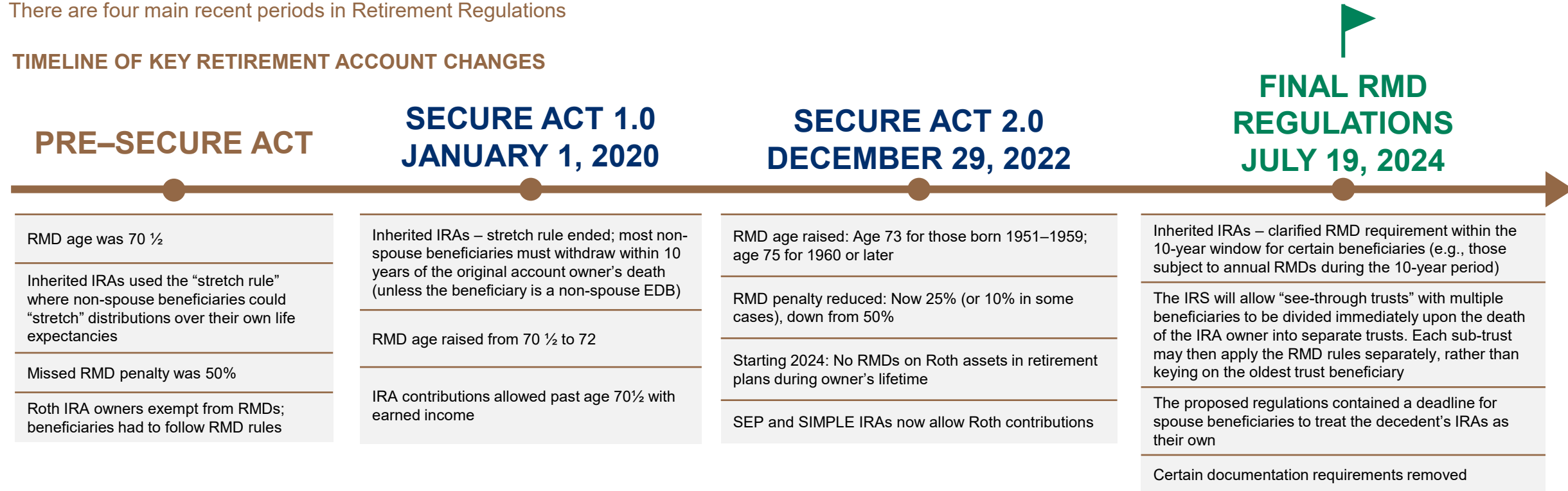


# Evolution of Retirement Legislation: Key Milestones

There are four main recent periods in Retirement Regulations

## TIMELINE OF KEY RETIREMENT ACCOUNT CHANGES



# Common Retirement Planning Terms

## Required Minimum Distribution

*Mandatory withdrawals that must be taken from certain retirement accounts, such as IRAs and 401(k)s, starting at a specific age determined by the IRS.*

## Designated Beneficiary

*An individual named to inherit the IRA. Most designated beneficiaries—like adult children or grandchildren who aren't eligible designated beneficiaries—must withdraw the entire inherited IRA within 10 years of the account owner's death.*

## Non-Designated Beneficiary

*Non-individual beneficiaries—like the account owner's estate or certain non-qualifying trusts—typically must have the IRA distributed within five years, unless the owner had started RMDs, in which case distributions follow the owner's remaining life expectancy.*

## Eligible Designated Beneficiary

*Certain beneficiaries who fall into one of the following categories:*

- *The decedent's spouse*
- *The decedent's minor children*
- *Individuals who are chronically ill or disabled*
- *Those who are no more than 10 years younger than the original account owner.*

## Distribution Beginning Date

*The deadline for starting required minimum distributions (RMDs)—usually April 1 of the year after reaching your RMD age, which depends on your birth year.*

## Stretch IRA

*Allows certain beneficiaries to extend inherited IRA distributions over their own life expectancy for continued tax deferral—generally available only to eligible designated beneficiaries.*

## 10-year Rule

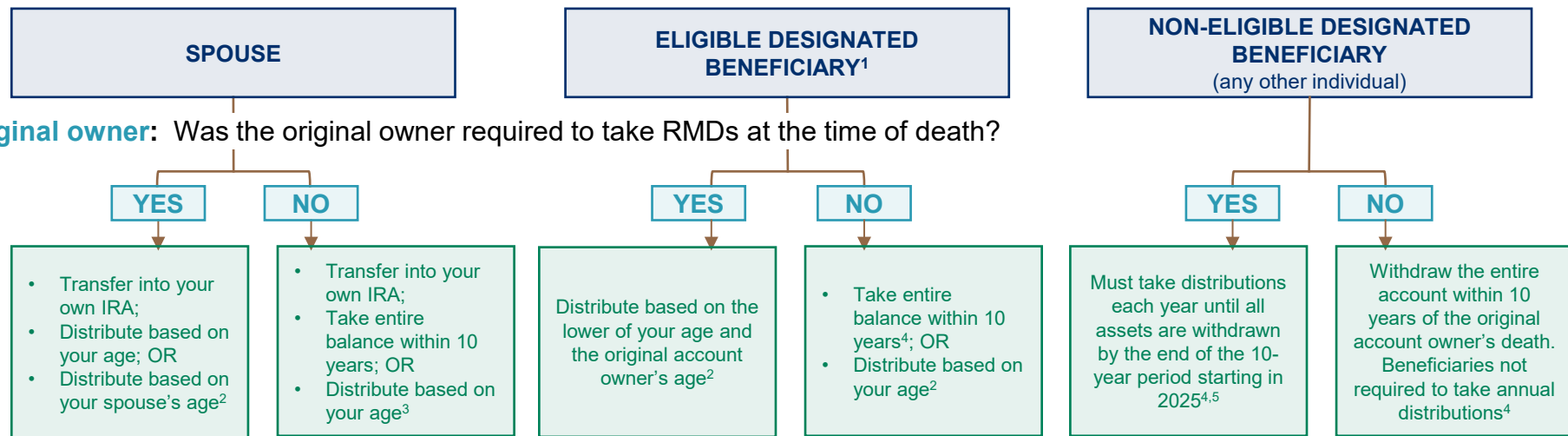
*Under the SECURE Act, most non-spousal designated beneficiaries must withdraw the entire inherited IRA within 10 years of the account owner's death, limiting the ability to stretch distributions and defer taxes.*

# Inherited IRA Decision Tree

Use the right accounts in the right order

Inherited IRA RMD rules are complicated. Make sure to consult your tax, legal and accounting advisors before acting. The rules below apply only to beneficiaries of IRAs inherited from an **original owner who died after 12/31/2019**:

**1 Relationship:** What is the relationship of the beneficiary to the individual who died?



All beneficiaries have the option to take more than the required distribution, including as a lump sum. Distributions from pre-tax accounts are taxable as ordinary income, not subject to the 3.8% Medicare tax, and can be withdrawn at any time. For inherited Roth IRAs, distributions will generally not be subject to tax if the initial owner or beneficiary has held the IRA for at least five years. All life expectancies are to be calculated at year-end in the year following the original account owner's death. The final RMD for the original account owner must be taken by Dec. 31 of the year of death if the account owner did not already take it, as if the owner lived for the entire year.

- The decedent's minor children, someone who is chronically ill or disabled, or a person who is not more than 10 years younger than the decedent.
- Generally, if using original owner's or non-spouse eligible designated beneficiary's life expectancy for calculations, reduce life expectancy denominator in calculations by one for each subsequent year. Use IRS Pub. 590-B Table 1 for initial life expectancy calculation.
- Distributions do not have to begin until original account owner would have begun taking RMDs.
- Generally, the plan must be fully distributed by Dec. 31 of the year containing the 10<sup>th</sup> anniversary of the original account owner's death.
- Final Treasury Regulations issued in July 2024 confirm that these non-EDBs will be required to take annual distributions each year over a 10-year period, effective January 1, 2025. The first required distribution is determined by the beneficiary's life expectancy factor in the year following the calendar year of the original owner's death, according to the IRS' Single Life Expectancy Table. Reduce life expectancy denominator in calculations by one for each subsequent year. Earlier IRS guidance waived penalties for non-EDBs that are subject to this rule and failed to take RMDs from 2021 through 2024. This guidance does not require impacted non-EDBs to make up missed RMDs, nor does it permit them to extend the 10-year deadline by which a full distribution of the account is required. This summary does not cover defined benefit plans or annuities. This assumes an individual beneficiary is the sole beneficiary. Different rules apply to situations where there are multiple beneficiaries and the original account is not split into separate inherited accounts by 9/30 of the year following the year of death.

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1

**SCENARIO:** Karen Filippelli inherited a Traditional IRA from her grandmother, who passed away in July 2025 at age 80 and had not yet taken her required minimum distribution (RMD) for the year.

### What must Karen do regarding her grandmother's 2025 RMD?

- A. If not taken prior to death, 2025 RMDs are waived and not required for the year of death.
- B. Karen must take the 2025 RMD on behalf of her grandmother by December 31, 2025.
- C. Karen must take the 2025 RMD on behalf of her grandmother by December 31, 2026.
- D. Karen is required to take a 2025 RMD for her inherited IRA based on her life expectancy.

1

**SCENARIO:** Karen Filippelli inherited a Traditional IRA from her grandmother, who passed away in July 2025 at age 80 and had not yet taken her required minimum distribution (RMD) for the year.

### **If Karen's grandmother died in 2019, what would have been different about the answer?**

- A. Nothing.
- B. Prior to the SECURE Act, year-of-death RMDs were required to be taken by the beneficiaries.
- C. Karen must take the 2019 RMD on behalf of her grandmother by December 31, 2019. If that's not possible, Karen will need to pay the penalty or request a waiver of the penalty when filing.
- D. The RMD must be withdrawn by December 31, 2021 (because RMDs for 2020 were waived for 2020 due to COVID-19)

**2 SCENARIO:** After an unfortunate head injury, Stanley Hudson decided to update his estate plan and listed his revocable trust as the beneficiary of his Traditional IRA. The trust names numerous beneficiaries, including his children, nieces, and nephews. Upon Stanley's death, the Trust is designed to divide into sub-trusts upon the youngest beneficiary attaining age 18.

**Assuming each sub-trust qualifies as a see-through-trust, can each sub-trust beneficiary follow their own distribution schedule based on their age and beneficiary category?**

- A. Yes, if each sub-trust qualifies as a see-through-trust, each trust's distribution schedule may be based on the age and category of the beneficiary.
- B. No, all trust beneficiaries must follow the same distribution schedule based on the age and life expectancy of the oldest beneficiary.
- C. The children may follow their own schedule, but the nieces and nephews must follow a different schedule.
- D. The distribution schedule is determined by the IRA custodian, not the trust or beneficiaries.

**2 SCENARIO:** After an unfortunate head injury, Stanley Hudson decided to update his estate plan and listed his revocable trust as the beneficiary of his Traditional IRA. The trust names numerous beneficiaries, including his children, nieces, and nephews. Upon Stanley's death, the Trust is designed to divide into sub-trusts upon the youngest beneficiary attaining age 18.

**If the trust directs that the trust is to immediately divide into separate sub-trusts for each beneficiary, can each sub-trust beneficiary follow their own distribution schedule based on their age and beneficiary category?**

- A. Yes, if the sub-trust qualifies as a see-through-trust, each trust's distribution schedule may be based on the age and category of the beneficiary.
- B. No, all trust beneficiaries must follow the same distribution schedule based on the age and life expectancy of the oldest beneficiary.
- C. The children may follow their own schedule, but the nieces and nephews must follow a different schedule.
- D. The distribution schedule is determined by the IRA custodian, not the trust or beneficiaries.

**3 SCENARIO:** Your client, Toby Flenderson, amassed a large 401(k) during his time as the Human Resources Representative at Dunder Mifflin. He has since left the company and rolled his 401(k) into an IRA managed by J.P. Morgan. Toby is divorced and has a six-year-old daughter, Sasha. Toby wants to name Sasha as the beneficiary of his IRA, but she is a minor.

### Can Toby name his minor child as the beneficiary of his IRA?

- A. Yes, Toby can name his minor child as the beneficiary of his IRA, but a guardian or custodian may need to be appointed to manage the inherited IRA until Sasha reach the age of majority.
- B. No, minors cannot be named as beneficiaries of IRAs under any circumstances.
- C. Yes, but only if the IRA is converted to a custodian account before Toby's death.
- D. No, Toby must name an adult beneficiary or a trust for the benefit of Sasha.

**3 SCENARIO:** Your client, Toby Flenderson, amassed a large 401(k) during his time as the Human Resources Representative at Dunder Mifflin. He has since left the company and rolled his 401(k) into an IRA managed by J.P. Morgan. Toby is divorced and has a six-year-old daughter, Sasha. Toby wants to name Sasha as the beneficiary of his IRA, but she is a minor.

**Assuming Toby dies at age 50 and named Sasha directly as the IRA beneficiary, what options will Sasha have for taking distributions?**

- A. Sasha must withdraw the entire account balance by the end of the year containing the 10-year anniversary of Toby's death.
- B. Sasha can defer all distributions until she is 21. In the year she turns 21 she will begin to take RMDs based on her life expectancy and withdraw the entire account balance in the year containing the 10-year anniversary of her 21st birthday.
- C. Sasha can defer withdrawing the entire account balance until the year containing the 10-year anniversary of her 21st birthday, however, she must take RMDs based on her life expectancy each year.
- D. Sasha can defer withdrawing the entire account balance until the year containing the 10-year anniversary of her 21st birthday, however, she must take RMDs based on her life expectancy in the years prior to attaining age 21, but doesn't have to take RMDs for the next 10 years.

4

**SCENARIO:** Your client, Meredith Palmer, recently passed away at the age of 72. She was not married and had two adult children, Jake and Wendy, whom she named as equal beneficiaries of her IRA. Meredith had not yet taken any distributions for the year of her death. Jake, who is over age 21 and is not disabled, calls to ask whether he is required to take a distribution from his inherited IRA, and what the ongoing requirements are.

### What do you tell Jake regarding distributions from his inherited IRA?

- A. Jake must take the year-of-death RMD for Meredith, and then he must fully withdraw the inherited IRA within 10 years; annual RMDs are not required during the 10-year period.
- B. Jake does not need to take the year-of-death RMD for Meredith, but then he must take annual RMDs based on his own life expectancy and can annuitize the account over his lifetime.
- C. Jake must take the year-of-death RMD for Meredith, and then he must take annual RMDs based on his own life expectancy and also must fully withdraw the account no later than the year containing the 10-year anniversary of Meredith's death.
- D. Jake is not required to take a year-of-death RMD or any distributions prior to the end of the year containing the 10-year anniversary of Meredith's death.

4

**SCENARIO:** Your client, Meredith Palmer, recently passed away at the age of 72. She was not married and had two adult children, Jake and Wendy, whom she named as equal beneficiaries of her IRA. Meredith had not yet taken any distributions for the year of her death. Jake, who is over age 21 and is not disabled, calls to ask whether he is required to take a distribution from his inherited IRA, and what the ongoing requirements are.

### What would be the requirement if Meredith was 74 when she died?

- A. Jake must take the year-of-death RMD for Meredith, and then he must fully withdraw the inherited IRA within 10 years; annual RMDs are not required during the 10-year period.
- B. Jake does not need to take the year-of-death RMD for Meredith, but then he must take annual RMDs based on his own life expectancy and can annuitize the account over his lifetime.
- C. Jake must take the year-of-death RMD for Meredith, and then he must take annual RMDs based on his own life expectancy and also must fully withdraw the account prior to the end of the year containing the 10-year anniversary of Meredith's death.
- D. Jake is not required to take a year-of-death RMD or any distributions prior to the end of the year containing the 10-year anniversary of Meredith's death.

**5 SCENARIO: David Wallace wants to leave his Traditional IRA to his sons but is concerned about their spending habits. His living trust provides some protection for how the beneficiaries would be able to access those IRA dollars. David is considering naming his revocable trust as the beneficiary of his IRA. He wants to ensure the trust will be eligible to absorb IRA assets and allow for favorable distribution treatment.**

**Is David able to name his revocable trust as the beneficiary of his IRA, and what requirements must be met for the trust to receive favorable distribution treatment?**

- A. Yes, David can name his revocable trust as the beneficiary of his IRA, but for favorable distribution treatment, the trust must qualify as a “see-through” trust.
- B. No, only individuals can be named as beneficiaries of an IRA.
- C. Yes, any trust can be named as beneficiary and will automatically receive the favorable distribution treatment.
- D. No, naming a trust as beneficiary will result in immediate taxation of the IRA assets.

**5 SCENARIO: David Wallace wants to leave his Traditional IRA to his sons but is concerned about their spending habits. His living trust provides some protection for how the beneficiaries would be able to access those IRA dollars. David is considering naming his revocable trust as the beneficiary of his IRA. He wants to ensure the trust will be eligible to absorb IRA assets and allow for favorable distribution treatment.**

**If David names his trust as beneficiary, but the trust includes a \$500,000 bequest to his church, how might this impact things?**

- A. The trust cannot qualify as a see-through trust because there is a beneficiary that is not an individual.
- B. The trust cannot qualify as a see through trust, but can still defer distributions for 10 years.
- C. The trust can qualify as a see-through trust if the church is paid before September 30 of the year following David's death.
- D. The Trust can qualify as a see-through trust as long as none of the IRA distributions are used to pay the bequest to the church.