

SEP-IRA and SIMPLE IRA Inheritance Facts



The information provided is not intended as tax or legal advice. Prior to completing the [SEP-IRA and SIMPLE IRA Distribution](#) form, please consult a tax or legal professional for more information specific to your situation.

Process Overview

1. To inherit an IRA: Complete sections 1, 2, 4, and 7 to claim assets.
 - a. Attach a copy of the IRA owner's death certificate as well as death certificates for any deceased beneficiaries.
 - b. For estate, trust, or entity beneficiary, include the appointment of the estate executor, trustee, or person authorized to act for the entity. See Entity Documentation in Definitions for more details.
2. To inherit an IRA and receive a payment: Complete sections 1, 2, and 4-7 to claim assets and receive a payment from a new beneficiary account.
3. To receive a payment from a beneficiary account (already inherited): Complete sections 1, 2, and 5-7.

Note: Each beneficiary will need to complete a separate SEP-IRA and SIMPLE IRA Distribution form. A separate form will be needed for each IRA type.

Assets from the decedent's IRA are transferred to a separate account for the beneficiary. All distributions will be made from the beneficiary's account. Beneficiaries must include any taxable distributions received in their gross income. Tax reporting will occur under the beneficiary's tax identification number.

Beneficiaries are subject to required minimum distribution (RMD) rules. If you don't take your RMD, or take out too little, you may face an IRS penalty tax up to 25% of the amount not distributed. **Generally, failure to distribute RMDs, or if the RMD amounts are less than required, will result in an excise tax for the year(s) not distributed as required.**

Definitions

For purposes of this document, the following definitions are provided:

ROLES AND RELATIONSHIPS

Designated Beneficiary—An individual (person) who is named as a beneficiary of an IRA.

Eligible Designated Beneficiary—A certain designated beneficiary named as a beneficiary of an IRA by the original/deceased IRA owner who dies after December 31, 2019. An eligible designated beneficiary includes:

- Spouse of the deceased IRA owner
- Minor child of the deceased IRA owner
- Disabled or chronically ill individual
- Individual who is older or not more than 10 years younger than the deceased IRA owner

Non-designated Beneficiary—Any entity such as an estate, charity, or nonqualified trust that is named as a beneficiary of an IRA.

Spouse—An individual who is a spouse under federal law. Note: Certain states have enacted laws that revoke the former spouse beneficiary designation upon divorce.

Minor Child of Deceased IRA Owner—An eligible designated beneficiary who is a child of the deceased IRA owner. Under RMD rules, the age of majority is age 21.

Disabled or Chronically Ill Individual—An eligible designated beneficiary who is chronically ill or disabled, under the IRS definition, prior to the IRA owner's death.

Non-spouse Individual—A designated beneficiary who is not a spouse.

Entity—Non-individual. For example: a trust, an estate, or a charity.

Entity Documentation—For estate, trust, or entity beneficiary, include the appointment of the estate executor, trustee, or person authorized to act for the entity. Entities that require corporate resolution should be certified within 60 days; all other documents showing appointment should be certified within six months of receipt by T. Rowe Price. Trust document pages should include the trust name and date, current trustees' names, and signatures. Entity beneficiaries must provide documentation to verify the existence of the beneficiary as a legal entity.

ADDITIONAL RULES AND INFORMATION

Required Beginning Date (RBD)—The date by which required minimum distributions must be taken. In general, an IRA owner's RBD is April 1 of the year following the year they reach age 73.*

Five-Year Rule—The entire account must be distributed by the end of the fifth year following the year of the IRA owner's death. No distributions are required for any year before the fifth year. This option is not available if the deceased IRA owner was required to take an RMD at the time of death.

Ten-Year Rule—The entire account must be distributed by the end of the 10th year following the year of the IRA owner's death. If the IRA owner died before reaching their RBD, no distributions are required for any year before the 10th year. If the deceased IRA owner reached their RBD, distributions are required for each year.

Life Expectancy—This option spreads out annual distributions over a period of time. A portion of the assets is distributed each year based on IRS rules and applicable tables. Payments generally must begin by the end of the year following the year of the IRA owner's death.

Specified Years—The entire account balance is distributed proportionately over the number of calendar years specified.

Excess Accumulation Penalty—If distribution amounts are less than the RMD for a year, a 25% excise tax may apply for the year(s) on the amount(s) not distributed as required. The excise tax may be further reduced to 10% of the amount not distributed if the amount is distributed during the correction window and you submit a tax return reflecting this excise tax.

TRANSACTION TYPES

Transfer—A tax-free movement of all or a portion of the IRA assets into another IRA in which no tax reporting is required on your income tax return.

Rollover—A tax-free distribution of all or a portion of the IRA assets into another IRA or qualified retirement plan in the name of the spousal beneficiary. There are special rules that apply, and tax reporting is required on your income tax return. This option is only available for a spouse of the deceased IRA owner. RMDs are never eligible for rollover.

Distribution—The redemption of all or a portion of the assets in the account. The assets will be taxable in the year distributed. For non-spouse beneficiaries, once a distribution occurs, it cannot be rolled back in to an Inherited IRA.

Beneficiary Options

The SECURE Act was signed into law on December 20, 2019, and changed the way most beneficiaries take RMDs from Inherited IRAs. Before the SECURE Act, someone inheriting an IRA could generally take RMDs over their lifetime. For some non-spouse beneficiaries, this could stretch out the distributions for many decades, extending the benefit of tax deferral. Going forward, however, an Inherited IRA, where the IRA owner died after December 31, 2019, will generally need to be fully distributed to beneficiaries within 10 calendar years.



The beneficiary's RMD for Inherited IRAs depends on:

- Whether the IRA owner died before 2020 or after 2019
- The relationship of the beneficiary to the deceased IRA owner and certain other factors, i.e., eligible designated beneficiary, a designated beneficiary, or a non-designated beneficiary (see Definitions)
- Whether the IRA owner died before or on/after their RBD

Inherited Roth IRAs are subject to RMD rules and are applied as though the IRA owner died before their RBD.

The distributions described below are minimum amounts that must be distributed each year under the IRS proposed RMD regulations issued in February 2022. We are unable to predict the timing of when the final regulations will be issued, if any changes will occur to the proposed regulations, or when this IRA Inheritance Information will be updated. Please refer to your legal or tax professional regarding any additional questions specific to your situation as T. Rowe Price is unable to provide tax or legal advice.

If the required minimum distribution is not taken for a given year, additional penalties may apply (see Excess Accumulation Penalty in Definitions).

Required Minimum Distribution

RMD RULES FOR THE DECEASED IRA OWNER

In general, an IRA owner's required beginning date is April 1 of the year following the year they reach age 73.*

If the IRA owner's death occurred on or after their required beginning date, an RMD must be distributed for the year of death. If no RMD or only a partial RMD has been distributed for the IRA owner's year of death, you and any other beneficiaries must withdraw your respective portions of the required amount by the end of that year.

Upon request, T. Rowe Price will calculate the decedent's RMD for the year of death for distributions requested in the year of death. You should consult a tax professional for assistance with missed RMD payments.

RMD RULES FOR THE BENEFICIARY

If the IRA owner died on or before December 31, 2019

RMD Options for the Surviving Spouse

If you are the surviving spouse, you may treat your spouse's IRA as your own or as a beneficiary. Note: If you transferred or rolled over to your

own IRA or employer plan, you will be subject to taxation and RMD rules that would normally apply to your own IRA or plan. In this case, the RMD rules described below for the Inherited IRA do not apply.

If the IRA owner died before their RBD:

- Delay beginning distributions from your Inherited IRA until the deceased IRA owner would have turned 73.*
- Take payments over life expectancy (using the surviving spouse's current age each year).
- Follow the five-year rule—the beneficiary must distribute all assets by December 31 of the fifth year following the year of the deceased IRA owner's death. There are no RMDs in years one through four.

If the IRA owner died on or after their RBD:

- Take payments over life expectancy (using longer life expectancy based on the surviving spouse's current age each year or the IRA owner's age in the year of death and reduce by one each subsequent year).

RMD Options for an Individual Other Than the Surviving Spouse

If the IRA owner died before their RBD:

- Take payments over life expectancy (use the beneficiary's age in the year following the year of death and reduce by one each subsequent year). Distributions must begin by December 31 of the year following the year of death.
- Follow the five-year rule—the beneficiary must distribute all assets by December 31 of the fifth year following the year of the IRA owner's death. There are no RMDs in years one through four.

If the IRA owner died on or after their RBD:

- Take payments over life expectancy (using longer life expectancy based on the beneficiary's age or the original IRA owner's age in the year of death) and reduce by one each subsequent year.

RMD Options for an Entity (not an individual—includes trusts, estates, and charities)

If the IRA owner died before their RBD:

- Follow the five-year rule—the beneficiary must distribute all assets by December 31 of the fifth year following the year of the IRA owner's death. There are no RMDs in years one through four.

If the IRA owner died on or after their RBD:

- Take payments over life expectancy (using the original IRA owner's age in the year of death and reduce by one each subsequent year).

*The SECURE Act of 2019 changed the RMD age from 70½ to 72 for those who turned 70½ on or after January 1, 2020. The SECURE 2.0 Act of 2022 changed the RMD age to 73 for those who turn 72 on or after January 1, 2023. SECURE 2.0 also provides that the RMD age will change again to 75 in 2033.



Eligible Designated Beneficiary

Have the option to stretch distributions over life expectancy

Original Owner Decedent	Spouse		Other ³	Minor Children of Original Owner	
	Options	Roll in to their own IRA: ¹ RMDs at their own RBD	Transfer into Inherited IRA: ² Stretch RMD	Transfer into Inherited IRA: Stretch RMD	Transfer into Inherited IRA: Stretch RMD, then 10-year rule
	Pre-RBD	N/A	Delay RMDs until original owner would have reached RMD age; calculated at surviving spouse's life expectancy OR 10-year rule	RMDs over the beneficiary's life expectancy OR 10-year rule	RMDs year after original owner's death; calculated at the beneficiary's life expectancy, then fully liquidate the account the year they turn 31 OR 10-year rule
	On/Post-RBD	N/A	Calculated at surviving spouse's life expectancy OR Original owner's life expectancy, whichever is longer	RMDs over the longer of the beneficiary's life expectancy OR original owner's life expectancy	RMDs year after original owner's death; calculated at the beneficiary's life expectancy, then fully liquidate the account the year they turn 31

¹Once the surviving spouse elects to roll the assets as their own, it cannot be undone.

²The surviving spouse can have access to the funds prior to age 59½ without an early withdrawal penalty and with the ability to roll over assets to their own IRA at a later time.

³Persons older than or less than 10 years younger than decedent (e.g., siblings, friends, parents), disabled or chronically ill persons as defined by the IRS.

Noneligible Designated Beneficiary

Generally, persons more than 10 years younger than the original owner

Non-designated Beneficiary

Generally, an entity rather than a person

Original Owner Decedent	Options	Transfer into Inherited IRA: 10-year rule	Transfer into Inherited IRA
	Pre-RBD	No annual payout in years one through nine Fully liquidate account by end of 10th year	No annual payout required in years one through four Fully liquidate account by end of fifth year
	On/Post-RBD	RMDs year after original owner's death; calculated at the beneficiary's life expectancy years one through nine AND Fully liquidate account by end of 10th year	RMDs year after original owner's death; calculated at the original owner's life expectancy

This information is based on proposed IRS regulations published in February 2022. It is possible that these RMD rules could be subject to change when the RMD regulations are finalized at some point in the future.

