

RMD Changes After the SECURE Act

Changes to ImagiSOFT's RMD Calculator Screens / Reports

Prepared by Michael J. Prestwich
President, ImagiSOFT, Inc.

<https://imagisoft.com/rmd/rmdinfo.html>

Client Screen

Client	RMD	Preview
--------	-----	---------

Client Information

Name *	First	Middle	Last
	Sally		Martin
Address			
City			
State	Nevada		
Zip Code			
Phone			
E-Mail			
Sex *	Female		
<input checked="" type="radio"/> Date of Birth *	5/23/1954 MM/DD/YYYY		
<input type="radio"/> Age *	65		

The Client screen remains unchanged.

The "Client" is the person who owns or who has inherited a retirement account.

The State is unimportant except in the case of minor children of a deceased planholder.

The Sex field does not impact the calculations.

The Date of Birth is essential to accurately calculate an RMD.

Calculation Screen

Client	RMD	Preview
--------	-----	---------

Required Minimum Distribution

Calculation Mode

- ☐ Original Planholder (or Surviving Spouse Taking Ownership)
☐ Surviving Spouse Not Taking Ownership
☒ Other Beneficiary
- ☒ Spouse
☐ Minor Child of Deceased Planholder
☐ Disabled or Critically Ill

Original Planholder Date of Birth	4/2/1931
Original Planholder Date of Death	1/9/2020

Spouse Beneficiary

Use Joint Life Expectancy Table for RMD Calculation? ☐

(If the spouse is at least ten years younger and the sole beneficiary of the account)

Spouse Date of Birth	
----------------------	--

Plan

Plan Type	IRA
Plan Name	James Martin Inherited IRA

RMD

Calculation Year	2021
Account Value on Last Day Prior to Calculation Year	\$650,256

The first two options on the RMD are unchanged; however, the RMD age is now 72 for persons born after 6/30/1949.

The "Other Beneficiary" replaced "Non-Spouse Beneficiary". When the Original Planholder Date of Death is prior to 1/1/2020 the software will use the old "Non-Beneficiary" rules.

"Other Beneficiary," when the Original Planholder's Date of Death is after 2019, introduces 4 special "eligible designated beneficiary" options who receive lifetime distributions:

- Spouse
- Born less than 10 years of deceased planholder (calculated automatically)
- Minor child of deceased planholder
- Disabled for critically ill

Generally, all other beneficiaries must distribute the inherited account within 10 years.

Eligible Designated Beneficiaries Who Can Take Life Expectancy Distributions

- the spouse of the deceased planholder (generally applies when spouse is not the 100% beneficiary)
- an individual who is no more than ten years younger than the plan owner
- a child of a deceased plan owner who has not reached the age of majority. Must change to 10 year distribution when reaching majority age. The age of majority is 18 for all states except Mississippi, where it is 21, and in Arkansas and Nebraska where it is age 19.
- a disabled or chronically ill individual

Sample RMD Calculations, for Sally Martin, DOB 5/23/1954

As a surviving spouse, there are 3 ways Sally can take her inherited IRA:

Example 1, Surviving Spouse Taking Ownership

RMD Input Screen:

Required Minimum Distribution

Calculation Mode

- ☒ Original Planholder (or Surviving Spouse Taking Ownership)
- ☐ Surviving Spouse Not Taking Ownership
- ☐ Other Beneficiary
- ☐ Spouse
- ☐ Minor Child of Deceased Planholder
- ☐ Disabled or Critically Ill

Original Planholder Date of Birth

Original Planholder Date of Death

Spouse Beneficiary

Use Joint Life Expectancy Table for RMD Calculation?

(If the spouse is at least ten years younger and the sole beneficiary of the account)

Spouse Date of Birth

Plan

Plan Type

IRA

Plan Name

James Martin Inherited IRA

RMD

Calculation Year

2021

Account Value on Last Day Prior to Calculation Year

\$650,256

RMD Input Screen:

Required Minimum Distribution

Calculation for 2021

Plan Information

Type of plan *
Account name

IRA
James Martin Inherited IRA

Planholder Information

Name
Date of birth
Date when age 72
Required Beginning Date (RBD)

Sally Martin
June 23, 1954
June 23, 2026
April 1, 2027

Required Minimum Distribution Formula

Plan value on December 31, 2020
Divided by factor from IRS Uniform Lifetime Table for age 67
Equals the amount you must withdraw
by December 31, 2021 to avoid an IRS penalty of up to \$0.00

\$650,256
N/A
\$0.00

* To comply with IRS regulations, an individual RMD must be calculated separately each year after the Required Beginning Date for each IRA plan in which you have a benefit. If you have multiple IRAs you may aggregate the total RMD for each IRA then take the distribution from any one or more as you choose. This calculation pertains to the IRA owner only; different factors are used for beneficiary calculations.

Sally won't have to take RMDs for 6 more years. Generally the best option because it uses the Uniform Lifetime Table which has lower factors. Only available if spouse is 100% beneficiary.

Compare this calculation with the two sample calculations on the next page and it will become completely clear why married people with retirement accounts need the advice of a trained financial advisor to help them fill out beneficiary designations that will help them accomplish their financial objectives. A beneficiary designation on a person's 401(k) that reads, "Half to my spouse, the balance evenly split between my children" may cause a lump sum or 5 year payout with adverse income tax consequences to the beneficiary. An IRA rollover into two IRA accounts, one with spouse as 100% beneficiary, and the other with each child named individually, is much more likely to accomplish the client's desires.

Example 2, Surviving Spouse Not Taking Ownership

Client

RMD

Preview

Required Minimum Distribution

Calculation Mode

☐ Original Planholder (or Surviving Spouse Taking Ownership)

☒ **Surviving Spouse Not Taking Ownership**

☐ Other Beneficiary

☐ Spouse

☐ Minor Child of Deceased Planholder

☐ Disabled or Critically Ill

Original Planholder Date of Birth

Original Planholder Date of Death

Spouse Beneficiary

Use Joint Life Expectancy Table for RMD Calculation?

(If the spouse is at least ten years younger and the sole beneficiary of the account)

Spouse Date of Birth

Plan

Plan Type

Plan Name

RMD

Calculation Year

Account Value on Last Day Prior to Calculation Year

Required Minimum Distribution Calculation for 2021

Inherited Plan Information

Type of plan * IRA
Account name James Martin Inherited IRA

Plan Beneficiary Information

Name Sally Martin
Date of birth June 23, 1954
Original planholder's date of birth April 2, 1931
Original planholder's date of death January 9, 2020
Required Beginning Date (RBD) December 31, 2021
Age of beneficiary on RBD 67

Required Minimum Distribution (RMBD) Formula

Plan value on December 31, 2020 \$650,256
Divided by factor from IRS Single Life Expectancy Table for age 67 19.4
Equals the amount you must withdraw \$33,518.35
by December 31, 2021 to avoid an IRS penalty of up to \$16,759.18

* This calculation assumes a surviving spouse of the original planholder's account.

This makes little sense compared to example 1 because RMDs are required right away and it uses the higher, IRS Single Life Expectancy tables. May be a valid option when the spouse is several years older than the deceased planholder. Only available if spouse is 100% beneficiary.

Example 3, Surviving Spouse Not 100% Beneficiary

Client

RMD

Preview

Required Minimum Distribution

Calculation Mode

☐ Original Planholder (or Surviving Spouse Taking Ownership)

☐ Surviving Spouse Not Taking Ownership

☒ **Other Beneficiary**

☒ Spouse

☐ Minor Child of Deceased Planholder

☐ Disabled or Critically Ill

Original Planholder Date of Birth

Original Planholder Date of Death

Spouse Beneficiary

Use Joint Life Expectancy Table for RMD Calculation?

(If the spouse is at least ten years younger and the sole beneficiary of the account)

Spouse Date of Birth

Plan

Plan Type

Plan Name

RMD

Calculation Year

Account Value on Last Day Prior to Calculation Year

Required Minimum Distribution Calculation for 2021

Inherited Plan Information

Type of plan * IRA
Account name James Martin Inherited IRA

Plan Beneficiary Information

Name Sally Martin
Date of birth June 23, 1954
Original planholder's date of birth April 2, 1931
Original planholder's date of death January 9, 2020
Required Beginning Date (RBD) December 31, 2021
Age of beneficiary on RBD 67

Required Minimum Distribution (RMBD) Formula

Plan value on December 31, 2020 \$650,256
Divided by factor from IRS Single Life Expectancy Table for age 67 minus 0 19.4
Equals the amount you must withdraw \$33,518.35
by December 31, 2021 to avoid an IRS penalty of up to \$16,759.18

* To comply with IRS regulations, beneficiaries must begin distributions by December 31 of the year following the year of the planholder's death. If the planholder's death occurred prior to their RMD beginning date, the five-year distribution rule is also available to the receiving beneficiary.

Based on your status as an **eligible designated beneficiary** who is the spouse of the deceased accountholder, the life expectancy required minimum distribution method applies to your inherited IRA.

A good example of "what to avoid." It looks deceptively the same as example 2, which recalculates the life expectancy each year, but this formula reduces the IRS factor by 1 each year so the account will be depleted entirely after 20 years.

Sample Non-Spouse RMD Calculations

Example 4: Harold dies in January 4, 2020 and leaves his IRA to his sister, Mary, who was born eight years after he was born. Since Mary is less than 10 years younger than Harold, she is an eligible designated beneficiary, and the balance in the inherited IRA can be paid out over her life expectancy. This formula uses the IRS Single Life Expectancy Table and factor is reduced by 1 each year (14.8, 13.8, 12.8, etc.). In this case, her inherited IRA will be entirely distributed within 15 years.

Required Minimum Distribution Calculation for 2021

Inherited Plan Information

Type of plan *	IRA
Account name	Harold James Inherited IRA

Plan Beneficiary Information

Name	Mary James
Date of birth	December 13, 1948
Original planholder's date of birth	March 14, 1940
Original planholder's date of death	January 5, 2020
Required Beginning Date (RBD)	December 31, 2021
Age of beneficiary on RBD	73

Required Minimum Distribution (RMBD) Formula

Plan value on December 31, 2020	\$374,219
Divided by factor from IRS Single Life Expectancy Table for age 73 minus 0	14.8
Equals the amount you must withdraw	\$25,285.07
by December 31, 2021 to avoid an IRS penalty of up to \$12,642.54	

* To comply with IRS regulations, beneficiaries must begin distributions by December 31 of the year following the year of the planholder's death. If the planholder's death occurred prior to their RMD beginning date, the five-year distribution rule is also available to the receiving beneficiary.

Based on your status as an "eligible designated beneficiary" whose age is within 10 years of the deceased accountholder, the life expectancy required minimum distribution method applies to your inherited IRA.

Consult your tax advisor regarding your particular situation.

Sample 5: Judy dies in 2020 and leaves her IRA to named beneficiary Terry, her brother, who was born 12 years after Judy. Terry is not an eligible designated beneficiary because he is more than 10 years younger than Judy. His RMD Calculation would have the following format and language:

Required Minimum Distribution Calculation for 2021

Inherited Plan Information

Type of plan *	IRA
Account name	Judy Wilson's Inherited IRA

Plan Beneficiary Information

Name	Terry Wilson
Date of birth	February 18, 1966

Required Minimum Distribution (RMBD) Formula

Plan value on December 31, 2020	\$98,543
---------------------------------	----------

Distributions may be taken from your inherited IRA, but no annual distributions are *required* during the first ten years following the death of the account owner. The balance of the inherited IRA must be distributed in its entirety by December 31, 2031, which is the end of the tenth calendar year following the year after the account owner's death.

Consult your tax advisor regarding your particular situation.

Note: This is the standard Non-Spouse Inherited IRA formula and language. The "eligible designated beneficiary" situations are exceptions that may use the IRS Single Life Expectancy Table and distribute funds over their lifetimes.

Sample 6:

Kenneth died on January 10, 2020 at age 74. He left his IRA to his named beneficiary Sandy, his granddaughter, who is 7 years old. Sandy is not an eligible designated beneficiary since she is not his child, even though she is a minor. She must distribute her inherited IRA over 10 years, similar to Sample 5.

Sample 7:

James died on January 3, 2020 at age 42. He named his daughter, Roxy, age 13, the beneficiary of his IRA. Roxy is an eligible designated beneficiary because she is a minor and also his child. She would be required to take Required Minimum Distributions based on the IRS Single Life Expectancy Table until she reaches the age of majority, after which, she must distribute the balance of her inherited IRA over 10 years.

Required Minimum Distribution Calculation for 2021

Inherited Plan Information

Type of plan *	IRA
Account name	James Anderson's Inherited IRA

Plan Beneficiary Information

Name	Roxy Anderson
Date of birth	March 16, 2006
Original planholder's date of birth	June 14, 1967
Original planholder's date of death	January 3, 2020
Required Beginning Date (RBD)	December 31, 2021
Age of beneficiary on RBD	15

Required Minimum Distribution (RMBD) Formula

Plan value on December 31, 2020	\$114,021
Divided by factor from IRS Single Life Expectancy Table for age 15 minus 0	67.9
Equals the amount you must withdraw	\$1,679.25
by December 31, 2021 to avoid an IRS penalty of up to \$839.63	

* To comply with IRS regulations, beneficiaries must begin distributions by December 31 of the year following the year of the planholder's death. If the planholder's death occurred prior to their RMD beginning date, the five-year distribution rule is also available to the receiving beneficiary.

Based on status as an "eligible designated beneficiary" who is a minor child of the deceased accountholder, the life expectancy required minimum distribution method applies from your inherited IRA. In the tax year you reach age 18, no annual distributions will be required for the next 10 years. The balance of the inherited IRA must be distributed in its entirety by December 31, 2034, which is the end of the tenth calendar year following the year you turned age 18.

Consult your tax advisor regarding your particular situation.

Note: The software uses age 18 as the age of majority for all states except Mississippi, where it is age 21, Nebraska, where it is age 19, and Arkansas where it is also age 19.