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Inheriting an IRA?

The SECURE Act Could Impact Retirement Savings

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Inheriting an IRA from someone? If you answered yes, there are some changes that you will need to consider with the passing of the SECURE Act.

In the past, beneficiaries that inherited an IRA could typically spread the taxable distributions over their own life expectancy. Under the SECURE Act, IRA's inherited in 2020 and beyond will need to be distributed over a 10-year period. Exceptions exist for a surviving spouse, children under the age of majority, disabled, chronically ill, and individuals not more than 10-years younger than the account owner. It is important to note that once minors reach an age of majority, usually 18, the 10-year period kicks in.

Proper planning will be important to help alleviate the potential tax burdens that accelerated distributions can create. Roth conversions may offer a solution, however; there are some critical decision factors to consider. For instance, the tax rate differential between the year of conversion and withdrawal years should be examined. The key here is avoiding any large jump in tax brackets.

How is this accomplished? If future tax rates are expected to increase, the gradual conversion to a Roth will help alleviate the tax burden. Taxes will be owed on any untaxed earnings and contributions that are converted to a Roth, but later withdrawals from the Roth will be exempt from taxation.

If you have any questions or want to discuss other planning tactics, our Tax Advisory Group is always here to help!

For more information, please contact:

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With significant experience in both private and public accounting environments, Criste' provides accounting and tax services to both individuals and a diverse range of business clients.