



## **Changes to Required Minimum Distribution (RMD) rules for inherited IRAs**

The SECURE Act 1.0 made significant changes to how inherited IRA's must be distributed. Most people inheriting a retirement account from someone who died in 2020 or later will have to take all the money out of the account (and pay taxes if it's a pre-tax account) within ten years after the year of the original owner's death. For example, if the original owner died during 2020, the beneficiary would have to fully distribute the account by the end of 2030.

The previous rule (which still applies for those inheriting a retirement account in 2019 or earlier) allows the beneficiary to take the money out over their expected lifetime.

The primary exceptions to the new rule are for 1) spouses or 2) beneficiaries who are less than 10 years younger than the original owner. The RMD rules for these individuals did not change.

In addition to the ten-year limit, proposed IRS rules are likely to require that the beneficiary take a distribution each year (starting in 2023) based on their life expectancy if the original owner had already started RMDs. We will update affected clients if this proposal is finalized.

Please reach out to a member of the Watercolor Financial Group team to make sure that you are optimizing your inherited IRA distribution strategy.