

# Inherited IRAs

## A guide for financial professionals

**An Inherited IRA** is an account that is opened when a beneficiary inherits an IRA or roll-over funds from an employer-sponsored retirement plan following the death of the IRA owner or plan participant ("IRA owner"). Beneficiaries are required to take distributions from the IRAs they inherit. How and when a beneficiary must begin taking required minimum distributions (RMDs) is based on a defined set of rules.

Historically, beneficiaries could stretch distributions over their life expectancy, allowing the account to grow tax-deferred while taking required annual distributions. That ended in 2019, when the SECURE Act instituted new rules requiring most beneficiaries to fully withdraw their inherited IRAs within 10 years of the IRA owner's death. This guide provides an overview of the changes to inherited IRA withdrawal requirements and outlines options for each type of beneficiary classification.

**SECURE Act** – Legislation known as the Setting Every Community Up for Retirement Enhancement Act ("SECURE Act") became law in late December 2019 as part of the Further Consolidated Appropriations Act of 2020. The SECURE Act made significant changes, like requiring that most IRA beneficiaries liquidate their inherited IRA within 10 years following the IRA owner's death and limiting the option to "stretch out" over a beneficiary's life expectancy to a smaller class of beneficiaries.

This material is general in nature, was developed for educational use only, and is not intended to provide financial, legal, fiduciary, accounting or tax advice, nor is it intended to make any recommendations. Clients should be informed to consult with their legal or financial professionals regarding their situations.

**For financial professional use only. Not for use with the public.**

# Types of beneficiaries



The **SECURE Act** created three categories of beneficiaries with their own specific distribution rules.

The three types of beneficiaries are:

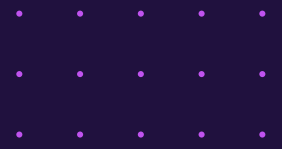
- Eligible designated beneficiaries (EDBs),
- Designated beneficiaries (DBs)
- Non-designated beneficiaries or entities (non-DBs).

The determination of whether a beneficiary is an EDB is made at the time of the IRA owner's death. A beneficiary's status as a DB is determined on September 30th of the year following the year of the IRA owner's death.

Eligible designated beneficiary (EDB)	Designated beneficiary (DB)	Non-designated beneficiary or entity (non-DB)
Spouse of the deceased	Non-spouse individuals	Charities
Minor child of the deceased Until age of majority (defined as age 21), after which the 10-year rule applies	Certain types of trusts <sup>†</sup>	Estates
Disabled or chronically ill individuals		Certain types of trusts <sup>†</sup>
Beneficiaries not more than 10 years younger than the deceased		
Certain types of trusts <sup>†</sup>		

<sup>†</sup> IRS Proposed RMD Regulations provide additional guidance regarding when beneficiaries of certain trusts can be treated as beneficiaries of the IRA owner for purposes of RMD rules. The proposed regulations are not effective until finalized. Your clients should be directed to their tax or legal advisors with questions or to discuss the beneficiary options based on their specific facts.

# Beneficiary options



The length of time over which distributions must be withdrawn from an Inherited IRA depends in part on who (or what type of entity) inherits the IRA owner's account. The following charts identify the death benefit options available based on beneficiary type and the original owner's date of death (after 2019 or prior to 2020).

## Qualified death benefit options

Original owner's date of death after 2019<sup>1</sup>

Withdrawal time period	Spouse	Eligible Designated Beneficiary <sup>2</sup>	Designated Beneficiary	Non-designated Beneficiary (Entity) <sup>3</sup>
Lump sum	✓	✓	✓	✓
Life annuitization	✓	✓		
Five-year				✓ <sup>4</sup>
Ten-year	✓	✓	✓	
Stretch / Life Expectancy	✓	✓		
Continue as own IRA	✓			

## Qualified death benefit options

Original owner's date of death prior to 2020<sup>1</sup>

Withdrawal time period	Spouse	Designated Beneficiary (Non-spouse)	Non-designated Beneficiary (Entity)
Lump sum	✓	✓	✓
Life annuitization	✓	✓	Some trusts
Five-year <sup>4</sup>	✓	✓	✓
Stretch / Life Expectancy	✓	✓	Some trusts
Continue as own IRA	✓		

<sup>1</sup> Chart reflects options permitted by Federal regulations/law; company policies may vary.

<sup>2</sup> Non-spouse eligible designated beneficiaries: minor child of decedent (until age of majority) disabled, chronically ill, individuals not more than 10 years younger than decedent. Note: A spouse is also considered an eligible designated beneficiary but, for purposes of this chart, we have identified spousal options separately.

<sup>3</sup> Entities may be able to select from the options available to eligible designated beneficiaries if they are acting as an agent for the benefit of an individual who is one.

<sup>4</sup> If death occurred after the owner's Required Beginning Date, the five-year option is not available; however may continue distributions based on the remaining IRS single life expectancy factor of the owner as of the year of death, non-recalculated.

# Beneficiary options



## Distribution Methods

Inherited IRAs are paid out over either a fixed or life-expectancy period, depending on the classification of the IRA beneficiary. For example, most EDBs can open an Inherited IRA and take distributions over their life expectancy, whereas DBs must take distributions within 10 years (and a Non-DB within five years). Only a spouse can transfer the inherited IRA to their own IRA.

<b>Fixed Period</b> <ul style="list-style-type: none"><li>• Ten-year (EDB, DB)</li><li>• Five-year (Non-DB)</li></ul>	<p>The ten-year and five-year rule requires that all funds be distributed by 12/31 of the year that contains either the tenth- or fifth-year following the year of the IRA owner's death.</p> <p><b>Note:</b> IRS proposed regulations for post-death distributions, issued February 23, 2022, provide new guidance for the ten-year rule. For IRA owner deaths occurring on or after the required beginning date, both the ten-year rule and the "at least as rapidly" rule apply. As currently written, this rule may require beneficiaries to take required annual distributions in years one through nine and the entire account balance in year ten.</p>
<b>Life Expectancy (EDBs)</b>	<p>Life expectancy (or "stretch") payouts are required by taking annual withdrawals from the inherited IRA (beginning by December 31 of the year following the IRA owner's death). The method for calculating each year's minimum distribution mirrors the calculation of an IRA owner RMD; using the Single Life Table.*</p> <p><b>Year-end balance ÷ Single life expectancy factor = RMD amount</b></p> <p>For non-spouse EDBs the factor is non-recalculated, meaning that it is a fixed number of years that is reduced by one every year after the first required distribution year. For instance, if a 59-year-old beneficiary has a life expectancy of 28.0 years, the life expectancy for each subsequent year is determined by subtracting 1 for each year that passes.</p> <p>(When minor children EDBs reach the age of majority, the rules change to the 10-year rule.)</p>

\*Beginning in 2024 surviving spouse beneficiaries may be treated as the deceased spouse when inherited the IRA from their deceased spouse. This option permits the surviving spouse to use the Uniform Lifetime Table to calculate RMDs from the deceased spouse's IRA [Consolidated Appropriations Act, 2023].

For financial professional use only. Not for use with the public.

# Submitting Inherited IRA business to Corebridge Financial (FAQs)

Question	Answer	
Can Corebridge accept Inherited IRA assets from another carrier to fund a new Corebridge Inherited IRA annuity contract?	Maybe	Corebridge will accept Inherited IRA business under the following conditions: <ul style="list-style-type: none"> <li>• If the beneficiary of an IRA owner established an Inherited IRA (payable over life expectancy) with another custodian prior to 2020 (pre-SECURE Act).</li> <li>• If the IRA owner died after 2019 (post-SECURE Act) and the beneficiary is either: <ul style="list-style-type: none"> <li>– the spouse of the decedent or</li> <li>– a non-spouse individual who is no more than 10 years younger than the decedent.</li> </ul> </li> </ul>
Are there conditions where Corebridge <u>will not</u> accept Inherited IRA business?	Yes	Corebridge will <b>not</b> accept Inherited IRA business that falls outside of the two categories described above, which may include: <ul style="list-style-type: none"> <li>• Inherited IRAs subject to the five-year rule</li> <li>• Inherited IRAs subject to the ten-year rule</li> <li>• Certain EDBs: <ul style="list-style-type: none"> <li>– Minor child of the deceased</li> <li>– Disabled or chronically ill individuals</li> <li>– Certain “see-through” trusts</li> </ul> </li> <li>• Estate owned Inherited IRAs</li> </ul>
Will Corebridge accept a “grandfathered” Inherited IRA where the beneficiary made a pre-SECURE Act election (i.e. individual died prior to 2020) to take distributions over his or her life expectancy?	Yes	However, if the beneficiary does not fully liquidate the account during their life expectancy, upon their death, the second-generation beneficiary will be subject to the 10-year rule.
Can Corebridge accept trust-owned Inherited IRA assets?	Maybe	While trust-owned Inherited IRAs are outside the scope of this guide, there may be limited situations where Corebridge can accommodate this account type. Trust-owned Inherited IRA applications may be reviewed on a case-by-case basis.
Is the Inherited IRA account type available on all Corebridge annuity products and are living benefits available?	No on both counts	Inherited IRA opportunities are generally available for variable and fixed indexed annuities without a living benefit only; this account type is not available on traditional fixed annuity, immediate annuity or deferred income annuity products.
Can a living benefit rider be added to an Inherited IRA stretch annuity?	No	A living benefit rider is not available with Inherited IRA stretch annuities.
Can a beneficiary take receipt of IRA proceeds and roll them to an inherited IRA within 60 days?	No	There is no 60-day rollover when a beneficiary inherits IRA assets. To move the funds to a different investment, they would need to be transferred directly from one custodian to another via trustee-to-trustee transfer.  Note: A spouse as beneficiary of an IRA may execute a 60-day indirect rollover when moving the inherited assets into his or her own IRA.
Can Corebridge establish an automated withdrawal program to calculate and distribute the annual RMD requirement?	Yes	As part of the good-order requirements to issue the contract, the beneficiary must establish a systematic withdrawal program based on his or her life expectancy or elect a specified amount that exceeds the required minimum amount.
Are withdrawal charges waived if the annual RMD amount is greater than the contract free amount?	Yes	Withdrawal charges and MVA (if applicable) will be waived should the RMD be greater than the contract annual free amount. Additionally, the restriction on withdrawals taken in the first contract year for indexed annuity products is waived for RMDs.

# Submitting Inherited IRA business to Corebridge Financial (Checklist)



Example 1	Example 2
<ul style="list-style-type: none"><li>• Beneficiary (son) inherited funds from the IRA owner (father) who died in 2019 or earlier (pre-SECURE Act)</li><li>• The inherited IRA is an existing account and has been distributing annual distributions based on the son's life expectancy</li><li>• The beneficiary is interested in moving the inherited IRA as a trustee-to-trustee transfer to a new provider/investment</li></ul>	<ul style="list-style-type: none"><li>• Beneficiary (brother) inherited funds from the IRA owner (sister) who died after 2019 (post-SECURE Act)</li><li>• Brother is three years older than his sister (IRA owner) and is considered an eligible designated beneficiary (i.e. not more than ten years younger)</li><li>• Brother wishes to open a new inherited IRA by electing to transfer the death benefit proceeds directly to a new provider/investment</li></ul>

## Confirm that the new annuity application is titled properly on all paperwork submitted

- **Corebridge annuity products available for Inherited IRA:**
  - Available: Variable Annuities and Index Annuities without living benefit riders
  - Not Available: Immediate Annuities, Fixed Annuities and Deferred Income Annuities
- **Owner:** Jane Doe (name of original IRA/retirement account beneficiary) as beneficiary of John Smith
- **Annuitant:** Jane Doe (name of original IRA/retirement account beneficiary)
- **Beneficiary:** Sally Doe (the name of the beneficiary or beneficiaries of the Inherited IRA beneficial owner)
- **Contract Type:** Inherited IRA

## Complete the following required forms:

- Variable Annuity or Index Annuity contract application
  - Living benefit not available for this account type
  - Corebridge does not accommodate inherited IRA business within fixed annuity, immediate annuity or deferred income annuity products
- Inherited Account Disclosure and Required Minimum Distribution Election form (required to issue the contract and establish automated life expectancy withdrawals)
- Request for Transfer of Assets form
- State Replacement form (if applicable or required by your firm)
- Any other required forms required by the surrendering company
  - For pending death claims, include current custodian death claim paperwork when submitting Corebridge paperwork (if permitted by the current carrier)
  - For existing Inherited IRA accounts, include any current custodian required paperwork when submitting Corebridge paperwork

### Order entry platforms

Most order entry platforms do not support the Inherited IRA account type. Paper application is typically required to submit business.

To learn more contact your Corebridge Financial Distributors wholesaler  
or call our Sales Desk at 1-888-502-2900

Annuities issued by **American General Life Insurance Company** (AGL), Houston, TX, except in New York, where issued by **The United States Life Insurance Company in the City of New York** (US Life). Certain annuities are issued by **The Variable Annuity Life Insurance Company** (VALIC), Houston, TX. **Variable annuities are distributed by Corebridge Capital Services, Inc.**, member FINRA. Products and services may not be available in all states and product features may vary by state. **AGL does not solicit, issue or deliver policies or contracts in the state of New York.** All companies above are wholly owned subsidiaries of Corebridge Financial, Inc. Corebridge Financial and Corebridge are marketing names used by these companies.

This material is general in nature, was developed for educational use only, and is not intended to provide financial, legal, fiduciary, accounting or tax advice, nor is it intended to make any recommendations. Applicable laws and regulations are complex and subject to change. For legal, accounting or tax advice, clients should be informed to consult with their legal or financial professionals regarding their situations. All information provided should be verified for accuracy and reliability. No representation or warranty, express or implied, is made by AGL or its affiliates as to the completeness of the information provided.

Not FDIC or NCUA/NCUSIF Insured
May Lose Value • No Bank or Credit Union Guarantee Not a Deposit • Not Insured by any Federal Government Agency

For financial professional use only. Not for use with the public.

M3308IRA.1 (03/24)

