



## Advanced Beneficiary Topics for IRAs and QRPs

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## Learning Objectives

- Identify special issues that arise in processing death claims
- Explain the procedures for handling special issues

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## Naming a Beneficiary

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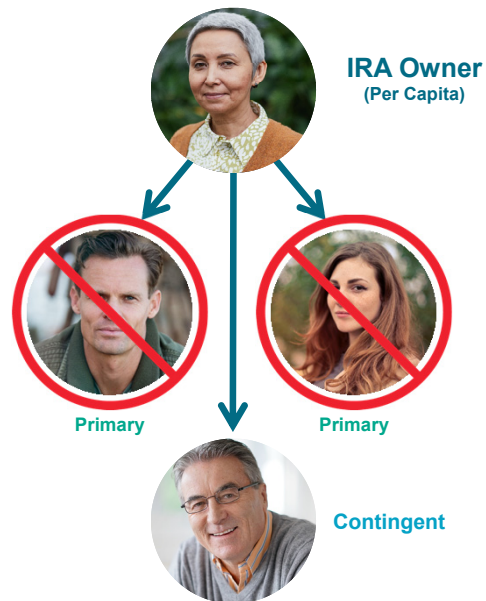
## Per Capita vs. Per Stirpes



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## Per Capita vs. Per Stirpes

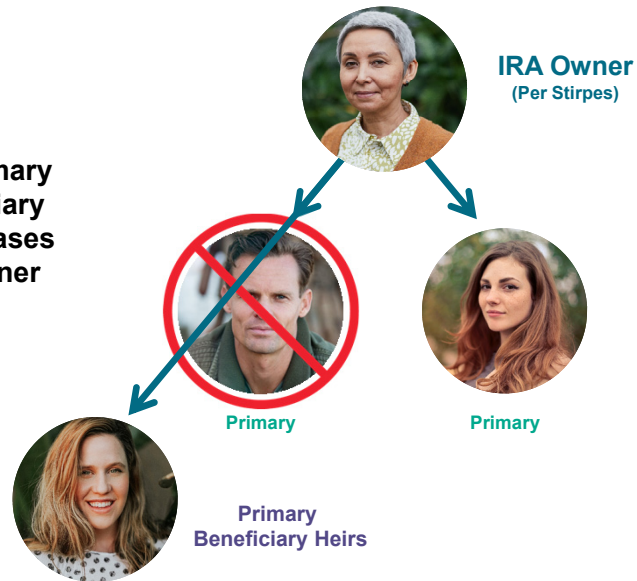


All Primary  
Beneficiaries  
Predecease  
IRA Owner

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## Per Capita vs. Per Stirpes



One Primary  
Beneficiary  
Predeceases  
IRA Owner

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## Per Capita

Marlise names her two kids, Sven and Annamaria, as equal primary beneficiaries.

If Sven predeceases Marlise, upon Marlise's death, his 50% share of the assets pass to Annamaria.

Annamaria will receive 100% of Marlise's IRA assets, leaving Sven's family with no share of the IRA assets.



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## Per Stirpes

Marlise names her two kids, Sven and Annamaria, as equal primary beneficiaries.

If Sven predeceases Marlise, upon Marlise's death, his 50% share of the assets will pass to his heirs.

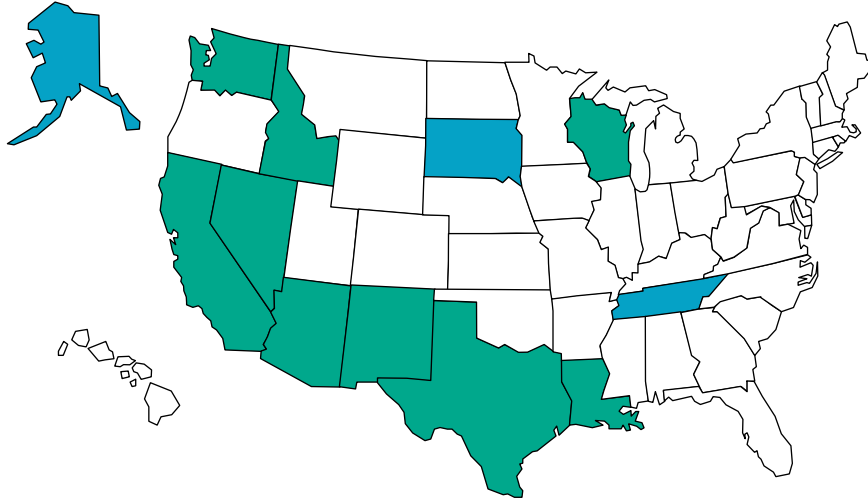
Annamaria will receive 50% of Marlise's IRA assets, and Sven's heirs will receive 50% of Marlise's IRA assets.



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## Community/Marital Property



*Alaska  
Arizona  
California  
Idaho  
Louisiana  
Nevada  
New Mexico  
South Dakota  
Tennessee  
Texas  
Washington  
Wisconsin*

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## No Community Property Issues to Consider



Not married



Signed consent  
of spouse



Did not live  
in community  
property state

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## Community Property

Jack, a lifelong resident of Culdesac, Idaho, recently died.

Jack named his business partner, Chase, as his primary beneficiary.

Ling maintains that, as Jack's wife, she is entitled to the IRA assets.



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## Community Property

Is Ling entitled to any portion of the assets?

Because Jack has always lived in a community property state, his wife, Ling, may be entitled to the IRA assets.

The financial organization should work with its legal counsel to determine appropriate action.

The court will determine the proper recipient.



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## Minor Beneficiaries



Governed by  
state law



Age of majority

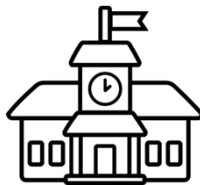


Pay to appointed  
parent or guardian

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## Organization or Charity as Beneficiary



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## Authority of an Agent to Designate Beneficiaries

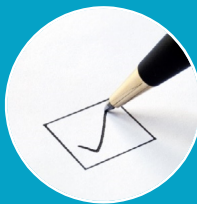
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### Authority of an Agent to Designate Beneficiaries



Explain Default  
Beneficiaries



Verify Agent's  
Authority



Retain Original  
Designation

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## Divorce and Beneficiary Designations

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## Divorce and Beneficiary Designations



Former spouse  
may have  
rights to assets



Determine if  
Uniform Probate  
Code (UPC)  
applies



Consult legal  
counsel

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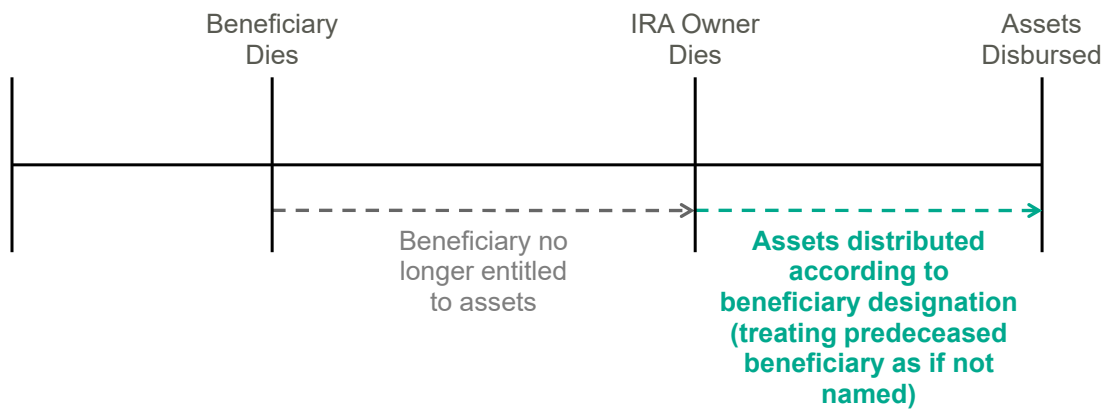
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## Beneficiary Issues

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### Primary Beneficiary Dies Before the IRA Owner



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## Primary Beneficiary Dies After the IRA Owner

Account Owner's Year of Death	Primary Beneficiary's Year of Death	Successor Beneficiary's Payout
2019 or earlier	2019 or earlier	May not extend distribution method
2019 or earlier	2020 or later	Must distribute the entire interest by the end of the 10th calendar year after the original beneficiary's death
2020 or later	2020 or later; Eligible designated beneficiary*	Must distribute the entire interest by the end of the 10th calendar year after the original beneficiary's death
2020 or later	2020 or later; Not an eligible designated beneficiary	Is subject to the original beneficiary's 10-year rule**

\* An "eligible designated beneficiary" is a spouse, an account owner's minor child, a disabled individual, a chronically ill individual, and an individual who is not more than 10 years younger than the account owner.

\*\*The statute is not clear on whether a successor beneficiary continues with the 10-year rule; however, this would align with current rules.

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## Spouse Inherited and Died Before January 1, 2020 Before Payments Required to Begin

**Original IRA Owner**  
Died in 2019 or earlier  
before RBD



**Spouse Beneficiary**  
**Options**

- Own life expectancy
- 5-year rule
- Transfer
- Distribute and rollover

**Treated as IRA Owner**



**Beneficiary**  
**Options**

- Own life expectancy
- 5-year rule



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## Spouse Inherits and Dies On or After January 1, 2020 Before Payments Required to Begin

### Original IRA Owner

Died in 2020 or later  
before RBD



### Spouse Beneficiary

#### Options

- Own life expectancy
- 10-year rule
- Transfer
- Distribute and rollover

#### Treated as IRA Owner



### Beneficiary

#### Option

- 10-year rule



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## Spouse Inherits and Dies Before Payments Required to Begin

Aubrey, age 50, died in 2021.

Claude, her husband, age 51, is the primary beneficiary.

Claude chooses life expectancy payments beginning in 2043.

Claude names Marcel as his successor beneficiary.

Claude dies in 2023.

Claude is treated as the IRA owner when determining Marcel's payment options.

Marcel must deplete the IRA within 10 years.



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**Notified of Death After December 31 of  
the Year After Death**


**Missed payments?**

**50% penalty tax?**

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**Assets Disbursed After the IRA Owner's Death**



**No IRS guidance**

**Don't have to "undo"**

**Actual recipient may dictate action**

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## Beneficiaries Naming Beneficiaries

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Does not violate  
federal laws



Consider state  
trust laws



Beneficiaries  
Naming  
Beneficiaries

Cannot extend  
payments



Review IRA  
documents



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## Beneficiaries Naming Beneficiaries

2021		VOID		CORRECTED	
TRUSTEE'S or ISSUER'S name, street address, city or town, state or province, country, and ZIP or foreign postal code		1 IRA contributions (other than amounts in boxes 2-4, 6-10, 13a, and 14a)		OMB No. 1545-0747	
		\$		2021	
		2 Rollover contributions		Form 5498	
		\$		IRA Contribution Information	
TRUSTEE'S or ISSUER'S TIN		3 Roth IRA conversion amount		4 Recharacterized contributions	
		\$			
PARTICIPANT'S TIN		5 FMV of account		6 Life insurance cost included in box 1	
		\$		\$	
PARTICIPANT'S name		7 IRA <input type="checkbox"/> SEP <input type="checkbox"/> SIMPLE <input type="checkbox"/> Roth IRA <input type="checkbox"/>		8 SEP contributions	
Successor beneficiary as beneficiary of original beneficiary		10 Roth IRA contributions		9 SIMPLE contributions	
Street address (including apt. no.)		\$		\$	
City or town, state or province, country, and ZIP or foreign postal code		11 Check if RMD for 2022 <input type="checkbox"/>		12a RMD date	
		12b RMD amount		13a Postponed/late contrib.	
		\$		13b Year	
		13c Code		14a Repayments	
		\$		14b Code	
Account number (see instructions)		15a FMV of certain specified assets		15b Code(s)	
		\$			

Form 5498 Cat. No. 50010C www.irs.gov/Form5498 Department of the Treasury - Internal Revenue Service

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## Successor Beneficiary Example

Jessica Logan died in 2019 and named Patty Covington as her IRA beneficiary.

Patty's 2019 Form 5498 was titled, "Patty Covington as beneficiary of Jessica Logan."

Patty died in 2021 and named Matt Kelly as her successor beneficiary.

Matt's 2021 Form 5498 will be titled, "Matt Kelly as beneficiary of Patty Covington."

The final Form 5498 for Patty (generated for the year of death) read, "Patty Covington as beneficiary of Jessica Logan."



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## Contesting Beneficiary Designations

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## Contesting Beneficiary Designations



Governed by  
state law



Last document  
executed



More specific  
document



Refer to financial  
organization's  
attorney

Wait for court  
determination

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## Single Life Expectancy Table Changes Beginning in 2022

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### Single Life Expectancy Table Changes Beginning in 2022



**Nov. 12, 2020**

IRS published final  
regulations



**Jan. 1, 2022**

First date  
applicable



**Transition Rule**

Allows a  
beneficiary to use  
a “one-time reset”



**Reviewed**

IRS expects to  
review tables every  
10 years (or when  
new mortality  
studies are  
published)

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**Questions?**

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Thank you for attending


**Advanced Beneficiary  
Topics for IRAs  
and QRPs**

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