

# RETIREMENT ACCOUNT ALPHABET SOUP

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For an area as highly regulated as IRAs and company plans, it's not surprising that there's a ton of abbreviated terms to keep track of. Here's 18 common ones that you should know:

**CARES Act.** The Coronavirus Aid, Relief, and Economic Security Act. A law enacted on March 27, 2020 that, among other items, waived RMDs for 2020 and allowed CRDs.

**CRD.** Coronavirus-related distribution. A penalty-free distribution, up to \$100,000, that certain COVID-affected individuals were eligible to receive from IRAs and company plans in 2020.

**DB.** Designated beneficiary. A beneficiary that is a living person. DBs can be either EDBs or NEDBs.

**EDB.** Eligible designated beneficiary. A DB that is a surviving spouse, a minor child, a chronically-ill or disabled-individual, or is no more than 10 years younger than the IRA owner. Even after the SECURE Act, EDBs can stretch inherited IRAs over their lifetime.

**ERISA.** The Employee Retirement Income Security Act of 1974. A federal law that regulates certain company-sponsored retirement plans and health plans.

**IRA.** Individual retirement arrangement. An IRA can be an individual retirement account or an individual retirement annuity.

**IRD.** Income in respect of the decedent. An income tax deduction available when a beneficiary receives income on an item owned by the decedent (such as an IRA) that is subject to both federal income and estate taxes.

**NDB.** Non-designated beneficiary. A beneficiary that is not a living person (e.g., a charity, estate or non-qualifying trust). An NDB must be paid out over five years (if the IRA owner died before her RBD) or over her remaining life expectancy had she lived (if the owner died on or after her RBD).

**NEDB.** Non-eligible designated beneficiary. A DB that is not an EDB. Under the SECURE Act, NEDBs must be paid out over ten years.

**NIA.** Net income attributable. The earnings or losses in an IRA attributable to an excess IRA contribution. To avoid a 6% penalty, the excess contribution, along with NIA, must be timely withdrawn.

**NUA.** Net unrealized appreciation. A tax strategy by which a 401(k) plan participant with highly-appreciated company stock can delay tax on appreciation of the stock between the date it was purchased and the date it was distributed from the plan.

**PLR.** Private letter ruling. A tax ruling made by the IRS issue upon request of a taxpayer. Technically, PLRs can only be relied upon by the person who requested the ruling.

**QDRO.** Qualified domestic relations order. A state court order by which an ex-spouse is awarded a portion of an ERISA plan participant's company plan retirement benefit.

**RBD.** Required beginning date. The date by which IRA owners and company plan participants are required to start RMDs. For IRAs and for company plans that don't use the "still-working exception," the RBD under the SECURE Act is April 1 of the year following the year the individual attains age 72.

**RMD.** Required minimum distribution. The distribution that IRA owners and plan participants must start taking at their RBD.

**SECURE Act.** The Setting Every Community Up for Retirement Enhancement Act. A law enacted on December 20, 2019 that, among other items, raised the RMD age to 72, removed the 70 ½ limit for making traditional IRA contributions, and eliminated

the stretch IRA for most non-spouse IRA beneficiaries.

**SEP.** Simplified Employee Pension. A retirement plan in which employers contribute to employees' SEP IRAs.

**SIMPLE.** Savings Incentive Match Plan for Employees. A retirement plan for small employers in which elective deferrals and employer contributions are made to employees' SIMPLE IRAs.

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