

## IRA/401k Mistakes That Cannot Be Fixed

Using Ed Slott documents Hans and Tom discuss IRA's in the video titled "IRA/401k Mistakes That Cannot Be Fixed"

**IRA/401K MISTAKES THAT CANNOT BE FIXED**

**S.S.**

**1.) NON-SPOUSE BENEFICIARY ROLLOVERS**

- ONLY A SPOUSE CAN USE A 60 DAY ROLLOVER
- NON-SPOUSE BENEFICIARIES ONLY MOVE INHERITED DOLLARS BY DIRECT TRANSFER
- ONCE INHERITED \$\$ IN BENEFICIARIES HANDS, TAXES ARE DUE

**2.) SPOUSAL ROLLOVER**

- SPOUSE BENEFICIARIES ARE THE ONLY BENEFICIARIES THAT CAN ROLLOVER INTO THEIR OWN IRA
- ONCE COMPLETED, IT CANNOT BE UNWOUND
- ROLLOVER IS BIG CONSIDERATION IF UNDER 59 1/2

**3.) EXCEEDING THE ONE-ROLLOVER-PER-YEAR-RULE**

- IRA OWNER ALLOWED TO ROLLOVER 1 DISTRIBUTION RECEIVED WITHIN A 12 MONTH PERIOD - MUST ROLLOVER DISTRIBUTION WITHIN 60 DAYS
- 2<sup>ND</sup> 60 DAY ROLLOVER IS AN EXCESS CONTRAIBUTION AND MUST BE WITHDRAWN AND TAXES PAID
- ONE - ROLLOVER - PER - YEAR RULE APPLIES TO SPOUSES

**\*\* USE CUSTODIAN TO CUSTODIAN DIRECT TRANSFERS**

**MED**

**LTC**

**IRA/401K**

**INCOME**

**ESTATE**

**TAXES**

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# FATAL ERROR: MISTAKES THAT CANNOT BE FIXED – PART 1

*Monday, March 02, 2026*

**By Andy Ives, CFP®, AIF®**

**IRA Analyst**

When a transactional mistake is made with retirement plan or IRA assets, there is oftentimes a mechanism to correct the error. For example, if too much money is contributed to an IRA, a person can leverage the excess contribution withdrawal rules to remove the excess without penalty (assuming the excess is withdrawn prior to the October 15 correction deadline). In another example, if an IRA owner failed to take his required minimum distribution (RMD), there are procedures in place whereby the person can take the missed RMD and formally request a waiver of the missed RMD penalty from the IRS.

On the other hand, some transactional mistakes have no corrective steps. Once the deed is done, there is no going back. Such missteps can create massive tax bills and result in unintended penalties. Many of these “fatal errors” involve rollovers. Here are a few:

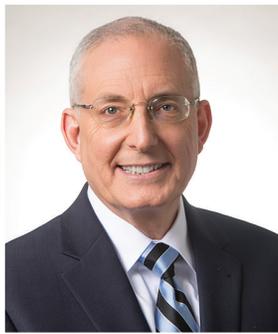
**Non-Spouse Beneficiary Rollovers.** Only a spouse beneficiary can move inherited plan or IRA dollars between custodians via 60-day rollover. Non-spouse beneficiaries can only move inherited dollars via direct transfer. If pre-tax inherited IRA or plan funds are distributed and payable to a non-spouse beneficiary, those dollars are taxable. End of story. If the recipient tries to roll over the funds, the doors at all potential receiving institutions will be closed. There is no transaction a non-spouse beneficiary can do to reverse what has been done. Any taxes due will be due. As such, it is imperative that non-spouse beneficiaries understand the rollover rules and limitations when attempting to move inherited plan or IRA funds. Failure to do so could result in

a significant tax bill and eliminate any ability to spread taxable distributions over a multi-year period.

**Spousal Rollover.** Spouse beneficiaries are the only beneficiaries that can move inherited dollars into their own account. This is called a “spousal rollover.” However, once this common transaction is completed, it cannot be unwound. If a surviving spouse under age 59½ does a spousal rollover, the inherited assets will follow all the normal rules applicable to a person’s own IRA – including the early distribution rules. If the young surviving spouse then takes a withdrawal from the account, a 10% early distribution penalty will apply (unless an exception exists). If a young spouse knows that she will need access to the funds, a better choice is to delay the spousal rollover for now and maintain an inherited IRA. Any withdrawals from the inherited IRA will be penalty-free, and she can always do a spousal rollover later, after she turns age 59½.

**Exceeding the One-Rollover-Per-Year Rule.** An IRA owner is only allowed to roll over one distribution received within any 12-month period (for IRA-to-IRA or Roth-IRA-to-Roth-IRA rollovers). If more than one rollover is done, that mistake cannot be fixed. The illegal rollover is deemed to be an excess contribution in the receiving IRA and must be removed. Any pre-tax dollars included in the failed rollover will be taxable. Note that the one-rollover-per-year rule also applies to spousal rollovers if done via 60-day rollover. To sidestep the one-rollover-per-year rule, do direct transfers.

In Part 2 (to be published on March 11), we will discuss more fatal errors that cannot be fixed.



# ED SLOTT'S IRA ADVISOR

March 2026

Tax & Estate Planning for Your Retirement Savings

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## YES, Inherited Roth IRAs Have RMDs, But...

Yes, required minimum distributions (RMDs) do apply to inherited Roth IRAs. However, it is important to recognize that there are several variables in play and context is needed. Simply stating that "RMDs apply" does not explain how the payout rules work for inherited Roth IRAs. A more precise question would be: "*Do annual RMDs apply to inherited Roth IRAs?*" The answer is: "It depends on who the beneficiary is."

### Lifetime RMD Rules: Traditional IRA vs. Roth IRA

Understanding the Roth IRA rules while the account owner is still alive is the first step in explaining how RMDs work after the owner dies. We know that owners of traditional IRAs must start taking RMDs when they reach their required beginning date (RBD). That date is April 1 of the year after a person turns age 73. However, Roth IRA owners are never required to take lifetime RMDs from their Roth IRA.

**Example 1:** Jim is 75 years old. He has a traditional IRA and a Roth IRA. Jim started taking RMDs from his traditional IRA in the year he turned age 73, and he will continue to do so for the rest of his life. However, during his lifetime, Jim does not need to take RMDs from his Roth IRA. Even if Jim lives for another three decades, his Roth IRA can remain totally untouched and can grow tax-free.

### After Death: NEDBs and the 10-Year Rule

As dictated by the SECURE Act, when death occurs in 2020 or later, non-eligible designated beneficiaries (NEDBs) must abide by the 10-year payout rule. The entire inherited IRA account must be depleted by the end of the tenth year after the year of death. Additionally, if the original IRA owner died on or after his RBD (meaning he was taking lifetime RMDs), then RMDs would also apply to the beneficiary in years 1 - 9 of the 10-year rule. However, if the original IRA owner died before the RBD, the NEDB would not be required to take RMDs within the 10-year payout period.

As mentioned, lifetime RMDs do not apply to Roth IRAs. Therefore, all Roth IRA owners are deemed to die before the RBD. Such is the case even if a Roth IRA owner died at age 100. Accordingly, annual RMDs do not apply during the 10-year payout rule when a Roth IRA is inherited by an NEDB. This allows the inherited Roth IRA to continue to accumulate tax-free for the full 10-year term before the account must be emptied.

**Example 2:** Sebrina, age 80, has a Roth IRA which she opened 15 years ago. Sebrina named her adult son Kevin as her IRA beneficiary. Kevin is an NEDB. Sebrina dies in 2026 and Kevin opens an inherited Roth IRA.

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## Executive Summary

### YES, Inherited Roth IRAs Have RMDs, But...

- RMDs apply to inherited Roth IRAs, but it is important to recognize that there are several variables in play and context is needed.
- Since all Roth IRA owners are deemed to die before the RBD, annual RMDs do not apply during the 10-year payout rule when a Roth IRA is inherited by an NEDB.
- When an EDB inherits a traditional or Roth IRA, the EDB is permitted to use his own single life expectancy to leverage the full lifetime stretch on the inherited account.
- When an EDB inherits a Roth IRA, he has a choice. He can elect the 10-year rule with no annual RMDs, or he could elect the full stretch, i.e., annual RMDs over his single life expectancy.
- Successor beneficiaries (the beneficiary of a beneficiary) do not get to use any of their own personal information or status to dictate the payout structure of an inherited IRA.

### Linked: How Your Spouse Can Impact Your IRA

- An individual's ability to make traditional IRA contributions and deduct them, as well as eligibility to make Roth IRA contributions, are ALL impacted by the spouse's status.
- For married individuals filing jointly who are active participants, the ability to deduct a traditional IRA contribution for 2026 phases out when MAGI is between \$129,000 - \$149,000.
- Roth IRA contributions are never deductible, but they are subject to income limits. For 2026, the phase out range for married couples filing jointly occurs when MAGI is between \$242,000 - \$252,000.
- Spouses are considered separately under the rules when it comes to making a QCD. This allows both spouses to make the maximum QCD for the year.
- If a Roth IRA spouse beneficiary elects to do a spousal rollover, a spouse beneficiary can use either her deceased spouse's 5-year clock or her own existing 5-year clock for tax-free distributions of earnings.

### QCD Timing Pitfalls: RMD Coordination, Uncashed Checks, and Year-End Risks

- Code Y reflects how the payer is reporting a QCD; it does not, by itself, determine whether the distribution actually qualifies as a QCD under §408(d)(8).
- If the custodian issues the check payable to the charity in, say, December 2025, the distribution is generally treated as occurring in 2025, even if the charity deposits the check in January 2026.
- With checkbook IRAs, timing can differ. If the IRA owner writes a check in, say, December 2025 but the funds do not leave the IRA until January 2026 (i.e., the charity does not cash the check until then), the IRA is not debited until 2026. The distribution therefore occurs in 2026 and would be treated as a 2026 QCD if all other QCD requirements are satisfied.
- A QCD counts toward satisfying an RMD only if it is taken before the RMD is otherwise satisfied.

As an NEDB, Kevin is subject to the 10-year rule, which starts in 2027 (the year after the year of Sebrina's death). Since all Roth IRA owners are deemed to die before their RBD, Kevin does not have to take annual RMDs from the inherited Roth IRA in years 1 - 9. The only requirement is that he must empty the account by the end of 2036.

To summarize, when an NEDB inherits a Roth IRA, the 10-year rule applies. There are no annual RMDs during this 10-year period.

The only stipulation is that the entire account must be emptied by the end of year 10. Technically, this final payment is considered an RMD. This is the necessary clarification and context. When people hear "RMD," most think "annual distribution." Such is not always the case. The bottom line for NEDB Roth IRA beneficiaries is that annual RMDs do not apply to inherited Roth IRAs within the 10-year period, but the final payment at the end of the tenth year is considered an RMD.

### After Death: EDBs and the Stretch

When an eligible designated beneficiary (EDB) inherits a traditional or Roth IRA, the EDB is permitted to use his own single life expectancy to leverage the full lifetime stretch on the inherited account. (The EDB category includes surviving spouses; minor children of the account owner until age 21; disabled and chronically ill individuals; and individuals not more than 10 years younger than the IRA owner.)

The inherited Roth IRA cannot remain untouched in perpetuity. While an EDB can avoid the 10-year rule and stretch an inherited Roth IRA over his own single life expectancy, the tradeoff is that RMDs (even if non-taxable) must be taken annually by the EDB, starting in the year after the year of death.

**Example 3:** Rhonda dies at age 77. She named her brother Jack, age 69, and her granddaughter Lucy, age 40, as 50/50 Roth IRA beneficiaries. Jack qualifies as an EDB because he is not more than 10 years younger than Rhonda. EDB Jack elects the lifetime stretch on his portion of the inherited Roth IRA and takes annual RMDs over the next 18.8 years (based on his single life expectancy in the year after the year of Rhonda's death). Granddaughter Lucy is an NEDB and is bound by the 10-year rule. NEDB Lucy has no RMDs in years 1 - 9 of her 10-year period, but she must empty the inherited Roth IRA by the end of year 10. This final payment to Lucy is considered an RMD.

**Question:** *Do RMDs apply to both Jack and Lucy's inherited Roth IRA in Example 3?*

**Answer:** Yes, but clarification is needed. Jack's inherited Roth IRA was subject to annual RMDs. While Lucy did not have annual RMDs, technically, her inherited Roth IRA had one RMD payment — *the last payout at the end of her 10-year period.*

### EDBs Have a Choice

When a beneficiary qualifies as an EDB on an inherited Roth IRA, that EDB has a choice. He can elect the 10-year rule with no annual RMDs, or he could elect the full lifetime stretch, i.e., annual RMDs over his single life expectancy. (That election is also available to an EDB of a traditional IRA if the owner dies before his RBD.)

If an EDB (who is not a surviving spouse or minor child) chooses the full lifetime stretch, he uses his age in the year after the year of death to determine his initial RMD factor from the Single Life Expectancy Table. The factor is then divided into the prior year-end balance to determine the RMD. The initial factor is then reduced by 1.0 each year. This is the same way RMDs on inherited IRAs have been calculated for years. (Surviving spouses and minor children operate under different sets of rules, which are not covered here.)

**Example 4:** Cecile dies at age 84. She named her best friend Don (age 80) as the beneficiary on her Roth IRA. Don qualifies as an EDB because he is not more than 10 years younger than Cecile.

Since this is a Roth IRA, Cecile is deemed to have died before her RBD. As an EDB and with death before the RBD, Don has a choice. He can elect the 10-year rule with no annual RMDs, or he can choose the lifetime stretch. The factor from the Single Life Expectancy Table for an 81-year-old (Don's age in the year after the year of Cecile's death) is 10.5.

Don decides that being able to stretch the inherited Roth IRA over 11 years with annual RMDs is not as attractive as leaving the inherited Roth IRA untouched for 10 years. So, Don elects the 10-year rule with no annual RMDs. Don can still take distributions from the account during the 10-year period, but nothing is required to be taken until December 31 of year 10.

### Inherited Roth IRAs and Successor Beneficiaries

Successor beneficiaries (the beneficiary of a beneficiary) do not get to use any of their own personal information or status to dictate the payout structure of an inherited IRA. It does not matter who the successor beneficiary is or

what the successor's relationship to the first beneficiary is. It does not matter if the successor is a spouse, disabled or a minor child. The successor's status as either an EDB or an NEDB plays no role in determining the required payout of the inherited IRA. The successor simply "steps into the shoes" of the previous beneficiary and follows the exact same payout program that applied to the original Roth IRA beneficiary, with one exception (illustrated in Example 6).

**Successor beneficiaries (the beneficiary of a beneficiary) do not get to use any of their own personal information or status to dictate the payout structure of an inherited IRA.**

As mentioned, if the first beneficiary of a Roth IRA is an NEDB, then the 10-year rule applies. Since original Roth IRA owners are never subject to RMDs while alive, then there are no annual RMDs within the 10-year period. The account simply needs to be emptied by the end of the tenth year, starting in the year after the year of death. If the first beneficiary dies during that 10-year period, the successor beneficiary "steps into the shoes" of the first beneficiary and continues with the existing 10-year window with no annual RMDs. A successor does not get to add an additional 10 years.

**Example 5:** Grandfather Gary dies with a Roth IRA. The beneficiary of Grandfather Gary's Roth IRA is Adult Son Sam, who qualifies as an NEDB. Adult Son Sam gets the 10-year rule, and there are no annual RMDs within the 10-year period.

Sadly, Adult Son Sam dies 7 years later. The successor beneficiary for Adult Son Sam's inherited Roth IRA is Wife Wanda. It does not matter that Wife Wanda is

the spouse of the first beneficiary (Adult Son Sam). Wife Wanda is a successor beneficiary. Wife Wanda steps into the shoes of the first beneficiary and continues with the existing 10-year period. Wife Wanda must empty the inherited Roth IRA within 3 years.

We know that an EDB can leverage the stretch RMD rules on an inherited Roth IRA. The status of the original beneficiary (as an EDB) impacts the successor's payout.

**Example 6:** Grandma Gertie dies with a Roth IRA. The beneficiary of Grandma Gertie's Roth IRA is Daughter Debbie. Daughter Debbie is disabled, which qualifies her as an EDB. Accordingly, Daughter Debbie elects to stretch annual RMDs on the inherited

Roth IRA over her own single life expectancy.

Sadly, Daughter Debbie dies 12 years later. The successor beneficiary for Daughter Debbie's inherited Roth IRA is Husband Harold. It does not matter that Husband Harold is the spouse of the first beneficiary (Daughter Debbie). Husband Harold is a successor beneficiary. Husband Harold steps into the shoes of the first beneficiary. Husband Harold continues with Debbie's exact same RMD factor, minus 1.0 each year.

Additionally, Husband Harold must ALSO initiate a 10-year period.

Husband Harold will have annual RMDs in years 1 – 9 of the 10 years and must empty the inherited Roth IRA by the end of the 10<sup>th</sup> year after

the year of the first beneficiary's (Daughter Debbie's) death. (If Husband Harold dies within 10 years, the next beneficiary — *the successor of the successor* — would step into Harold's shoes and continue with the same RMD factor and whatever remains of the 10-year window.)

**Question:** *Do RMDs apply to inherited Roth IRAs?*

**Answer:** Yes, but clarification is required. If it is an NEDB, there are no annual RMDs in years 1 – 9 of the 10-year period, but the final payment in year 10 is an RMD. If the beneficiary is an EDB, that EDB can choose between annual stretch RMDs over his own single life expectancy, or the same 10-year rule applicable to NEDBs. ■

## Linked: How Your Spouse Can Impact Your IRA

The "I" in IRA stands for individual. An IRA belongs to one person, and, during that person's lifetime, there can be no joint ownership. Many times, retirement savers ask about setting up a joint IRA with a spouse, but that is not possible under the tax rules.

Given that the ban against joint IRA accounts is a hard-and-fast rule, it might be thought that spouses are always kept separate when it comes to their retirement accounts. A deeper dive into the rules, however, shows that it is not that simple. Sometimes, your spouse can affect your retirement account, for good or for bad.

**Sometimes, your spouse can affect your retirement account, for good or for bad.**

### IRA Contributions

Marriage has a significant impact on IRA contributions.

An individual's ability to make traditional IRA contributions and deduct them, as well as eligibility to make Roth IRA contributions, are **ALL** impacted by the spouse's status.

IRA and Roth IRA contributions are only permitted when a taxpayer has compensation. Special rules exist for spouses when it comes to compensation. A spouse with little or no compensation can make an IRA contribution based on his spouse's eligible earnings. If the higher-compensated spouse has enough eligible income, both spouses can make the maximum IRA contribution.

**Example 1:** Randy, age 57, has been unemployed in 2026; he has no compensation. He marries Rita. Rita, age 52, has \$75,000 in compensation from her job in 2026. Based on Rita's income, both Rita and Randy can contribute \$8,600 to their IRAs for 2026.

A person with taxable compensation can always

contribute to a traditional IRA, but a traditional IRA contribution is not always deductible. Active participation in a retirement plan at work impacts the ability to deduct a contribution when income is above certain levels.

For married persons filing jointly who are active participants, the ability to deduct a contribution for 2026 phases out when modified adjusted gross income (MAGI) is between \$129,000 - \$149,000. A spouse's participation in a plan at work can even render the other spouse, who does not participate in a plan at all, ineligible to deduct if income is too high. For 2026, the phase out range for the spouse who is not an active participant but is married to an active participant is between \$242,000 - \$252,000.

Roth IRA contributions are never deductible, but they are subject to income limits. For 2026, the phase out range for married filing jointly occurs when MAGI is between \$242,000 - \$252,000; for single filers, it is \$153,000 - \$168,000.

After getting married, some individuals may no longer qualify to make Roth IRA contributions. It also means that any contributions they might have already made for the year now become excess contributions.

**Example 2:** Kyle made his 2026 Roth IRA contribution when he was single. His 2026 MAGI is \$150,000. A month later, Kyle married his longtime girlfriend, Kim. Kim's 2026 MAGI is also \$150,000.

Together, filing jointly, they will have MAGI of \$300,000. Because their joint income exceeds the upper end of the 2026 phase-out range, Kyle's Roth IRA contribution is an excess contribution. He will have to correct it by the October 15, 2027, deadline, or he will be subject to a 6% penalty for every year it remains in his Roth IRA.

### Qualified Charitable Distributions

Spouses are considered separately under the rules when it comes to making a qualified charitable distribution (QCD). This allows both spouses to make the maximum QCD for the year. It also enables a married couple to make a deductible traditional IRA contribution after age 70½ and a QCD while sidestepping the messy formula that results in taxable QCDs for individuals who do both.

**Example 3:** Donna and Charlie are married. They both reached age 70½ in 2020. They decide that Charlie will make deductible IRA contributions and Donna will make QCDs in future years. By having one spouse make deductible contributions and the other do QCDs, they avoid the complication of "taxable QCDs."

There is a downside to the QCD limit being applied on an individual basis. Because there is no link between spouses, at a spouse's death, the amount that can be

done as a QCD for the year is cut in half.

### Spouses are considered separately under the rules when it comes to making a QCD.

**Example 4:** Janis and Eddie are married and both age 80. Each year they do the maximum QCDs annually from their IRAs. They do this late every year. Then, in 2026, Eddie dies before the QCDs are made. Janis inherited Eddie's IRA. She can only do a QCD of up to \$111,000 for 2026. As the beneficiary of Eddie's IRA, Janis can do a QCD from her own IRA or from the funds she has inherited from Eddie. However, she cannot do the full QCD amount from both.

### Required Minimum Distributions

For required minimum distributions (RMDs), the impact of a spouse is a mixed bag. For example, spouses are treated separately for RMD aggregation purposes. Spouses **cannot** combine RMDs with RMDs from the other spouse's IRAs.

Similarly, a spouse will have no impact on the other for purposes of the "first dollars out rule." The first dollars distributed from an IRA in a year when RMDs are due are considered the RMD. The [2024 final SECURE Act regulations](#) confirm that if a person has multiple IRAs, even if they are held at different custodians, the total aggregated IRA RMD must be withdrawn before any Roth IRA conversion can be completed. A spouse's IRAs have no effect.

**Example 5:** Ernesto, age 75, has three traditional IRAs. His wife, Alma, has two traditional IRAs. Ernesto is planning to convert one of his traditional IRAs to a Roth IRA in 2026. He will need to take the RMDs for each of his own three

IRAs prior to doing the conversion. However, Alma does not have to take her RMDs prior to Ernesto's conversion.

The one area where RMDs can be affected by a spouse is the calculation. Usually, an RMD is calculated using the IRS Uniform Lifetime Table. However, for those who are married to a spouse who is more than ten years younger and is the sole primary beneficiary of their IRA, there is a special rule. They calculate their RMD using the IRS Joint Life Expectancy Table instead.

*What is the benefit?* The RMD will be smaller. This can be an advantage for IRA owners who do not need the money and want to minimize taxable income.

**Example 6:** Bob, age 76, is married to Maria, age 60. Maria is his sole IRA beneficiary. Because Maria is more than 10 years younger than Bob and is his sole beneficiary, Bob uses the Joint Life Expectancy Table to determine the factor used to calculate his 2026 RMD. Bob's joint life factor is 28.2. Comparatively, the [Uniform Lifetime Table's](#) factor for age 76 is 23.7, which would result in a larger RMD.

### Distributions: Taxation and Penalties

A spouse will not impact the pro-rata taxation of a distribution from an IRA that contains basis. Instead, the taxation of the distribution is determined based solely on the individual's own accounts. If an IRA account includes basis (after-tax contributions), the owner is considered on her own for purposes of the pro-rata formula. Her spouse's retirement accounts have no impact. Similarly, the rules for taxation of Roth IRA distributions (5-year clock, etc.) are applied on an individual basis. They do not consider the spouse's Roth IRAs.

When it comes to the 10% early distribution penalty, things are not as straightforward. Some exceptions apply only when the funds are used for the IRA owner. Other exceptions allow IRA funds to be used for certain family members. For example, only the IRA owner's disability qualifies for the disability exception. A non-disabled spouse cannot qualify for the disability exception if he uses the funds from his own IRA to pay for his disabled spouse's expenses. In contrast, a penalty-free distribution can be taken for a spouse's higher education expenses, and a spouse's medical expenses are included when determining eligibility for the deductible medical expense exception to the 10% penalty.

### Inherited IRAs

Unless a spouse consents to another beneficiary, the spouse must be named as the beneficiary of an ERISA-covered retirement plan. The same is not always true for IRAs. ERISA spousal rules do not control IRAs, and the Tax Code does not require an IRA owner to name the spouse as beneficiary of an IRA. However, in community property states, state law may recognize a spouse as the beneficiary of an IRA. Accordingly, with such states, a spouse's written consent may be necessary to name a non-spouse beneficiary.

*IRS Publication 555 Community Property* lists these community property states: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin. In Alaska, a married couple can make a community property election.

Spouse beneficiaries have options that are not otherwise available to non-spouse IRA beneficiaries. In certain cases, the living spouse can remain linked to the deceased spouse. One such situation occurs when the account is kept as an inherited IRA, and the original IRA owner died before the required beginning date (RBD). For traditional IRAs, the RBD is April 1 of the year following the year the IRA owner reaches age 73 (age 75 for those born in 1960 or later). All Roth IRA owners are considered to have died before their RBD.

In this situation, the spouse beneficiary can delay RMDs until the deceased spouse would have reached age 73. Although the surviving spouse's RMD start date is based on the deceased IRA owner's age, the age for calculating the RMDs would still be the living spouse's age.

**Example 7:** Derek died in 2024 at age 50. His sole beneficiary was his spouse, Katie, age 54. Katie will not have to take RMDs on the inherited IRA until the year Derek would have reached age 75 (2049).

When Katie starts taking RMDs, she can use the Uniform Lifetime Table with her age (79).

**Spouse beneficiaries have options that are not otherwise available to non-spouse IRA beneficiaries.**

For Roth IRAs, there is another time where the living spouse remains linked to the deceased spouse after the account is inherited. If the spouse beneficiary elects to do a spousal rollover, the tax rules state that a spouse beneficiary can use either her deceased spouse's 5-year clock or her own existing 5-year clock for tax-free distributions of earnings. She can choose whichever one is more favorable.

**Example 8:** Gary died in 2025 at age 68. The beneficiary of his Roth IRA (established in 1998) was his wife, Jen, age 62. Jen did a spousal rollover of Gary's funds in to her own Roth IRA that she has had since 2023. Now, Jen can opt to use Gary's five-year clock instead of her shorter five-year clock. She can immediately take qualified distributions from her Roth IRA rather than waiting until 2028.

While IRAs cannot be held jointly, in many situations a dotted line links these individual accounts between spouses. ■

## QCD Timing Pitfalls: RMD Coordination, Uncashed Checks, and Year-End Risks

### Guest IRA Expert



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Qualified charitable distributions (QCDs) are one of the most powerful tax planning tools available to IRA owners age 70½ and older. But as with most powerful tools, they must be handled properly to obtain the intended benefits.

A recent discussion that I had within a group of IRA experts

raised several operational and technical issues that should not be ignored:

- *Does a QCD fail if the charity deposits the check in the following year?*
- *How much responsibility rests with the custodian versus the IRA owner?*

- *What happens when clients exceed the annual QCD limit across multiple IRAs?*
- *Why is timing critical when coordinating QCDs and RMDs?*
- *When should IRA owners avoid checkbook IRAs for QCDs?*

These questions should be part of every QCD discussion checklist.

## A 1099-R Does Not Determine QCD Status

Beginning in 2025, Code 'Y' may be entered in Box 7 of [Form 1099-R](#) to identify a distribution reported as a QCD. The IRS has stated that entering Code Y on a 2025 Form 1099-R is optional.

Code Y reflects how the payer is reporting the distribution; it does not, by itself, determine whether the distribution actually qualifies as a QCD under [§408\(d\)\(8\)](#).

Under §408(d)(8), a distribution qualifies as a QCD only if all statutory requirements are satisfied, including:

- The distribution is made to a qualifying charity.
- The IRA owner has attained age 70½ at the time of the distribution.
- The amount does not exceed the annual limit (\$111,000 for 2026, indexed).
- The IRA is not an ongoing SEP or SIMPLE IRA.
- The distribution would otherwise be includible in income.
- A deduction would be allowable under [§170](#) (determined without regard to percentage limitations) if the amount were a regular charitable donation.

Other than verifying age, IRA custodians generally do not confirm QCD eligibility. As many QCD request forms state, the IRA owner is responsible for ensuring compliance with applicable rules.

It is up to the IRA owners and their tax preparers to properly apply the QCD rules and report any nonqualifying amounts as regular distributions on the tax return.

Advisors must reinforce this distinction: Custodial reporting and tax qualification are separate concepts.

## The Uncashed Check and the Cross-Year Timing Question

Here is the fact pattern that triggered our discussion.

An IRA custodian issues a check payable to Charity A in December 2025 and mails it to the IRA owner, as permitted under [IRS Notice 2007-7](#), Q&A-41. The IRA owner delivers the check to the charity in January 2026.

*Is this still a 2025 QCD?*

[Treas. Reg. §1.170A-1\(b\)](#) provides that a charitable contribution by check is effective upon delivery or mailing, provided the check clears in due course. The year of the gift is determined by delivery or mailing, not by deposit.

Under §408(d)(8), the distribution must be of a type for which a charitable deduction would be allowable under §170. The statute does not require that the deduction be claimed in the same year as the IRA distribution. It requires only that the transfer qualify under §170 principles.

[Rev. Rul. 2025-15](#) confirms that Form 1099-R reporting applies without regard to whether a retirement distribution check is returned or remains uncashed.

Therefore, if the custodian issues the check payable to the charity in 2025, the distribution occurs in 2025 and is reported on a 2025 Form 1099-R. The QCD is treated as a 2025 QCD, even if the charity deposits the check in 2026, provided all other QCD requirements are met.

The practical takeaway: Deposit timing does not retroactively change the year of distribution when the custodian issues the check payable to the charity.

Best practice: Do not wait until December. Confirm that the custodian has processed and issued the QCD before year-end.

**Confirm that the custodian has processed and issued the QCD before year-end.**

## Why Checkbook IRAs Create Risk

A distinction must be made between custodian-issued checks and checkbook IRAs.

If the custodian issues the check payable to the charity in December 2025, the distribution is generally treated as occurring in 2025, even if the charity deposits the check in January 2026.

With checkbook IRAs, timing can differ. If the IRA owner writes a check in December 2025 but the funds do not leave the IRA until January 2026 (i.e., the charity does not cash the check until then), the IRA is not debited until 2026. The distribution therefore occurs in 2026 and would be treated as a 2026 QCD if all other QCD requirements are satisfied.

This difference can shift both QCD treatment and RMD coordination.

IRA owners and their advisors should confirm whether their custodians permit QCD processing through checkbook IRA arrangements. Many do, but operational limitations may affect reporting. Regardless of reporting codes, advisors should follow up to ensure the payment is processed within the intended calendar year.

Checkbook IRAs are efficient, but they are unforgiving.

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## Why Timing Matters with RMDs

A QCD counts toward satisfying a required minimum distribution (RMD) only if it is taken before the RMD is otherwise satisfied.

**Example 1, QCD Before RMD:** Cleve must take a \$40,000 RMD for 2026. In February, he requests a \$25,000 QCD. Later, he takes \$15,000 as a regular distribution.

*Result:*

- \$25,000 counts toward the RMD and is excluded from income.
- \$15,000 satisfies the remaining RMD.
- Only \$15,000 is includible in income.

**Example 2, RMD Taken First:** Cleve first takes the full \$40,000 RMD in March. In July, he requests a \$25,000 QCD.

*Result:*

- The \$40,000 RMD is includible in his income.
- The \$25,000 QCD is excluded from income.
- The QCD does not retroactively offset the satisfied RMD.

Order matters, particularly for clients on automatic distribution schedules. Once the RMD is satisfied, the tax result is locked in. Charitable intent cannot retroactively fix the order.

## When Sequencing Does Not Matter

There are cases where coordination is less relevant.

If an IRA owner's RMD is \$30,000 and the individual needs the full \$30,000 for living expenses regardless, and separately intends to donate \$20,000 as a QCD, sequencing does not change overall cash flow.

- The \$30,000 RMD remains taxable.
- The \$20,000 QCD is excluded from income.

In that case, the planning focus shifts from sequencing to proper processing and documentation.

## Advisor Takeaway: Simple Strategy, Technical Execution

QCDs remain one of the most effective planning tools available to IRA owners. But they demand precision. Reporting codes do not determine qualification. Custodians do not verify compliance. Timing affects both RMD coordination and tax year treatment. Operational missteps, especially with checkbook IRAs, late-year processing, or aggregate limit failures, can quietly undermine intended results.

QCDs are simple in concept, but technical in execution. ■

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