

THE ANSWER TO THIS QUESTION ON ELIGIBLE DESIGNATED BENEFICIARIES UNDER THE SECURE ACT MAY SURPRISE YOU

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The SECURE Act made many changes to the rules for beneficiaries who inherit retirement accounts. One of the most significant ones is the end of the stretch IRA for most beneficiaries. However, there are some beneficiaries called “eligible designated beneficiaries” (EDBs) who can still use the stretch. *How well do you understand this new class of beneficiaries?* Take our quick quiz. The answer may surprise you.

Is the following statement true or false?

Greta, age 72, inherits an IRA from her sister Emma, age 67. Greta is an eligible designated beneficiary and can stretch RMDs from the inherited IRA over her life expectancy.

The answer is true. Under the SECURE Act, EDBs can still stretch RMDs over their own life expectancy. There are five classes of EDBs. They include surviving spouses, minor children of the account owner, disabled individuals, the chronically ill, and beneficiaries not more than ten years younger than the IRA owner.

The last group can be confusing. The requirement is that the beneficiary cannot be more than ten years younger than the IRA owner. This would include those beneficiaries who are, in fact, older than the IRA owner because they are not more than ten years younger. The only requirement is that the beneficiary cannot be

more than ten years younger to be an EDB. There is no limitation on beneficiaries who are older than the IRA owner.

This slightly confusing rule allowing those not more than ten years younger to be EDBs is good news for many beneficiaries. It is not hard to think of a lot of groups who could fit into this category. Siblings, friends, and partners who are not married would likely be close in age and therefore considered EDBs. This would allow them to use the stretch under the SECURE Act.

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