



CARDINAL ADVISORS

Inherited An IRA from a Relative? What's the Tax?

In this video Hans and Tom explain how inherited IRA taxes depend on the beneficiary type and related rules like the 5-year, 10-year, and life-expectancy stretch options.

INHERITED AN IRA FROM A RELATIVE? WHAT'S THE TAX?

S.S. <input type="checkbox"/>	1.) NON-DESIGNATED BENEFICIARY (NOB) - ESTATE, CHARITY, OR NON LOOK THROUGH TRUST - DECEDENT PASSES BEFORE RBD (5 YEAR RULE) - DECEDENT PASSES AFTER RBD - GHOST LIFE RULE	<input type="checkbox"/>	INCOME
MED. <input type="checkbox"/>	2.) NON-ELIGIBLE DESIGNATED BENEFICIARY (NEDB) - 10 YEAR RULE - ADULT CHILDREN, GRAND CHILDREN, SOME LOOK THROUGH TRUSTS - RBD - BEFORE - NO RMD IN 10 YEARS AFTER - RMD DURING 10 YEARS	<input type="checkbox"/>	ESTATE
LTC <input type="checkbox"/>	3.) ELIGIBLE DESIGNATED BENEFICIARY (EDB) - LIFE EXPECTANCY STRETCH - SURVIVING SPOUSE (FAVORABLE TREATMENT) - MINOR CHILDREN OF DECEDENT - DISABLED (STRICT IRS RULES) - CHRONICALLY ILL - INDIVIDUALS NOT MORE THAN 10 YEARS YOUNGER	<input type="checkbox"/>	TAXES
401K / IRA <input type="checkbox"/>			

Additional Notes:

- NO ROTH CONVERSION
- NO ROLLOVER TO OWN IRA (EXCEPT SPOUSE)
- 1.) WHEN DECEDENT PASS AWAY
- 2.) DOB OF DECEDENT
- 3.) WHO (OR WHAT) IS THE BENEFICIARY
- 4.) RELATIONSHIP OF DECEDENT TO BENEFICIARY
- 5.) DOB OF BENEFICIARY
- 6.) ROTH OR TRADITIONAL

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6 REQUIRED QUESTIONS TO DETERMINE AN IRA BENEFICIARY PAYOUT STRUCTURE

Wednesday, April 22, 2026

By Andy Ives, CFP®, AIF®

IRA Analyst

1. When did the decedent die? The SECURE Act impacts beneficiaries of decedents who died in 2020 or later. Anyone who passed away prior to 2020 falls under the old rules. Prior to the SECURE Act, all living, breathing beneficiaries were able to stretch annual required minimum distributions (RMDs) from their inherited IRA over their single life expectancy. For deaths in 2020 or later, the SECURE Act grandfathered certain beneficiaries under the old rules and introduced a 10-year rule for “non-eligible designated beneficiaries” (NEDBs). The year of death of the IRA owner must be identified so we know which path to take – *old rules or new rules*.

2. What was the date of birth (DOB) of the decedent? If the beneficiary is an NEDB, we must know the DOB of the decedent. Did he die before or after his required beginning date (RBD)? For IRAs, the RBD is April 1 of the year after the year a person turns age 73. For NEDBs, death before the RBD means no RMDs within the 10-year rule. Death on or after the RBD dictates that the beneficiary must take annual RMDs during the 10-year period.

3. Who (or what) is the beneficiary? Of course, we need to know who the beneficiary is. But is the beneficiary a person or a non-living entity like an estate? A non-living beneficiary means the 5-year rule applies for deaths before the RBD, and the “ghost rule” applies for deaths on or after the RBD. The type of beneficiary decides which direction we go.

4. What is the relationship between the decedent and beneficiary? This question is necessary to determine if the beneficiary is a spouse or a non-spouse. Spouse beneficiaries have a set of options available only to them – like a spousal rollover. Identifying whether the beneficiary is a spouse or not further narrows the path toward the proper payout.

5. What was the DOB of the beneficiary? Knowing the age of the beneficiary is crucial. For example, a spouse beneficiary under age 59 1/2 could elect an inherited IRA

to have penalty-free access to the inherited funds, and then do a spousal rollover at age 59 1/2. For non-spouse beneficiaries, identifying the age of the beneficiary is just as important. Is this a minor child of the IRA owner? Is the beneficiary “not more than 10 years younger” than the decedent? Both would qualify the beneficiary as an eligible designated beneficiary (EDB) and allow for annual RMDs over the single life expectancy of that beneficiary (for a minor child, only up to age 31).

6. What type of IRA is this? Whether the IRA being passed to the beneficiary is a Roth or traditional matters. Roth IRA owners are always deemed to die prior to the RBD. That means there are never RMDs within the 10-year rule for Roth IRAs inherited by an NEDB. For non-person beneficiaries of Roth IRAs (like an estate), the 5-year rule will always apply.

By layering these six questions on top of each other, we can identify the applicable beneficiary payout structure. Yes, there are additional clarifying questions to help winnow down the final answer, but without answering these foundational questions, the correct path forward is impossible to determine.

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SECURE Act

Retirement Plan Payouts to Beneficiaries Under the SECURE Act

(for deaths *after* 2019*)

*Extended Effective Dates

The effective date for the elimination of the stretch and application of the 10-year rule is generally for deaths after December 31, 2019. But that effective date was extended for two years (for deaths after December 31, 2021) for governmental plans, including certain 403(b) and 457(b) plans, and the Thrift Savings Plan. It was also extended for as long as two years for collectively bargained plans, depending on the expiration date of the union contract.

Retirement Accounts Affected

The elimination of the stretch IRA and inclusion of the 10-year rule provisions apply to defined contributions plans, including 401(k), 403(b) and 457(b) plans, and traditional and Roth IRAs. They do not apply to defined benefit plans.

Under the SECURE Act, there are 3 kinds of retirement plan beneficiaries for determining post-death payouts after 2019:

1. **Non-Designated Beneficiary (NDB)**
2. **Non-Eligible Designated Beneficiary (NEDB)**
3. **Eligible Designated Beneficiary (EDB)**

1. Non-Designated Beneficiary (NDB)

These are not people. Examples: Estate, charity or non-qualifying trust (non-look-through trust)

Post-death Payout Rules for NDBs

Based on whether the IRA owner or plan participant dies before or after the owner's required beginning date (RBD). The RBD is generally April 1 of the year after the year of the 73rd birthday.

If owner dies before the RBD, the account must be withdrawn by the end of the 5th year after the year of death – the 5-year rule. There are no annual RMDs during the 5-year window.

If owner dies on or after the RBD, RMDs must be taken over the deceased owner's remaining single life expectancy – "*ghost life rule*." (Note: This can produce a post-death payout exceeding 10 years.)

2. Non-Eligible Designated Beneficiary (NEDB)

10-year rule

All designated beneficiaries who do not qualify as EDBs (see #3 below).

Examples: grandchildren, adult children, some look-through trusts

Post-death Payout Rules for NEDBs - Depends on whether death occurs before or after the required beginning date (RBD).

- If owner dies **before** the RBD, there are no annual RMDs during the 10-year window.
- If owner dies **on or after** the RBD, annual (stretch IRA) RMDs must be taken for years 1-9.

Entire account must be emptied by the end of the 10th year after the year of death – the 10-year rule.

3. Eligible Designated Beneficiary (EDB)

Stretch applies

The SECURE Act exempts these beneficiaries from the 10-year rule. However, if the account owner dies before the RBD, an EDB can elect the 10-year rule.

EDBs must be designated beneficiaries.

5 Classes of Eligible Designated Beneficiaries

1. Surviving spouses
2. Minor children of the account owner, until age 21 - but *not* grandchildren
3. Disabled individuals – under the strict IRS rules
4. Chronically ill individuals
5. Individuals not more than 10 years younger than the IRA owner. (Those older than the IRA owner also qualify.)

Plus - Any designated beneficiary (including qualifying trusts) who inherited **before** 2020. These beneficiaries are grandfathered under the pre-2020 stretch IRA rules. In addition, trusts for the sole benefit of these EDBs qualify as an EDB.

EDB status is determined at date of owner's (or plan participant's) death and cannot be changed.

Post-death Payout Rules for EDBs

Once an EDB no longer qualifies as an EDB, or dies, the 10-year rule is applied for them, or for their beneficiaries (i.e., successor beneficiaries).

Single Life Expectancy Table (for Inherited IRAs)

(To be used for calculating post-death required distributions to beneficiaries)

Age of IRA or Plan Beneficiary	Life Expectancy (in years)	Age of IRA or Plan Beneficiary	Life Expectancy (in years)	Age of IRA or Plan Beneficiary	Life Expectancy (in years)	Age of IRA or Plan Beneficiary	Life Expectancy (in years)
0	84.6	31	54.4	61	26.2	91	5.3
1	83.7	32	53.4	62	25.4	92	4.9
2	82.8	33	52.5	63	24.5	93	4.6
3	81.8	34	51.5	64	23.7	94	4.3
4	80.8	35	50.5	65	22.9	95	4.0
5	79.8	36	49.6	66	22.0	96	3.7
6	78.8	37	48.6	67	21.2	97	3.4
7	77.9	38	47.7	68	20.4	98	3.2
8	76.9	39	46.7	69	19.6	99	3.0
9	75.9	40	45.7	70	18.8	100	2.8
10	74.9	41	44.8	71	18.0	101	2.6
11	73.9	42	43.8	72	17.2	102	2.5
12	72.9	43	42.9	73	16.4	103	2.3
13	71.9	44	41.9	74	15.6	104	2.2
14	70.9	45	41.0	75	14.8	105	2.1
15	69.9	46	40.0	76	14.1	106	2.1
16	69.0	47	39.0	77	13.3	107	2.1
17	68.0	48	38.1	78	12.6	108	2.0
18	67.0	49	37.1	79	11.9	109	2.0
19	66.0	50	36.2	80	11.2	110	2.0
20	65.0	51	35.3	81	10.5	111	2.0
21	64.1	52	34.3	82	9.9	112	2.0
22	63.1	53	33.4	83	9.3	113	1.9
23	62.1	54	32.5	84	8.7	114	1.9
24	61.1	55	31.6	85	8.1	115	1.8
25	60.2	56	30.6	86	7.6	116	1.8
26	59.2	57	29.8	87	7.1	117	1.6
27	58.2	58	28.9	88	6.6	118	1.4
28	57.3	59	28.0	89	6.1	119	1.1
29	56.3	60	27.1	90	5.7	120+	1.0
30	55.3						

This table is used to calculate RMDs for:

- Designated Beneficiaries (DBs) who inherited before 2020.
- DBs who inherit in 2020 or later when the account owner dies ON OR AFTER his RBD - for years 1-9 of the 10-year period.
- Eligible Designated Beneficiaries (EDBs).
- Non-Designated Beneficiaries when the account owner dies ON OR AFTER his RBD for “ghost rule” RMDs.

This table is NOT used by:

- DBs who inherit in 2020 or later when the account owner dies BEFORE the RBD.
- IRA owners to calculate lifetime RMDs.
- Roth IRA beneficiaries, who are not EDBs.