3 IRA RULES TO KNOW BEFORE YOU WALK DOWN THE AISLE

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By Sarah Brenner, JD
Director of Retirement Education
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According to many recent surveys, the fall months of September and October are overtaking June as the most popular time of year to tie the knot. If your wedding is approaching in the next few months, the last thing you may be thinking about is your retirement account, but when it comes to IRA rules, marriage has its benefits. Here are three IRA rules you should know before you walk down the aisle:

1. You can make spousal IRA contributions: If you are not working you may think you are ineligible to make an IRA contribution. That might not be the case. If you are married, you may be able to contribute to your IRA based on your spouse's taxable compensation for the year. An individual could make spousal IRA contributions in some years and regular IRA contributions in others.

To make a spousal contribution for 2022, you must be legally married on December 31, 2022 and file a joint federal income tax return for 2022. If you are divorced or legally separated as of that date, neither spouse is eligible for a spousal contribution, even if they were married earlier in the year.

2. You are able to use the Joint Life Expectancy Table for Required Minimum Distributions (RMDS): When you reach age 72, you must start taking distribution annually, called required minimum distributions. These are calculated by using life expectancy tables provided by the IRS. IRA spouse beneficiaries who are more than ten years younger than the IRA owner may use the Joint Life Expectancy Table. This results in smaller RMDs versus using the Uniform Lifetime Table, which is required to be used to calculate lifetime RMDs for all other IRA owners.

3. You have special benefits as a spouse beneficiary. The benefits of being married continue even after the death of a spouse. Only a spouse beneficiary can roll over or transfer an inherited IRA from a deceased spouse into their own IRA. This is known as a spousal rollover. There is no deadline for a spousal rollover. Once the spousal rollover is done, the funds are treated like any other IRA funds you own. There are no RMDs if you are not yet age 72. Non-spouse beneficiaries do not have this option.

Not every spouse beneficiary will want to do a spousal rollover. Sometimes to avoid early distribution penalties it can make more sense to keep an inherited IRA. Under the SECURE Act, most beneficiaries will need to empty the inherited IRA by December 31 of the tenth year following the year of death. However, eligible designated beneficiaries (EDBs) will still be able to take RMDs from the inherited IRA based on their own life expectancy. A spouse is one of those EDBs.

As a spouse beneficiary you can take advantage of a rule unavailable to non-spouse beneficiaries. If you are the sole beneficiary, and if your spouse dies before their required beginning date (RBD) – when RNDs are to begin - you can delay RMDs from the inherited IRA until the year your spouse would have attained age 72. That can mean a delay of many years before RMDs from the inherited IRA must begin.

Even when spouse beneficiaries are subject to RMDs, they receive a special break when calculating that amount. Spouse beneficiaries have the advantage of being able to recalculate their life expectancy. Over time, this results in lower RMDs for spouse EDBs compared to non-spouse EDBs.

Best wishes to all the new brides and grooms!