

**REQUIRED MINIMUM DISTRIBUTIONS – THE LATEST AND THE GREATEST**  
**(HOW THE CURRENT LAW MAY IMPACT YOUR CLIENTS)**

**October 2025**

**I. SECURE 2.0 AND THE TREASURY REGULATIONS THEREUNDER**

**A. Current RMD Rules – Overview**

1. Current RMD (Required Minimum Distribution) rules are found in Section 401(a)(9) of the Internal Revenue Code of 1986 (Code). The amendments to section 401(a)(9) were made “by sections 114 and 401 of the Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE Act), enacted on December 20, 2019, as Division O of the Further Consolidated Appropriations Act, 2020, [Pub. L. 116-94](#), 133 Stat. 2534 (2019) and by various sections of the SECURE 2.0 Act of 2022 (SECURE 2.0 Act), enacted on December 29, 2022, as Division T of the Consolidated Appropriations Act, 2023, [Pub. L. 117-328](#), 136 Stat. 4459 (2022).
2. The rules of section 401(a)(9) are adopted by reference in section 408(a)(6) and (b)(3) for individual retirement accounts and individual retirement annuities (collectively, IRAs); section 403(b)(10) for annuity contracts, custodial accounts, and retirement income accounts described in section 403(b) (section 403(b) plans); and section 457(d)(2) for eligible deferred compensation plans.
3. The determination of the required minimum distribution is also relevant for purposes of the related excise tax under section 4974 and the definition of eligible rollover distribution in section 402(c). Accordingly, [the final Treasury Regulations] .... also set[] forth conforming amendments to the Income Tax Regulations (26 CFR Part 1) under sections 402(c), 403(b), 408, and 457, and to the Pension Excise Tax Regulations (26 CFR Part 54) under section 4974.” (Treasury Decision 10001, 07/18/2024, IRC Sec(s). 401 (26 CFR Parts 1, 31, and 54 RIN 1545-BP82).
4. In general, the RMD rules for the IRA owners and the retirement plan participants dictate that individuals born in 1951 or later, who turn 73 in 2024, must take their first RMD by April 1, 2025, and their second by December 31, 2025. For 2023 and beyond, the RMD starting age is 73; it will increase to 75 in 2033. RMDs are mandatory withdrawals from traditional IRAs, 401(k)s, and other tax-deferred accounts, calculated by dividing the prior year-end balance by a life expectancy factor from IRS

tables. A 25% penalty applies to any RMD amount not withdrawn by the deadline, unless the RMD shortfall is taken within the correction period. For convenience purposes only, any references to the retirement plans and IRA are interchangeable in this article, unless otherwise provided.

5. The required beginning date (the “RBD”) dictates when the RMD must be taken. As a reminder, for retirement plans a participant, who is not a 5% owner, must take the RMD at the later of either turning certain age (see above) or the retirement. For individual retirement accounts (“IRA”), as well as the participants in the retirement accounts if the participant owns 5% or more of the equity interest in the company sponsoring the plan, the RMDs must start upon the IRA owner (as well as 5% owner of the company sponsoring the plan) reaching certain age, even if the individual did not retire (see above.) (See Code Section 401(a)(9)(C)(i), Treas. Reg. 1.401(a)(9)-2(b)(3) and 1.408-8(b)(1)).

## B. Direct and Indirect Impact of the new RMD Rules on Estate Planning

### 1. Owners

- (a) SECURE 2.0 impacts estate planning for retirement account owners by (i) delaying their own RMDs, (ii) allowing for longer tax-deferred growth, and (iii) simplifying Roth conversions to reduce heirs' tax burdens. Key strategies involve regularly reviewing and updating beneficiary designations and considering Roth conversions or trusts to align with these new rules.
- (b) Increased RMD Age: The later RMD age for account owners allows for more tax-deferred growth and strategic tax planning, giving more time to manage taxable income and adjust withdrawal strategies. For individuals who turned 73 in 2024, their first RMD was due by April 1, 2025. For those who turn 73 in 2025, their first RMD is due by April 1, 2026. The law pushed back the RMD start age to 73 in 2023, and to 75 in 2033. This allows funds to remain protected inside the retirement account for a longer period. However, it also means that once RMDs begin, the required distributions may be larger, providing more funds for creditors to potentially seize once withdrawn.
- (c) Reduced penalties for missed RMDs The SECURE 2.0 Act reduced the excise tax for failing to take a timely RMD. The penalty was reduced from 50% to 25% of the amount not withdrawn. The penalty can be further reduced to 10% if the missed RMD is corrected in a timely manner within the correction window. The reduced Section 4974 excise tax will apply to a taxpayer who doesn't receive the full RMD if, by the last day of the correction window, the taxpayer: (1) receives a corrective distribution from the plan in the amount of the shortfall; and (2)

submits a return reflecting that reduced tax. Reg. 54.4974-1(g)(3)(iii) also waives the excise tax for an employee's or owner's failure to take the RMD in the calendar year in which the individual died if that individual had not already satisfied the RMD for that year, if the beneficiary takes a corrective distribution by the tax filing deadline (including extensions) for the taxable year of the beneficiary that begins with or within the calendar year of the decedent's death (or, if later, the last day of the calendar year following that calendar year.). Treas. Reg. 1.401(a)(9)-5(g)(2)(iv) states that if a missed RMD is corrected by a distribution made in a later year, the RMD for that later year must be made in addition to the corrective distribution and that the corrective distributions are not eligible for rollover (Treas. Reg. 1.408-8(g)(2) also provides that similar rules apply to IRA RMDs).

- (d) Roth 401(k) RMDs eliminated: Pre-death RMDs are no longer required for Roth 401(k)s and other employer-sponsored Roth accounts, aligning them with the rules for Roth IRAs. This applies for tax years beginning after December 31, 2023. Effective in 2024, SECURE 2.0 eliminated the lifetime Required Minimum Distribution (RMD) requirement for Roth 401(k) and 403(b) accounts. Previously, these accounts were subject to the same pre-death RMD rules as traditional accounts, while Roth IRAs were not. This alignment of rules makes in-plan Roth accounts function more like Roth IRAs and reduces the incentive to roll over funds simply to avoid RMDs.
- (e) Expanded RMD options for annuities: SECURE 2.0 allows for greater flexibility and customization in annuity products within retirement plans, which can influence RMD calculations and payout options. SECURE 2.0 increased retirement plan annuity flexibility by relaxing RMD rules to allow for the aggregation of annuitized and non-annuitized funds, making it easier and less costly to take income from a partially annuitized plan. Additionally, the law increased the maximum contribution for Qualified Longevity Annuity Contracts (QLACs) to \$200,000 (as adjusted for inflation) and removed the 25% account balance limitation, making these longevity-protecting annuities more accessible.
  - (i) Before SECURE 2.0, if the taxpayer had a retirement plan that was partially annuitized (e.g., a portion of the taxpayer's funds was converted into a steady income stream), the taxpayer had to calculate the RMDs separately for the annuitized and non-annuitized parts of the account. This often resulted in higher total RMDs.

- (ii) SECURE 2.0 changed this by allowing individuals to aggregate the annuitized and non-annuitized amounts, which equalizes the treatment and removes a disincentive to annuitize part of a retirement plan. This helps more money stay invested to potentially grow.
- (f) Catch-up Contributions – Roth and Enhanced:
- (i) Starting in 2025, increased catch-up contribution limits for individuals turning the age between 60-63 during a calendar year provide more opportunities to save for retirement, thus leaving larger estates. The new enhanced "super" catch-up contribution limits for ages 60–63 that were introduced by the SECURE 2.0 Act of 2022 do not apply to Individual Retirement Accounts (IRAs). The enhanced limits are exclusively for certain employer-sponsored retirement plans.
  - (ii) Starting in 2026, the requirement for higher earners to make catch-up contributions as Roth applies to employer-sponsored plans but does not apply to Individual Retirement Accounts (IRAs). For mandatory Roth catch-up to the employer sponsored retirement plans, the participant must earn more than \$145,000 in FICA wages from the employer sponsoring the plan. The Roth catch-up requirement applies to high earners whether it is a standard catch-up for those who turn 50 and older, or whether it is an enhanced catch-up for those who turn 60 through 63 during the calendar year.
  - (iii) For 2025, a single filer's ability to contribute to a Roth IRA begins to phase out at a Modified Adjusted Gross Income (MAGI) of \$150,000 and completely phases out at \$165,000 or more, while a married couple filing jointly begins to phase out at \$236,000 MAGI and is phased out entirely at \$246,000 or more. Unlike Roth IRA contributions, high earners (with FICA of more than \$145,000 in the preceding calendar year from the same employer who is sponsoring the plan) must make catch-up contributions on Roth basis.
- (g) Roth Conversions: The law encourages converting traditional IRAs to Roth IRAs, as this reduces the tax burden for heirs, who will receive the funds tax-free. The SECURE 2.0 Act simplified Roth conversions by making them more accessible and removing previous restrictions on certain account types. Key changes include allowing new Roth options for retirement plan contributions and

removing required minimum distributions (RMDs) on Roth 401(k)s.

- (i) SECURE 2.0 significantly expanded the types of contributions that can be designated as Roth, allowing savers to direct more of their retirement savings toward tax-free growth.
  - a. **Employer matching contributions:** Previously, employer-matching contributions in 401(k)s and similar plans were always made on a pre-tax basis. With SECURE 2.0, employers now have the option to allow employees to have their matching contributions treated as Roth (after-tax), providing more flexibility for tax planning.
  - b. **SEP and SIMPLE IRAs:** Prior to SECURE 2.0, Simplified Employee Pension (SEP) and Savings Incentive Match Plan for Employees (SIMPLE) IRAs could not receive Roth contributions. The new law allows employers to offer a Roth option for these plans, making Roth accounts available to more small-business employees.
  - c. Starting in 2024, unused funds from a 529 education savings plan can be rolled over to a Roth IRA for the plan's beneficiary. This provides a new option for parents or students who overestimated college costs. The rollover is subject to certain conditions, including a \$35,000 lifetime limit, annual Roth IRA contribution caps, and a requirement that the 529 plan must have been open for at least 15 years.

2. Impact on Beneficiaries:

- (a) **The 10-Year Rule:** For most non-spouse beneficiaries who inherit an IRA or 401(k) after 2019, all funds must be withdrawn within 10 years of the original owner's death.
- (b) **Annual vs. Final Payout:** If the original owner died after their required beginning date (RBD), annual RMDs are still required during the 10-year period (Treas. Reg. 1.401(a)(9)-5(d)(1)); if they died before their RBD, there are no annual RMDs, just full withdrawal by Year 10 (Treas. Reg. 1.401(a)(9)-3(c)(3)).

| <b>Participant's Death</b> | <b>Beneficiary</b>              | <b>Withdrawal Rules</b>  |
|----------------------------|---------------------------------|--|
| Before RBD                 | None                            | Anytime within 5 years of death  |
| Before RBD                 | Designated Beneficiary          | Anytime within 10 years of death<br>Treas. Reg. 1.401(a)(9)-3(c)(3)  |
| Before RBD                 | Eligible Beneficiary            | Over life expectancy of the beneficiary (except a minor w/int 10 years of reaching 31 years)   |
| After RBD                  | None                            | Continue RMDs over participant's remaining life expectancy   |
| After RBD                  | Designated Beneficiary          | Continue RMDs over the longer of the beneficiary's life expectancy or the participant's life expectancy (but no longer than 10 years after death)<br>Treas. Reg. 1.401(a)(9)-5(d)(1)(i), (ii); (e)(1), (2) |
| After RBD                  | Eligible Designated Beneficiary | Continue RMDs over the longer of the beneficiary's life expectancy or the participant's life expectancy (except a minor w/int 10 years of reaching 31 years) (1.401(a)(9)-5(d)(1)(i), (ii); (3)(iv)).      |

**(c) Eligible Designated Beneficiaries (EDBs) – Selected Points:**

- (i) Definition of “child” – means a son, daughter, stepson, or stepdaughter (whether by birth or by legal adoption), or a foster child who is placed with the decedent by an authorized placement agency or judicial decree or other court order (Treas. Reg. 1.401(a)(9)-4(e)(1)(ii) and Section 152(f)(1)).
- (ii) Definition of “disability” – as defined in Section 72(m)(7), or if determined by the Commissioner of Social Security as disabled under Section 42 USC 1382c(a)(3). The definition “disability” does NOT include any standards of disability under state court guardianship rules or ABLE accounts under Section 529A(e)(1).
- (iii) Definition of “applicable multi-beneficiary trusts” with a disabled or chronically ill beneficiary –
  - a. Type I (at least one beneficiary is disabled or chronically ill and the trust terms require immediate division into separate trusts for each beneficiary upon the employee's death);

- b. Type II (the trust terms provide that no other beneficiary but a disabled or chronically ill beneficiary is entitled to the employee's retirement accounts and such beneficiary is the only one who receives distributions from the employee's retirement accounts until such beneficiary's death.)
- (iv) Trust for a spouse will qualify as the eligible designated beneficiary only if
- a. (i) the trust is a conduit trust (i.e. requirement that all RMDs received by the trust are immediately distributed to the spouse), or
  - b. (ii) the spouse and all other accountable beneficiaries are eligible designated beneficiaries and the surviving spouse is the oldest (i.e. a testamentary trust (an accumulation trust) for the benefit of the spouse and upon her passing the assets will go to a decedent's sibling who is no more than 10 years younger than the decedent).

### 3. Creditors

- (a) Before the original SECURE Act in 2019, most non-spouse beneficiaries could "stretch" RMD payments over their lifetime, keeping the assets protected in the tax-deferred account for longer. The SECURE Act eliminated this "stretch" for most non-spouse beneficiaries, replacing it with a 10-year withdrawal rule.
- (b) SECURE 2.0 did not change this 10-year rule, but the IRS provided clarification that has a significant impact on creditor access.
  - (i) **Faster asset exposure:** By requiring the account to be fully depleted within 10 years, the law accelerates the timeline for when the assets are distributed from the protected retirement account. Once the money is withdrawn, it loses its protected status and becomes available to creditors.
  - (ii) **Accelerated distributions:** For beneficiaries who inherit from an owner who was already taking RMDs, the IRS clarified that the beneficiary must continue taking annual RMDs during the 10-year period. This forces the beneficiary to take distributions more frequently, increasing the opportunity for creditors to access those funds.
  - (iii) **State-level variation in inherited IRA protection:** While federal law offers limited bankruptcy protection for

inherited IRAs, state laws provide varied levels of protection against non-bankruptcy creditors. The accelerated distributions under SECURE 2.0 can increase the risk of these assets being exposed to state-level claims.

## II. MOST TYPICAL RMD PLANNING ARRANGEMENTS

### A. Structure of Typical RMD Planning Arrangements

1. A typical RMD planning arrangement involves a multi-stage approach to manage and minimize the tax burden from mandatory withdrawals in retirement. These structures take into account tax-deferred retirement accounts, lifetime income needs, and legacy goals.
  - (a) Stage 1: Pre-RMD planning This stage focuses on strategies to prepare for RMDs and potentially reduce their impact before they begin. The RMD starting age is currently 73, and will increase to 75 in 2033 for those born in 1960 or later.
    - (i) **Roth IRA conversions:** A key strategy is converting a traditional IRA or 401(k) to a Roth IRA. While the converted amount is immediately taxable, the Roth account is not subject to RMDs during the original owner's lifetime. This reduces future RMDs and creates a source of tax-free income in retirement.
    - (ii) **Strategic early withdrawals:** Beginning penalty-free withdrawals from traditional retirement accounts after age 59½ can help manage tax brackets. By taking smaller distributions before RMDs start, you can lower the account balance and, consequently, the size of future RMDs.
    - (iii) **Maximizing Health Savings Accounts (HSAs):** Contributions to an HSA are tax-deductible, grow tax-free, and can be used for tax-free withdrawals for qualified medical expenses. After age 65, funds can be withdrawn for any purpose (subject to income tax), providing a flexible supplement to retirement income. By using HSA funds for medical costs, you reduce the need to pull from taxable retirement accounts.
  - (b) Stage 2: Managing RMDs in retirement
    - (i) Once RMDs begin, the focus shifts to efficient withdrawal and distribution strategies.
    - (ii) **Calculation:** The RMD for each tax-deferred account is calculated annually.

- (iii) **Aggregation rules: IRAs:** If you have multiple traditional IRAs, you must calculate the RMD for each one. However, you can add the amounts together and withdraw the total from any one or a combination of your IRA accounts.
- (iv) **Employer plans:** For most employer-sponsored plans, like 401(k)s, the RMD must be calculated and withdrawn separately from each plan.
- (v) **Withdrawal timeline:** The first RMD can be taken by April 1 of the year following the year you reach your applicable age. Subsequent RMDs must be taken by December 31 each year. Delaying the first RMD can result in two distributions in a single year, which could push you into a higher tax bracket.
- (vi) **In-kind distributions:** To avoid selling assets in a down market to meet your RMD, you can use an "in-kind" transfer, moving shares directly from your retirement account to a taxable brokerage account. You will still owe taxes on the market value of the assets transferred.
- (vii) **Tax-efficient withdrawal strategies**
  - a. **Qualified Charitable Distributions (QCDs):** For account holders age 70½ or older, a QCD allows a direct transfer of up to \$108,000 (in 2025) annually from an IRA to an eligible charity. This amount counts toward your RMD but is not included in your taxable income, which can reduce your overall tax bill.
  - b. **Qualified Longevity Annuity Contract (QLAC):** This is a deferred income annuity purchased with funds from a qualified plan or IRA. The amount used to purchase the QLAC (up to a limit) is excluded from RMD calculations until payments begin, no later than age 85. This reduces your RMDs in the early years of retirement.
  - c. **Tax withholding:** You can have federal and state taxes withheld from your RMD, treating it like a paycheck. This can help cover your tax liability without needing to make estimated quarterly payments.
- (c) Stage 3: Post-mortem RMD planning (inherited accounts). Planning for RMDs also involves considerations for beneficiaries who inherit retirement accounts.

- (i) **10-year rule:** For most non-spouse beneficiaries inheriting an account from someone who died after 2019, the entire balance must be distributed within 10 years following the owner's death. This eliminates the "stretch IRA" strategy for most people.
- (ii) **Eligible designated beneficiaries:** Spouses, minor children, disabled or chronically ill individuals, and individuals not more than 10 years younger than the deceased can still use a lifetime payout structure.
- (iii) **Spousal options:** Surviving spouses have additional options, including rolling the inherited account into their own IRA or treating it as their own. This allows them to use their own life expectancy for RMD calculations.

B. Income Tax Issues for Typical RMD Planning Arrangements

1. Income tax issues with Required Minimum Distribution (RMD) planning for typical retirement arrangements primarily stem from distributions being taxed as ordinary income, which can push retirees into higher tax brackets and affect other income-based taxes. However, with careful planning, individuals can navigate these issues by employing strategies such as Roth conversions, Qualified Charitable Distributions (QCDs), and Qualified Longevity Annuity Contracts (QLACs).
2. Tax issues with typical RMD arrangements
  - (a) **Income from distributions is taxed as ordinary income:** RMDs from tax-deferred accounts like traditional IRAs, 401(k)s, and 403(b)s are taxed at your regular income tax rate. This can result in a higher tax bill in retirement.
  - (b) **Increased tax bracket:** Large RMDs can push a retiree into a higher tax bracket, increasing the percentage of tax paid on all income.
  - (c) **Impact on other income-based taxes:** A higher adjusted gross income (AGI) from RMDs can lead to an increase in Medicare premiums (known as the Income-Related Monthly Adjustment Amount, or IRMAA) and cause a larger portion of Social Security benefits to become taxable.
  - (d) **Hefty penalties for missed distributions:** Failing to take the full RMD by the deadline results in a 25% excise tax on the amount not withdrawn. This can be reduced to 10% if the mistake is corrected within a two-year window.
3. Strategies to address income tax issues

- (a) Roth IRA conversions. Converting a traditional IRA to a Roth IRA moves funds from a tax-deferred account to a tax-free one.
- (i) **How it works:** You pay income tax on the converted amount in the year of the conversion, but future qualified withdrawals and earnings from the Roth account are tax-free.
  - (ii) **Tax issue addressed:** Eliminates RMDs during your lifetime, preventing future RMD income from pushing you into a higher tax bracket. This also leaves a tax-free inheritance for beneficiaries.
  - (iii) **Considerations:** A conversion is a taxable event, so it's best done in a year when you expect to be in a lower tax bracket. You cannot convert the current year's RMD.
  - (iv) **Finding Sources to Pay Increased Income Tax.** If a surviving spouse is a beneficiary of a Marital Trust (QTIP) and the surviving spouse inherited a traditional IRA or pre-tax retirement account (or owns her own traditional IRA or a pre-tax retirement account), it may be beneficial to consider converting the IRA or retirement account into Roth, and distributing funds from the Marital Trust to pay income tax liability. The amount of income tax paid reduces the surviving spouse's estate (by reducing the assets held in the Marital Trust (QITP) which is taxable in the spouse's estate), the IRA/retirement plan (if rolled over to the spouse) is protected from the spouse's creditors under state law as the spouse's own IRA, the spouse does not need to take RMDs since it is a Roth IRA/Roth retirement account, and upon the surviving spouse's death the beneficiaries will get Roth IRA income tax free.
- (b) Qualified Charitable Distributions (QCDs). For those who are charitably inclined, a QCD allows you to satisfy your RMD while reducing your taxable income.
- (i) **How it works:** If you are age 70 1/2 or older, you can direct your IRA administrator to send up to \$108,000 (in 2025) directly to an eligible charity.
  - (ii) **Tax issue addressed:** The distribution counts toward your RMD but is excluded from your taxable income. This lowers your AGI, which can reduce taxes on Social Security benefits and lower Medicare premiums.

- (c) Qualified Longevity Annuity Contracts (QLACs). A QLAC can defer RMDs on a portion of your retirement savings until you are 85, allowing your other assets to grow longer.
  - (i) **How it works:** You use funds from a qualified retirement account to purchase a QLAC, which is a type of deferred income annuity. That money is then excluded from your RMD calculations until payments begin.
  - (ii) **Tax issue addressed:** Reduces the taxable income from RMDs in your early retirement years, helping to manage your tax bracket and potentially lower Medicare premiums.
  - (iii) **Considerations:** There is a maximum limit on the amount you can contribute to a QLAC (\$210,000 in 2025). Funds are also locked in until the specified payout date.
- (d) Strategic withdrawal planning. Withdrawing funds strategically can help manage the tax implications of RMDs over time.
  - (i) **How it works:** Retirees can balance withdrawals across different accounts (taxable accounts, traditional IRAs, and Roth IRAs) to manage their AGI and stay within a desired tax bracket.
  - (ii) **Tax issue addressed:** Prevents large, mandatory RMDs from suddenly pushing you into a higher tax bracket.

## C. Planning To Avoid Pitfalls

1. To avoid blunders with Required Minimum Distributions (RMDs), you must understand the rules for your specific accounts, plan your withdrawals carefully to minimize taxes, and track deadlines to avoid significant IRS penalties. For example, some retirement plans require withdrawals over 10 years for named beneficiaries regardless whether the beneficiary is a designated beneficiary or an eligible designated beneficiary or the participant made an election under the retirement plan to have 10 year rule apply, or the beneficiary made such an election under the retirement plan.
2. Key rules and potential pitfalls
  - (a) RMD starting age and deadlines.
  - (b) **Starting age:** The age you must begin taking RMDs depends on your birth year:
    - (i) **Born 1950 or earlier:** Age 72.

- (ii) **Born 1951–1959:** Age 73.
  - (iii) **Born 1960 or later:** Age 75.
  - (iv) **First RMD deadline:** You have until April 1 of the year following the year you reach your RMD starting age to take your first distribution.
  - (v) **Subsequent RMD deadlines:** All future RMDs must be taken by December 31 of each calendar year.
  - (vi) **The double-RMD mistake:** If you delay your first RMD until April 1 of the next year, you will have to take two RMDs in that single year. This can push you into a higher tax bracket and increase your overall tax burden. To avoid this, consider taking your first RMD by December 31 of the year you reach RMD age.
- (c) Penalties for missed RMDs
- (i) **The penalty:** If you fail to take your full RMD on time, the IRS can impose an excise tax of 25% on the amount not withdrawn.
  - (ii) **Penalty reduction:** The penalty may be reduced to 10% if you correct the mistake within two years.
  - (iii) **Penalty waiver:** The IRS can waive the penalty entirely if you can prove the error was reasonable and that you took steps to remedy the shortfall. You must file Form 5329 and provide a letter of explanation to request a waiver.
- (d) Account-specific rules
- (i) **Traditional IRAs and 403(b)s:** You must calculate the RMD for each of your accounts, but you can withdraw the total RMD amount from any one or a combination of them.
  - (ii) **401(k)s and 457(b)s:** You must calculate and take a separate RMD from each of these accounts. You cannot aggregate withdrawals from different employer-sponsored plans.
  - (iii) **"Still working" exception:** If you are still working past your RMD starting age and not a 5% owner of the company, you may be able to delay RMDs from that specific retirement plan sponsored by your employer until you retire. As mentioned before, this exception does not apply to IRAs.

- (iv) **Roth accounts:** The original owner of a Roth IRA or a designated Roth 401(k) does not need to take RMDs during their lifetime. This rule does not apply to beneficiaries who inherit a Roth account.
  
- (e) Inherited IRA rules
  - (i) **General rules:** For most non-spouse beneficiaries, the account must be fully distributed within 10 years of the original owner's death.
  - (ii) **RMDs during the 10-year period:** If the original account owner died on or after their RMD beginning date, the beneficiary must take annual RMDs during years 1 through 9, and fully distribute the account by the end of year 10.
  - (iii) **Spousal beneficiaries:** Surviving spouses have more options, including transferring the assets to their own IRA, which can offer greater flexibility.
  
- (f) Proactive strategies to minimize taxes
  - (i) Before RMDs begin (pre-age 73)
    - a. **Roth conversions:** Convert a portion of your traditional IRA to a Roth IRA each year. You will pay income tax on the conversion at your current rate, but the funds in the Roth account will grow tax-free and will not be subject to RMDs during your lifetime.
    - b. **Strategic withdrawals:** If you retire before RMDs start, consider taking larger withdrawals during a period when your income and tax bracket may be lower. This will reduce your overall account balance, which in turn will lead to smaller future RMDs.
  - (ii) After RMDs begin (post-age 73)
    - a. **Qualified Charitable Distributions (QCDs):** If you are age 70½ or older and charitably inclined, you can donate up to \$108,000 per year directly from your IRA to an eligible charity. The distribution counts toward your RMD, but it is not included in your taxable income.
    - b. **In-kind transfers:** In a down market, an in-kind distribution lets you transfer investments from your

IRA to a taxable brokerage account to satisfy your RMD. This avoids selling assets at a loss, though you will still owe income tax on the transferred amount.

- c. **Qualified Longevity Annuity Contract (QLAC):** This allows you to use a portion of your IRA to purchase a deferred annuity. The amount used for the QLAC is excluded from your RMD calculation and provides a stream of guaranteed income later in life.

(g) Essential planning steps to avoid mistakes

- (i) **Confirm your RMD starting age:** Use the new rules from the SECURE Act 2.0 to pinpoint the exact year you must begin distributions.
- (ii) **Calculate RMDs accurately:** Your financial institution may provide this calculation, but it is your responsibility to ensure its accuracy. The calculation is based on your prior year-end account balance and an IRS life expectancy factor.
- (iii) **Automate withdrawals:** To avoid forgetting a distribution, set up automatic annual or monthly transfers with your financial custodian.
- (iv) **Review your account structure:** Consider consolidating multiple IRAs or 403(b) accounts to simplify the RMD process. Be mindful that RMDs from 401(k)s must still be taken separately.
- (v) **Coordinate with a tax professional:** To understand how RMDs will affect your tax bracket and other income sources, it is wise to consult a financial or tax advisor. (AI ChatGPT)

D. Selected Private Letter Rulings

1. Keeping Track of What Type of an IRA the Client Owns (PLR 202520014).

- (a) “Taxpayer A established Roth IRA X with Financial Institution B in 2000. Custodian C serves as custodian of Roth IRA X. Taxpayer A made contributions to Roth IRA X for tax years prior to 2010. The contribution/rollovers involved ... involve a contribution of

Amount 1 for tax year 2010, a trustee-to-trustee rollover of Amounts 2 and 3 for tax year 2012, and a trustee-to-trustee rollover of Amounts 4, 5, and 6 for tax year 2014. (which total Amount 7).

- (b) Following Taxpayer A's marriage in 2007, she requested that Financial Institution B change the last name on Roth IRA X to reflect her last name change. Financial Institution B submitted the request to Custodian C who, in processing the request inadvertently removed the reference "Roth" from the account title. However, the account remained coded as a Roth IRA within the product code.
- (c) Taxpayer A was unaware that Roth IRA X was a Roth IRA (rather than a traditional IRA) because when accessing her account in Financial Institution B's customer account portal, the account was not labeled "Roth". During a meeting in 2021 with Financial Institution B, Taxpayer discovered the mislabeling of Roth IRA X on Financial Institution B's customer account portal.
- (d) Taxpayer A ..... timely filed federal income tax returns for tax years 2010, 2012 and 2014. Taxpayer A [was] not seeking relief to file amended tax returns for these tax years nor seeking to recharacterize the Roth IRA X contributions as deductible traditional IRA contributions. Taxpayer A also represent[ed] that this request was filed before the Internal Revenue Service (the Service) discovered the failure to make an election to recharacterize her Roth IRA X contributions. The contributions made for years 2010, 2012 and 2014 and the net earnings on these contributions have been retained in Roth IRA X.
- (e) Taxpayer A request[ed] an extension of time to recharacterize the Roth IRA contribution made to Roth IRA X for tax year 2010, and the rollover contributions made to Roth IRA X for tax years 2012 and 2014, which total Amount 7, as having been made to a traditional IRA pursuant to section 1.408A-5 of the Federal Income Tax Regulations (the "I. T." Regulations) and section 301.9100-3 of the Regulations.
- (f) Taxpayer A requested relief before the failure to make a timely election to recharacterize her Roth IRA contributions was discovered by the Service. Thus, [the IRS determined that ] the Taxpayer A [was] deemed to have acted reasonably and in good faith because she satisfies the requirements of section 301.9100-3(b)(1)(ii) of the Regulations.
- (g) [The IRS also found that because] the Taxpayer A [was] not seeking relief to file amended returns for closed years and granting

relief [would] not result in Taxpayer A having a lower tax liability in the aggregate for all taxable years affected by the election than she would have had if the election had been timely made. Thus, [the IRS found] that, under section 301.9100-3(c)(1)(i) of the Regulations, granting relief will not prejudice the interests of the Government.

- (h) [As a result], the Taxpayer A [was] granted a period not to exceed 60 days from the date of [the Private Letter Ruling] to recharacterize the contributions to Roth IRA X for tax years 2010, 2012 and 2014, which total Amount 7, as contributions to a traditional IRA. The recharacterization must otherwise satisfy applicable rules, including that the net income attributable to the contributions must be transferred to the traditional IRA.” (PLR 202520014).
- (i) The taxpayer must pay attention not only to form 1099-R for reporting the distributions, but also to Form 5498 that documents contributions, rollovers, Roth conversions, and the type of IRA the taxpayer owns.

2. If the Taxpayer is Still working (and not a 5% owner of the company sponsoring the plan and the retirement plan permits delayed RMD until retirement), Consider Rolling the IRA to a Qualified Retirement Plan to Delay RMDs (PLR 2004-53026)

- (a) “Taxpayer A [was] s an employee of Company B and Company C. Taxpayer A did not intend to separate from the service of, or retire from, Company B.
- (b) Company B maintain[ed] Plan X and Company C maintain[ed] Plan Y. Taxpayer A [was] an active participant in both plans. Both Plan X and Plan Y use the calendar year as their plan year. ...Plans X and Y [met] the requirements of Code section 401(a). ....
- (c) Taxpayer A is a 5% owner of Company C but not in Company B. Taxpayer A will attain 70 1/2 in [redacted text]. Taxpayer A has reached his “Normal Retirement Date” with respect to Plan Y but not with respect to Plan X. Plan Y permits in-service distributions to participants who have reached their Normal Retirement Date. Plan X permits participants to roll over eligible distributions received from other qualified plans into Plan X.
- (d) Taxpayer A has represented that he is not a 5% owner of Company B as that term is defined in section 416(i)of the Code. Taxpayer A has also represented that Plan Y meets the requirements of section 401(a)(11)(B)(iii); as a result, it is excluded from having to comply

with the joint and survivor and preretirement survivor annuity requirements found under section 401(a)(11)(A) of the Code.

- (e) Taxpayer A intends to withdraw his calendar year [redacted text] required distribution from Plan Y prior to [redacted text]. After receiving his required distribution for [redacted text] from Plan Y, Taxpayer A intends to withdraw the balance of his account from Plan Y and roll over said balance into Plan X prior to [redacted text].
- (f) Based on the facts and representations, you request a ruling that Taxpayer A will not be required to receive a distribution from the amount rolled over from Plan Y into Plan X until he reaches his Required Beginning Date under Plan X.
- (g) The information presented by Taxpayer A demonstrates that he is not a 5% owner of Company B as defined in section 416(i) and that Taxpayer A is not required to obtain spousal consent for the distribution from Plan Y because Plan Y is excluded from the joint and survivor annuity and preretirement survivor annuity requirements of section 401(a)(11)(A) of the Code. Taxpayer A has asserted that he will take a calendar year [redacted text] required minimum distribution from Plan Y by [redacted text] and that this required distribution will not be rolled over into Plan X. Taxpayer A has also asserted that, after receiving his calendar year required distribution, he will withdraw the balance of his Plan Y account and roll said balance into Plan X by [redacted text].
- (h) Therefore, based on the above facts, the Service concludes that Taxpayer A will not be required to receive a distribution with respect to the amount distributed from Plan Y and rolled over into Plan X until he reaches his “required beginning Date” under Plan X as determined under section 401 (a)(9)(c)(i) of the Code.” (PLR 200453026).

E. Examples from the Final Treasury Regulations (Treasury Decision 10001, 07/18/2024, IRC Sec(s). 401; Qualified retirement plans — IRAs — annuities — required minimum distributions — final regs. (26 CFR Parts 1, 31, and 54 RIN 1545-BP82))

- 1. §1.401(a)(9)-1 Minimum distribution requirement in general. (See Treas. Reg. 1.401(a)(9)-1(b)(3) Examples).
  - (a) (i) *Example 1.* Employer M maintains a defined contribution plan, Plan X. Employee A died in 2017, at the age of 68, and designated A's 40-year-old child, B, who was not disabled or chronically ill at the time of A's death, as the sole beneficiary of A's interest in Plan X. Pursuant to a plan provision in Plan X, B elected to take

distributions over B's life expectancy under [section 401\(a\)\(9\)\(B\)\(iii\)](#). B dies in 2024, after the effective date of [section 401\(a\)\(9\)\(H\)](#). Because [section 401\(b\)\(5\)](#) of the SECURE Act treats B as an eligible designated beneficiary, the rules of [section 401\(a\)\(9\)\(H\)\(iii\)](#) apply to B's beneficiaries. Therefore, A's remaining interest in Plan X must be distributed by the end of 2034 (the calendar year that includes the tenth anniversary of B's death).

- (b) (ii) *Example 2*. The facts are the same as in .... *Example 1*, except that B died in 2019. Because A's designated beneficiary died before the effective date of [section 401](#) of the SECURE Act, the rules of [section 401\(a\)\(9\)\(H\)](#) do not apply to B's beneficiaries.
- (c) (iii) *Example 3*. The facts are the same as in .... *Example 1*, except that, pursuant to a provision in Plan X, B elected the 5-year rule under [section 401\(a\)\(9\)\(B\)\(ii\)](#). Accordingly, A's entire interest is required to be distributed by the end of 2022. Because A died before January 1, 2020, [section 401\(a\)\(9\)\(H\)](#) does not apply with respect to B. Therefore, [section 401\(a\)\(9\)\(H\)\(i\)\(I\)](#) does not extend the 5-year period under B's election to a 10-year period. Although B's election required A's entire interest to be distributed by the end of 2022, the enactment of [section 401\(a\)\(9\)\(I\)\(iii\)\(II\)](#) (permitting disregard of 2020 when the 5-year period applies) permits distribution of A's entire interest in the plan to be delayed until the end of 2023.
- (d) (iv) *Example 4*. The facts are the same as in ... *Example 1*, except that A designates a see-through trust that satisfies the requirements of [§1.401\(a\)\(9\)-4\(f\)\(2\)](#) as the sole beneficiary of A's interest in Plan X. All of the trust beneficiaries are alive as of January 1, 2020. The oldest of the trust beneficiaries, C, died in 2022. Because [section 401\(b\)\(5\)](#) of the SECURE Act treats C as an eligible designated beneficiary, the rules of [section 401\(a\)\(9\)\(H\)\(iii\)](#) apply to the other trust beneficiaries. Thus, unless the rules of [§1.401\(a\)\(9\)-5\(f\)\(2\)\(ii\)\(B\)](#) or [\(iii\)](#) apply, A's remaining interest in Plan X must be distributed by the end of 2032 (the calendar year that includes the tenth anniversary of C's death).
- (e) (v) *Example 5*. The facts are the same as in ... *Example 4*, except that C died in 2019. Because the oldest designated beneficiary died before January 1, 2020, the rules of [section 401\(a\)\(9\)\(H\)](#) do not apply to any of the other trust beneficiaries.
- (f) (vi) *Example 6*. The facts are the same as in .... *Example 1*, except that B elected to purchase an annuity that pays over B's lifetime with a 15-year certain period starting in the calendar year following the calendar year of A's death. Because B died after the

effective date of [section 401\(a\)\(9\)\(H\)](#), the rules of [section 401\(a\)\(9\)\(H\)\(iii\)](#) apply, and accordingly, the annuity may not provide distributions any later than the end of 2034.

2. [§1.401\(a\)\(9\)-4 Determination of the designated beneficiary. \(See Treas. Reg. Section 1.401\(a\)\(9\)-4\(c\)\(3\) Examples\).](#)

- (a) (i) *Example 1.* Employer M maintains a defined contribution plan, Plan X. Employee A dies in 2024 having designated A's three children—B, C, and D—as beneficiaries, each with a one-third share of A's interest in Plan X. B executes a disclaimer of B's entire share of A's interest in Plan X within 9 months of A's death and the disclaimer satisfies the other requirements of a qualified disclaimer under [section 2518](#). Pursuant to the qualified disclaimer, B is disregarded as a beneficiary.
- (b) (ii) *Example 2.* The facts are the same as in ...*Example 1*, except that B does not execute the disclaimer until 10 months after A's death. Even if the disclaimer is executed by September 30 of the calendar year following the calendar year of A's death, the disclaimer is not a qualified disclaimer (because B does not meet the 9-month requirement of [section 2518](#)) and B remains a designated beneficiary of A.
- (c) (iii) *Example 3.* The facts are the same as in ... *Example 1*, except that, in exchange for B's disclaimer of the one-third share of A's interest in Plan X, C transfers C's interest in real property to B. Because B has received consideration for B's disclaimer of the one-third share, it is not a qualified disclaimer under [section 2518](#) and B remains a designated beneficiary.
- (d) (iv) *Example 4.* The facts are the same as in ...*Example 1*, except that Charity E (an organization exempt from taxation under [section 501\(c\)\(3\)](#)) also is a beneficiary designated under the plan as of the date of A's death, with B, C, D, and Charity E each having a one-fourth share of A's interest in Plan X. Plan X distributes Charity E's one-fourth share of A's interest in the plan by September 30 of the calendar year following the calendar year of A's death. Accordingly, Charity E is disregarded as A's beneficiary, and B, C, and D are treated as A's designated beneficiaries.
- (e) (v) *Example 5.* The facts are the same as in ...*Example 1*, except that A's spouse, F, also is a beneficiary designated under the plan. A and F were residents of State Z so that State Z law applies. The laws of State Z include a simultaneous death provision under which two individuals who die within a 120-hour period of one another are treated as predeceasing each other. F dies four hours

after A and under the laws of State Z, F is treated as predeceasing A. Because, under applicable State law, F is treated as predeceasing A, F is disregarded as a beneficiary of A.

- (f) (vi) *Example 6.* The facts are the same as in ...*Example 1*, except that B, who was alive as of the date of A's death, dies before September 30 of the calendar year following the calendar year of A's death. Prior to B's death, none of the events described in [other Examples dealing with B's disclaimers whether qualified or not qualified] .... occurred with respect to B. Accordingly, B is still a beneficiary taken into account for purposes of  section 401(a)(9) regardless of the identity of B's successor beneficiaries.

3. §1.401(a)(9)-4 – Eligible Designated Beneficiaries (See Treas. Reg. 1.401(a)(9)-4(e)(9) Examples).

- (a) (i) *Example 1.* Employer M maintains a defined contribution plan, Plan X. Employee A designates A's child, B, as the sole beneficiary of A's interest in Plan X. B will not reach the age of majority until 2024. A dies on July 1, 2022, after A's required beginning date. As of the date of A's death, B is disabled within the meaning of [these Treasury Regulations]. On November 1, 2024, B satisfies the requirements of [these Treasury Regulations] by providing the plan administrator a letter from a licensed health care practitioner stating that, as of July 1, 2022, B is unable to engage in any substantial gainful activity by reason of a physical impairment that can be expected to be of long-continued and indefinite duration. Due to B's disability, B remains an eligible designated beneficiary even after reaching the age of majority in 2024, and Plan X is not required to distribute A's remaining interest in the plan by the end of 2034 pursuant to the rules of  §1.401(a)(9)-5(e)(4), but instead may continue life expectancy payments to B during B's lifetime.
- (b) (ii) *Example 2.* The facts are the same as in ... *Example 1*, except that the documentation requirements of [these Treasury Regulations] are not timely satisfied with respect to B. B ceases to be an eligible designated beneficiary upon reaching the age of majority in 2024, and Plan X is required to distribute A's remaining interest in the plan by the end of 2034 pursuant to the rules of  §1.401(a)(9)-5(e)(4).
- (c) (iii) *Example 3.* The facts are the same as in .... *Example 1*, except that B becomes disabled in 2023 (after A's death in 2022). Because B was not disabled as of the date of A's death, B ceases to be an eligible designated beneficiary upon reaching the age of majority in 2024, and Plan X is required to distribute A's remaining interest

in the plan by the end of 2034 pursuant to the rules of   
§1.401(a)(9)-5(e)(4).

4. §1.401(a)(9)-4 – Special Rules for Trusts (See Treas. Reg. 1.401(a)(9)-4(f)(6) Examples).

(a) (i) Example 1—

- (A) *Facts*. Employer L maintains a defined contribution plan, Plan W. Unmarried Employee C died in 2024 at age 30. Prior to C's death, C named a testamentary trust (Trust T) that satisfies the requirements of paragraph (f)(2) of [Section 1.401(a)(9)-4(f)(2) dealing with the requirements for the trust to be valid under the state law, being irrevocable, all beneficiaries of which are identifiable and the documents were provided to the plan administration by the due date], as the beneficiary of C's interest in Plan W. The terms of Trust T require that all distributions received from Plan W, upon receipt by the trustee, be paid directly to D, C's sibling, who is 5 years older than C. The terms of Trust T also provide that, if D dies before C's entire account balance has been distributed to D, E will be the beneficiary of C's remaining account balance.
- (B) *Analysis*. Pursuant to paragraph [1.401(a)(9)-4(f)(1)(ii)(A)]..., Trust T is a conduit trust. Because Trust T is a conduit trust (meaning the residual beneficiary rule in paragraph (f)(3)(i)(B) of this section does not apply) and because E is only entitled to any portion of C's account if D dies before the entire account has been distributed, E is disregarded in determining C's designated beneficiary. Because D is an eligible designated beneficiary, D may use the life expectancy rule of  §1.401(a)(9)-3(c)(4). Accordingly, even if D dies before C's entire interest in Plan W is distributed to Trust T, D's life expectancy continues to be used to determine the applicable denominator. Note, however, that because  §1.401(a)(9)-5(e)(3) applies in this situation, a distribution of C's entire interest in Plan W will be required no later than the end of the calendar year that includes the tenth anniversary of D's death.

(b) (ii) Example 2—

- (A) *Facts related to plan and beneficiary*. Employer M maintains a defined contribution plan, Plan X. Employee A died in 2024 at the age of 55, survived by Spouse B, who was then 50 years old. A's account balance in Plan X is invested only in productive assets and was includible in A's gross estate under  section 2039. A named a testamentary trust (Trust P) as the beneficiary of all amounts payable from A's account in Plan X after A's death. Trust P satisfies the see-through trust requirements of paragraph Section 1.401(a)(9)-4(f)(2)

dealing with the requirements for the trust to be valid under the state law, being irrevocable, all beneficiaries of which are identifiable and the documents were provided to the plan administration by the due date] of this section.

- (B) *Facts related to trust.* Under the terms of Trust P, all trust income is payable annually to B, and no one has the power to appoint or distribute Trust P principal to any person other than B. A's sibling, C, who is less than 10 years younger than A (and thus is an eligible designated beneficiary) and is younger than B, is the sole residual beneficiary of Trust P. Also, under the terms of Trust P, if C predeceases B, then, upon B's death, all Trust P principal is distributed to Charity Z (an organization exempt from tax under [section 501\(c\)\(3\)](#)). No other person has a beneficial interest in Trust P. Under the terms of Trust P, B has the power, exercisable annually, to compel the trustee to withdraw from A's account balance in Plan X an amount equal to the income earned during the calendar year on the assets held in A's account in Plan X and to distribute that amount through Trust P to B. Plan X includes no prohibition on withdrawal from A's account of amounts in excess of the annual required minimum distributions under [section 401\(a\)\(9\)](#). In accordance with the terms of Plan X, the trustee of Trust P elects to take annual life expectancy payments pursuant to [section 401\(a\)\(9\)\(B\)\(iii\)](#). If B exercises the withdrawal power, the trustee must withdraw from A's account under Plan X the greater of the amount of income earned in the account during the calendar year or the required minimum distribution. However, under the terms of Trust P, and applicable State law, only the portion of the Plan X distribution received by the trustee equal to the income earned by A's account in Plan X is required to be distributed to B (along with any other trust income).
- (C) *Analysis.* Because Trust P does not require that distributions from A's account in Plan X to Trust P, upon receipt by the trustee, be paid directly to (or for the benefit of) B, Trust P is not a conduit trust and accordingly is an accumulation trust (as described in paragraph (f)(1)(ii)(B) of this section). Pursuant to paragraph (f)(3)(i)(B) of this section, C, as the residual beneficiary of Trust P, is treated as a beneficiary designated under Plan X (even though access to those amounts is delayed until after B's death). Pursuant to paragraph (f)(2)(iii)(A) of this section, because Charity Z's entitlement to amounts in the trust is based on the death of a beneficiary described in paragraph (f)(3)(i)(B) of this section who is not also described in paragraph (f)(3)(i)(A) of this section, Charity Z is disregarded as a beneficiary of A. Under [§1.401\(a\)\(9\)-5\(f\)\(1\)](#), the designated beneficiary used to determine the applicable denominator is the oldest of the designated beneficiaries of Trust P's interest in Plan X. B is the oldest of the beneficiaries of Trust P's interest in Plan X (including residual beneficiaries). Thus, the applicable denominator for purposes of [section 401\(a\)\(9\)\(B\)\(iii\)](#) is B's life expectancy. Because C is a beneficiary of A's account in Plan X in addition to B, B is not the sole

beneficiary of A's account and the special rule in [section 401\(a\)\(9\)\(B\)\(iv\)](#) and [§1.401\(a\)\(9\)-3\(d\)](#) [dealing with further deferrals available to a surviving spouse] is not available. Accordingly, the annual required minimum distributions from the account to Trust P must begin no later than the end of the calendar year following the calendar year of A's death.

(c) (iii) Example 3—

- (A) *Facts*. The facts are the same as in ...*Example 2*, except that C is more than 10 years younger than A, meaning that at least one of the beneficiaries of Trust P's interest in Plan X is not an eligible designated beneficiary.
- (B) *Analysis*. Pursuant to paragraph (e)(2)(i) of this section, A is treated as not having an eligible designated beneficiary. Pursuant to [§1.401\(a\)\(9\)-3\(c\)\(5\)](#), the trustee of Trust P is not permitted to make an election to take annual life expectancy distributions and the 10-year rule of [§1.401\(a\)\(9\)-3\(c\)\(3\)](#) applies.

(d) (iv) Example 4—

- (A) *Facts related to plan and beneficiary*. Employer N maintains a defined contribution plan, Plan Y. Employee F died in 2025 at the age of 60. F named a testamentary trust (Trust Q), which was established under F's will, as the beneficiary of all amounts payable from F's account in Plan X after F's death. Trust Q satisfies the see-through trust requirements of paragraph (f)(2) [Section 1.401(a)(9)-4(f)(2) dealing with the requirements for the trust to be valid under the state law, being irrevocable, all beneficiaries of which are identifiable and the documents were provided to the plan administration by the due date], of this section.
- (B) *Facts related to trust*. Under the terms of Trust Q, all trust income is payable to F's surviving spouse G for life, no person has the power to appoint or distribute Trust Q principal to any person other than G, and G has a testamentary power of appointment to name the beneficiaries of the remainder in Trust Q. The power of appointment provides that, if G does not exercise the power, then upon G's death, F's descendants, per stirpes, are entitled to the remainder interest in Trust Q. As of the date of F's death, F has two children, K and L, neither of whom is disabled, chronically ill, or under age 21. Before September 30 of the calendar year following the calendar year in which F died, G irrevocably restricts G's power of appointment so that G may exercise the power to appoint the remainder beneficiaries of Trust Q only in favor of G's siblings (who all are less than 10 years younger than F and thus, are eligible designated beneficiaries).

- (C) *Analysis*. Pursuant to paragraph (f)(5)(ii)(A) of this section, because G timely restricted the power of appointment so that G may exercise the power to appoint the residual interest in Trust Q only in favor of G's siblings, the designated beneficiaries are G and G's siblings. Because all of the designated beneficiaries are eligible designated beneficiaries, annual life expectancy payments are permitted under section 401(a)(9)(B)(iii). Note, however, that because §1.401(a)(9)-5(e)(3) applies, a distribution of the remaining interest is required by no later than 10 years after the calendar year in which the oldest of G and G's siblings dies.

(e) (v) Example 5—

- (A) *Facts*. The facts are the same as in ...*Example 4*, except that G does not restrict the power by September 30 of the calendar year following the calendar year of F's death.
- (B) *Analysis*. Pursuant to paragraph (f)(5)(ii)(A) of this section, G, K, and L are treated as F's beneficiaries. Pursuant to §1.401(a)(9)-3(c)(5), because K and L are not eligible designated beneficiaries, the trustee of Trust Q is not permitted to make an election to take annual life expectancy distributions, and the 10-year rule of §1.401(a)(9)-3(c)(3) applies.

5. §1.408-8 – Distribution Requirements For Individual Retirement Plans - Allocation rule for partial distributions in year of death (See Treas. Reg. 1.408-8((e)(4)(iii) Examples).

- (a) *Example*. Assume IRA owner X died on December 31, 2024, at the age of 75. At the time of X's death, X owned two separate IRAs, IRA Y and IRA Z, neither of which is a Roth IRA. The balance of IRA Y as of December 31, 2023, was \$100,000 and the balance of IRA Z as of December 31, 2023, was \$50,000. X died after X's required beginning date and under the rules of paragraph (e)(1) of this section, the total of the 2024 required minimum distributions for IRA Y and IRA Z is \$6,097.56 (\$150,000/24.6). X designated A as his beneficiary under IRA Y and B as his beneficiary under IRA Z. Prior to X's death, X had taken a \$3,000 distribution from IRA Z in 2024. Under the rules of paragraph (e)(4)(i) of this section, the remaining portion of the 2024 required minimum distribution (\$3,097.56) is allocated two-thirds to IRA Y and one-third to IRA Z. Thus, in the calendar year of X's death A is required to take a required minimum distribution of \$2,065.04 from IRA Y and B is required to take a required minimum distribution of \$1,032.52 from IRA Z.

6. Hypothetical Scenario - Blended Family with Grown-Up Children, some of who are disabled.
- (i) A married couple has 1 disabled child from the current marriage, age 18. The husband has 1 more child from the prior marriage at the age 30. The husband is 9 years older than his current wife (H is 58 and W is 49). Husband owns \$6 mil of liquid assets (brokerage account), \$1,5 mil in 401(k), \$500k in the traditional IRA, and \$300k in Roth IRA. Husband wants to leave the assets for his W upon his passing, then upon second to die in equal shares to the children, in trust.
  - (ii) In general, H's Will will provide for the trust for the benefit of the spouse with discretionary distributions for her health, support, maintenance and education. Upon the spouse's death, the assets will be distributed to 2 separate trusts (one for each of the children). The trust is named as the beneficiary under 401(k), IRA and Roth IRA, with 2 trusts as equal contingent beneficiaries.
  - (iii) Since the spousal trust is an accumulation trust, the spouse (although the primary beneficiary) is not the sole countable beneficiary for RMD purposes. Both children (as beneficiaries of the residuary trusts) are also countable beneficiaries.
    - a. If H dies BEFORE RBD, the retirement accounts will be paid over 10 years with RMD based on the spousal life expectancy (as the oldest accountable beneficiary).
    - b. If H dies AFTER RBD, the RMD are paid over the longer either H's remaining life expectancy or 10 years. After the spouse passes away, any remaining years within 10 year period or H's unused life expectancy (as applicable) will be used by the children's trusts to withdraw the retirement plans.