

# YOUNG SPOUSE, SPOUSAL ROLLOVER, YEAR-OF-DEATH RMD...AND A PENALTY?

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By Andy Ives, CFP®, AIF®  
IRA Analyst

*When an IRA owner reaches the required beginning date (RBD), required minimum distributions (RMDs) are officially “turned on.” For IRAs, the RBD is April 1 of the year after the year the IRA owner turns age 73. If an IRA owner died after reaching his RBD, then the year-of-death RMD must be considered by the beneficiary.*

*If an IRA owner dies prior to taking all or a portion of the year-of-death RMD, the responsibility to take whatever remains of that final RMD falls to the beneficiary. For non-spouse beneficiaries, the custodian will typically (but not always) open an inherited IRA, transfer the entire balance into the new account, and the beneficiary can then take the year-of-death RMD from this inherited IRA. As long as the year-of-death RMD is taken by December 31 of the year after the year of death, then the IRS will be satisfied. This process works well because the Form 1099-R reporting the distribution is generated from the beneficiary’s inherited IRA and includes all the appropriate taxpayer information.*

*The same process also applies to spouse beneficiaries, whether the surviving spouse elects to maintain an inherited IRA or do a spousal rollover. All funds are moved to the surviving spouse’s account, and then the surviving spouse takes the year-of-death RMD. Younger spouses (under age 59½) are encouraged to do inherited IRAs so as to have full access to the funds with no penalty. Upon turning 59½, the surviving spouse can then complete a spousal rollover, thereby consolidating the inherited IRA dollars into their own IRA.*

*An interesting scenario involving a year-of-death RMD and surviving spouses came across our desk recently. A husband died in January 2026 at the age of 75. His surviving spouse had just turned 59. The husband was beyond his RBD and was taking RMDs, but had yet to take any of his 2026 RMD. As such, that responsibility fell to the beneficiary – his wife.*

*As mentioned, custodians will typically transfer all the assets from the deceased IRA owner’s account to the beneficiary, and then the year-of-death RMD can be paid out from the inherited account. But in this case, there was an extra layer of rules to consider. The surviving spouse wanted to do a spousal rollover because she was turning 59½ later this year. She had no need to do an inherited IRA first. However, if we processed a spousal rollover, and if the surviving spouse then took the year-of-death RMD before turning 59½, a 10% early distribution penalty would apply. (After a spousal rollover, the inherited assets are treated as*

*if the surviving spouse owned those funds from the very beginning, and all the normal distribution rules apply.)*

*One option was to hold off on the spousal rollover until later in 2026 when the surviving spouse would be 59½. Another option was to do the spousal rollover now and wait until the surviving spouse was 59½ to take the year-of-death RMD. Another option was to open an inherited IRA, take the year-of-death RMD from that account, and then complete the spousal rollover. In the end, that was the decision that was made. The advisor in charge of this account did a nice job of looking before she leapt into an irreversible transaction like a spousal rollover. A 10% penalty on a year-of-death RMD would have been a tough pill to swallow.*

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