

# NEW REQUIRED MINIMUM DISTRIBUTION REGULATIONS



On February 24, 2022, the new Regulations for RMDs were released to clarify the rules for Required Minimum Distributions and they contained a few new provisions. But first, let's review what a designated beneficiary and an eligible designated beneficiary are.

## Designated Beneficiary

A designated beneficiary is an individual designated as a beneficiary of an IRA or employer plan account. It can be from an account owner naming the individual as beneficiary or by an individual being the designated beneficiary because of the terms of the governing plan document. A designated beneficiary can also be a see-through trust which looks past the trust to the beneficiary. The date for determining whether a retirement plan or IRA account has a designated beneficiary is September 30th of the year following the account owner's death.

## Secure Act

The Secure Act was effective after 12/31/2019. It changed the distribution rules for beneficiaries that inherited a qualified retirement account after 2019. It reduced the maximum distribution period to ten years when a qualified retirement account is inherited and must be 100% distributed by the end of the tenth year that follows the year of the account holder's death.

## Eligible Designated Beneficiary

The Secure Act also created a new eligible designated beneficiary which includes the surviving spouse of the account owner, a child of the account owner who has not reached the age of maturity, a disabled beneficiary, a chronically ill individual, and a beneficiary who is not more than ten years younger than the account owner. Again, this was effective as of 1/1/2020.

## PROPOSED REGULATIONS

### Annual RMDs

For beneficiaries who are not eligible designated beneficiary's, they are subject to the ten-year rule which stated that all non-eligible designated beneficiaries have ten years to remove 100% of the account value. Like the prior five-year rule no distributions were required but the entire account needed to be taken by the end of the tenth year following the year of death of the account holder.

**Under the proposed regulations, only beneficiaries of an account holder who had not passed the Required Minimum Distribution beginning date could wait ten years before emptying the account.**

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**Annual distributions are required by the beneficiary if the account holder died on or after their Required Minimum Distribution beginning date. This was not in the prior regulations and changes the requirements for someone who died on or after their Required beginning date for RMDs.**

The Required Minimum Distribution for eligible designated beneficiaries is based on the longer of:

The life expectancy of the decedent account holder or the life expectancy of the beneficiary.

This is the same as before but **a new provision in the regulations will serve to penalize older designated beneficiaries as the account must be fully distributed by December 31st of the year in which the beneficiary's life expectancy would be equal to one or less than one. This will be true even if the life expectancy of the decedent is longer and used in the calculation of the RMD.**

**If the account owner dies prior to the Required Beginning Required Minimum Distribution Date, the beneficiary is not required to take annual distributions but must distribute the account in ten years from the year following death.**

Keep in mind that an **eligible designated beneficiary** can still qualify for lifetime withdrawals as long as they continue as an eligible designated beneficiary. Individuals **under the age of majority, which has now been reset to age 21 for all states, may have only a temporary eligible designated beneficiary status until they turn 21 unless they qualify as a student where they must begin distributions after they cease going to school or at age 26 whichever comes first.** Once they lose their eligibility as a designated beneficiary, the ten-year clock will start.

All provisions for surviving spouses still apply as the surviving spouse can still make the account their own and name new beneficiaries.

**For questions and more information, contact the Advanced Sales Department at 888-504-2550 ext. 5767.**

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