

# IRAs & Roth IRAs

## Inherited IRAs

Sample

Questions & Answers

## Purpose

The purpose of this brochure is to provide a person who is a beneficiary of a traditional IRA (including SEPs and SIMPLEs) or Roth IRA with a basic understanding of the federal tax rules which govern an inherited IRA. A beneficiary has certain rights and duties.

An IRA beneficiary who inherits the IRA of a deceased IRA accountholder is required by law to commence withdrawing such IRA funds within certain time deadlines. What options, if any, a beneficiary has depends upon the type of IRA, whether the accountholder died before or on/after his or her required beginning date (RBD), and whether or not his or her spouse was the sole beneficiary.

## When an IRA accountholder dies, who inherits these funds?

The beneficiary of the IRA, as named by the accountholder on the IRA plan application document or most recent IRA beneficiary document, inherits the IRA funds. If no beneficiaries are named, applicable state law governs, usually naming the estate of the IRA accountholder as the beneficiary.

## Can the now-deceased accountholder dictate how the money is to be distributed after his or her death?

Yes! If the distribution instructions are in writing and call for an amount to be distributed, (not less than the amount required by the federal tax laws), the deceased accountholder has the right to dictate the manner of distributions. Most accountholders allow the beneficiary to decide when he or she will take distributions.

## Do the federal income tax laws mandate that I, as an IRA beneficiary, must be distributed funds from the decedent's IRA?

Yes. If certain minimum amounts are not distributed to you, then you will owe a 50% excise tax. This tax amount is calculated as follows: 50% times the amount required to be withdrawn but which was not withdrawn. This is determined annually.

## As a beneficiary, may I transfer my inherited IRA funds to a different IRA custodian/trustee?

Yes. If certain information is furnished and acknowledged by both IRA custodians, then you should be able to transfer the IRA you have inherited to a different IRA custodian.