

“NOT MORE THAN 10 YEARS YOUNGER” – THE INTRIGUING EDB CATEGORY

Monday, June 28, 2021

By Andy Ives, CFP®, AIF®

IRA Analyst

Follow Us on Twitter: [@theslottreport](https://twitter.com/theslottreport)

By now, we all know the SECURE Act outlined a group of people that are still permitted to stretch inherited IRA payments over their own single life expectancy. This group is called “eligible designated beneficiaries” (EDBs). Yes, anyone who inherited an IRA prior to the SECURE Act is grandfathered and can continue to stretch required minimum distribution (RMD) payments. However, if you inherit IRA assets after the SECURE Act (i.e., if the original IRA owner died in 2020 or later), only EDBs can stretch.

The list of EDBs is short: Surviving spouses; Minor children of the account owner up to the age of majority (or if still in school, up to age 26); Disabled individuals; Chronically ill individuals; Individuals not more than 10 years younger than the IRA owner.

That last group is intriguing – “individuals not more than 10 years younger than the IRA owner.” It is a massive amount of people. Subtract 10 years from your age. Anyone in America (and beyond) who falls into that age category (or older) is a potential EDB for your IRA.

Example 1: Jana turns 50 years old today. Subtract 10 years. Anyone who is turning 40 today, and anyone who is older than 40 today, could qualify as an EDB for Jana’s IRA. Even people who are older than Jana could qualify for the stretch on her IRA as they are “not more than 10 years younger” than her.

All of Jana’s siblings are age 40 or older. They would qualify as EDBs for Jana’s IRA.

Jana's living parents are ages 75 and 80. They would both qualify as EDBs for her IRA. Jana's neighbors, ages 44 and 43, respectively, would qualify. In fact, most of the faculty at the university where Jana teaches could qualify as an EDB for her IRA because the bulk of the professors are age 40 or older. (There is no requirement that a person must be related to qualify as an EDB.)

While the "not more than 10 years younger" EDB category is only loosely defined in the SECURE Act, logic tells us that it is measured from specific birthdate to birthdate. There is no wiggle room. There is no language about "how old a person turns or would have turned this calendar year." The SECURE Act dictates that EDBs are established based on specific age on the date of death. Period. Just because a person passes away does not mean he stops aging.

Example 2: Ike is age 68 and 6 months old when he dies. Any of Ike's beneficiaries who are exactly age 58 and 6 months old or older on his day of death will qualify as an EDB. Ike's friend Abe is listed as a beneficiary on Ike's IRA, but Abe just turned 58. He is not an EDB on the day of Ike's death when EDBs are determined. Abe thinks that if he waits 6 months to claim the inherited IRA, he will become an EDB. Abe thinks that, since Ike died at age 68 and 6 months, if he waits to establish an inherited IRA when he is 58 and 6 months, he will be able to "age into" stretching payments. Abe is incorrect. The "not more than 10 years younger" EDB eligibility requirement is time-stamped on the day when Ike passed away.

Be aware of the intriguing "not-more-than-10-years-younger" EDB category. It includes a heck of lot more people than you might think.

Copyright © 2021, Ed Slott and Company, LLC Reprinted from The Slott Report, June 28, 2021, with permission. <https://www.ira-help.com/slottreport/%E2%80%9Cnot-more-10-years-younger%E2%80%9D-%E2%80%93-intriguing-edb-category>. Ed Slott and Company, LLC takes no responsibility for the current accuracy of this article.