



REQUIRED MINIMUM DISTRIBUTION RULES IN 2024 AND BEYOND

RMDS ARE IMPORTANT BUT CAN BE COMPLICATED

The SECURE and SECURE 2.0 Acts modified RMD rules for retirement account owners and their beneficiaries. This guide covers the basics, but the new rules can be confusing – so please contact your planner and tax advisor to discuss your options.

WHICH ACCOUNTS REQUIRE RMDS?

Employer-sponsored plan accounts like 401(k), 403(b), 457(b) and other defined contribution plans, as well as profit-sharing plans, are subject to RMDs.

IRAs, including traditional IRAs, SEP-IRAs and SIMPLE IRAs, are also subject to RMDs.

Note that Roth IRAs and Roth employer plan accounts are not subject to RMDs for the original owner. The exception for Roth employer plans is new beginning in 2024 and applies even if the owner had already started taking RMDs. (A 2023 beginning RMD that was planned to be taken by April 2024 is still required.)

Beneficiaries who inherit any of these accounts (including Roth accounts) are also subject to RMDs. You'll find information about the rules for original owners and beneficiaries below.

RMDS FOR ORIGINAL ACCOUNT OWNERS

If you're the original owner of a retirement account, the age at which you need to start taking RMDs depends on your birthdate. (Note that for employer plan accounts like 401(k)s, you can defer RMDs while you're still employed with that company if your employer allows it.)

If you were born ...	Your beginning RMD age is ...
Before July 1, 1949	70½
Between July 1, 1949, and Dec. 31, 1950	72
Between 1951 and 1959	73
In 1960 or later	75

Your first RMD will be due by April 1 of the year following the year in which you reach the beginning RMD age (or retire, in the case of the employer-sponsored exception above). Future RMDs are due by the end of each calendar year.

RMDS FOR BENEFICIARIES

If you inherited a retirement account, you're generally required to take RMDs from that account. Many beneficiaries are now required to withdraw all funds from inherited retirement accounts within 10 years instead of stretching withdrawals over their lifetimes – see the next section if the original account owner died in 2020 or after.

Rules for beneficiaries when the original owner died in 2019 or earlier

- Spouses may treat the account as their own (and follow the RMD rules above) or treat it as an inherited account generally following the rules for non-spouse beneficiaries but with some special spousal rules allowed.
- Non-spouse beneficiaries (or spouse beneficiaries who choose to treat the IRA as an inherited IRA) can choose to either calculate annual RMDs based on their own life expectancy, or to remove all funds from the account by the fifth year following the original owner's death.

If the original owner had *already* reached RMD age and died in 2019 or earlier, the five-year option is not available.

Rules for beneficiaries when the original owner died in 2020 or after

The type of beneficiary you are will determine your options for taking distributions from an account whose original owner died in 2020 or after.

1. Eligible designated beneficiaries are:

- Surviving spouses
- Someone not more than 10 years younger than the original account owner
- Minor children of the original account owner up to the age of majority, which is 21 for RMD purposes
- Disabled or chronically ill individuals

If you are an eligible designated beneficiary of an original account owner, you can choose to use the longer of your life expectancy or the original owner's remaining life expectancy to calculate annual RMDs, or you may choose to use the 10-year rule if the original account owner had not yet reached their required beginning distribution age – contact your planner for guidance.

Spouses who are the sole beneficiary have the additional options to keep it as an inherited account or rollover the account into their own IRA.

2. Non-eligible designated beneficiaries:

- Are those who don't fit into the categories above

If you are a non-eligible designated beneficiary, you must withdraw all assets from the account by the end of the 10th year after the original account owner's death. For example, for an account owner who dies in 2024, a non-eligible designated beneficiary is required to withdraw everything from the account by Dec. 31, 2034.

RMDs for beneficiaries subject to the 10-year rule

Beneficiaries who inherit accounts from an original account owner who died **after** their required beginning date must also take RMDs in years one through nine. This was finalized in the 2024 regulations from the IRS and is effective beginning Jan. 1, 2025. There are no penalties for RMDs not taken from these accounts in 2021-2024.

Non-eligible beneficiaries who inherit accounts from an original owner who died **before** their required beginning date do not have to take RMDs in years one through nine. They are still required to distribute everything from the account by the end of the 10th year.

3. Non-designated beneficiaries:

- If the beneficiary listed on an account is a **trust, charity or estate** or if **there is no beneficiary listed**, contact your planner or estate planning attorney for guidance.

Type of Beneficiary	Definition	RMD Treatment
Eligible Designated Beneficiaries	<ul style="list-style-type: none"> • Spouse • Someone not more than 10 years younger than the original account owner • Minor children of the original account owner up to the age of 21 • Disabled persons • Chronically ill persons 	“Stretch Rules” – distribute over beneficiary’s life expectancy
Non-Eligible Designated Beneficiaries	<ul style="list-style-type: none"> • Most non-spouse beneficiaries (unless they meet one of the definitions above) 	10-year rule: all assets must be distributed by the end of the 10th year <ul style="list-style-type: none"> • RMD distributions required in years one-nine if the original account owner died before their beginning RMD date
Non-Designated Beneficiaries	<ul style="list-style-type: none"> • Charities • Estates • Certain trusts 	If the beneficiary listed on an account is a trust, charity, or estate or if there is no beneficiary listed, contact your planner or estate planning attorney for guidance

SUCCESSOR BENEFICIARIES

Someone who inherits a retirement account from the account’s first beneficiary instead of the original account owner is a successor beneficiary. They are inheriting an inherited account. Successor beneficiaries of accounts with original account owners who died in 2019 or earlier, or who inherit an account from an eligible designated beneficiary, will be subject to a new 10-year rule period when they inherit the account.

Successor beneficiaries who inherit an account from a non-eligible designated beneficiary must withdraw all assets from the account within the *first beneficiary’s* 10-year window.

HAVE QUESTIONS?

If you need more information on your RMD obligations and their impact on your beneficiaries, contact your Edelman Financial Engines planner to go over all your retirement accounts and create a comprehensive RMD planning strategy.

Planning for RMDs are just one of the many financial challenges we can help you with. If you have any questions about your personal finances, or if anything has changed since your last meeting, please give us a call. We're here for you.