓ Am I a spouse, eligible designated beneficiary, designated beneficiary, trust, estate, or other beneficiary type?
- ✓ Is the receiving account titled correctly as an inherited IRA?
- ✓ Does an annual RMD apply during the 10-year period?
- ✓ What is the final year by which the account must be fully distributed?
- ✓ How should withdrawals be spread across years to manage taxes and Medicare-related income thresholds?
- ✓ Are successor beneficiaries and estate documents coordinated with the inherited account?

## A useful next step

Bring recent statements, plan documents, Social Security estimates, pension information, tax returns when relevant, and your expected monthly spending to a retirement-income review. The goal is to understand what you already own, what the money needs to accomplish, and which risks need to be addressed before a transaction is made.

### Schedule a Retirement Income Review

Visit **www.retirementincomesolutionsnc.com** to request a review.

# Sources and Further Reading

**Internal Revenue Service** - Publication 590-B (2025), Distributions from Individual Retirement Arrangements
https://www.irs.gov/publications/p590b

**Internal Revenue Service** - Retirement Plan and IRA Required Minimum Distributions FAQs
https://www.irs.gov/retirement-plans/retirement-plan-and-ira-required-minimum-distributions-faqs

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