



T.RowePrice

November 2024

Re: Important Notice regarding RMDs

Enclosed please find an *Important Notice regarding Final RMD Regulations Issued by the IRS* ("Notice"), which includes some of the key changes in the law relating to 403(b) and qualified retirement plans.

If you have a T. Rowe Price 403(b)(7) custodial account, T. Rowe Price will notify you once the T. Rowe Price 403(b)(7) Custodial Account Agreement has been updated to reflect changes in the law. The options available to you should be specified in your employer plan document and related disclosures. Please check with your plan administrator regarding updates to your plan.

If you have adopted the T. Rowe Price Individual 401(k) Profit Sharing Plan Basic Plan Document, any applicable amendments will be sent to you in a separate mailing.

Please keep this letter and Notice with your records. Please consult your tax and/or legal professional regarding any questions you have about the impacts these changes may have to your particular situation.

If you have any questions, please call us at 1-800-492-7670.

(over, please)

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Important Notice regarding Final RMD Regulations Issued by the IRS

The Treasury Department and Internal Revenue Service (“IRS”) issued final¹ and proposed² regulations in July of 2024 to address certain changes in the Setting Every Community Up for Retirement Enhancement Act of 2019 (“SECURE Act”) and the SECURE 2.0 Act of 2022 (“SECURE 2.0”), regarding required minimum distributions (“RMDs”).

Interpretation of the 10-Year Rule

The Final Regulations provide the following clarity to beneficiaries subject to the 10-year rule:

- If the participant died ***on or after*** their Required Beginning Date (RBD), the beneficiary must distribute all assets by December 31st of the 10th year following the year of the participant’s death. There are required minimum distributions each year.
- If the participant died ***before*** their RBD, the beneficiary must distribute all assets by December 31st of the 10th year following the year of the participant’s death. There are no required minimum distributions in years 1-9.

Age of Majority

For purposes of the definition of an Eligible Designated Beneficiary, who is a minor child of the participant, the Final Regulations define the age of majority as 21.

Decedent’s Final RMD Deadline

The Final Regulations provide an automatic waiver as long as the last RMD of the participant is distributed by December 31st of the year following the year of the participant’s death or the beneficiary’s tax filing deadline (with extensions) for the year the participant died, if later.

Uniform Lifetime Table for Surviving Spouses

The Final Regulations permit surviving spouses to calculate their RMDs (as beneficiaries) using the Uniform Lifetime Table (ULT) rather than the Single Life Table (SLT).

Separate accounting rules and see-through trusts

The Final Regulations provide that separate accounting is available for any “see-through trust” if the trust is divided into separate trusts by the deadline provided by the IRS. Once the main trust is divided, the RMD rules will apply separately to each see-through trust.

Hypothetical RMD rule retained for spousal rollovers

The Final Regulations prohibit rollover eligibility for a “hypothetical RMD” amount in connection with certain rollovers by surviving spouses to their own plan or IRA. Basically, to the extent a surviving spouse initially uses the 10-Year Rule then subsequently rolls into their own IRA before the end of the 10-year period, they may have to take “hypothetical RMD” amounts prior to the rollover as if they had occurred.

Spousal continuation deadline eliminated, but replaced with similar concept

The Final Regulations provide the spousal continuation election can now be made only in a calendar year after the cumulative amount treated as a hypothetical RMD in that calendar year, if any, has been distributed from the plan.

Further clarification regarding the elimination of participant RMDs for plan Roth account

The Final Regulations clarify, for post-death RMD rules for plan Roth accounts, a participant is deemed to have died before their RBD. If a participant has pre-tax and Roth assets, different RMD rules could apply to each money source, depending on when they die.

¹ 89 Fed. Reg. 58886 (July 19, 2024) (“Final Regulations”)

² 89 Fed. Reg. 58644 (July 19, 2024) (“Proposed Regulations”)

20% mandatory withholding for non-spouse beneficiaries

The Final Regulations provide that the 20% mandatory withholding rule for eligible rollover distributions applies to distributions from a plan to a non-spouse beneficiary, even though the beneficiary cannot roll over the distribution.

Effective Date

The Final Regulations apply for distributions made, and for distribution calendar years beginning, on or after January 1, 2025. For earlier years, taxpayers must apply the final regulations published in 2002 and the final regulations published in 2004, but considering a "reasonable, good faith interpretation" of the relevant amendments under SECURE Act and SECURE 2.0.

Other IRS Relief and Guidance

Clarification for RMD age 75 in 2033 in New Proposed Regulations

To address a drafting error in SECURE 2.0, the IRS included a provision in new Proposed Regulations, confirming that only individuals born in 1960 or later are required to distribute RMDs for the year they attain age 75.

RMD Relief Issued by IRS for Certain Beneficiaries

IRS Notice 2024-35 also provides a one-year extension of the IRS' prior relief available for certain beneficiaries of retirement accounts who did not take an RMD, in 2024, due to the conflicting interpretations of the changes in the law referenced above.

Please keep this notice with your T. Rowe Price 403(b)(7) custodial account or the T. Rowe Price Individual 401(k) Profit Sharing Plan Basic Plan Document and consult your independent legal counsel and/or tax professional regarding any legal or tax issues raised in this material.