



# Inherited Accounts

## Under the CARES Act

Tucked into the gigantic “Coronavirus Aid, Relief, and Economic Security” (“CARES”) Act were two key changes you should know about, regarding required minimum distributions (RMDs). Both were designed to give people more control over their money and to help manage selling investments during an emergency.<sup>1</sup>

One provision allows retirees to forego taking RMDs from Individual Retirement Accounts (IRA) or 401(k)-style plans this year.

The other provision allows people who have inherited 401(k)s, IRAs or Roth IRAs to suspend distributions in 2020 (while RMDs don’t apply to people with Roth IRAs, they do apply to investors who inherit Roth accounts).

Let’s take a look at a couple of examples.

- Let’s say an account holder has been taking RMDs from an inherited account for a number of years using the life-expectancy method set by the Internal Revenue Service. The account holder can forgo a distribution in 2020, and resume distributions in 2021.
- Suppose an account owner passed away on January 1, 2020, and left the IRA to an adult child. The new 10-year rule would start in 2021. The beneficiary would have until the end of the 10th year to withdraw the entire account.<sup>2</sup>

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**IMPORTANT NOTE:**

If you have already taken a distribution from an IRA or 401(k)-style plan this year, you may be able to roll the funds back into the plan. But if you have already taken a distribution from an inherited IRA, you may not be allowed to put that money back. Keep in mind, the CARES Act is a 335-page bill, and some of the provisions are open to interpretation. Please contact your tax or legal professional to understand how it might impact your situation.

Big picture, these rule changes are meant to help Americans who may be struggling with the economic, emotional, or physical toll of COVID-19. In a tough time, these provisions of the CARES Act give account owners some flexibility that may provide some relief. As always, please reach out if you have questions, I am happy to connect.

## Footnotes, Disclosures, and Sources

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**SOURCES:**

- <sup>1</sup> The Wall Street Journal, March 25, 2020.
- <sup>2</sup> Forbes.com, March 30, 2020. Under the SECURE Act, your required minimum distribution (RMD) must be distributed by the end of the 10th calendar year following the year of the Individual Retirement Account (IRA) owner's death. Penalties may occur for missed RMDs. Any RMDs due for the original owner must be taken by their deadlines to avoid penalties. A surviving spouse of the IRA owner, disabled or chronically ill individuals, individuals who are not more than 10 years younger than the IRA owner, and children of the IRA owner who have not reached the age of majority may have other minimum distribution requirements.