



RMD confusion?

By Elizabeth

With the passing of the SECURE Act in December 2019 and the CARES Act in March 2020, there is a lot of new information--and some confusion--about Required Minimum Distributions (RMDs). This post will help clear the air.

The age at which individuals must take RMDs has changed -

- Old rule: An individual was required to take their first RMD by April 1st of the year following the year they turn 70.5.
- New rule: If an individual reaches age 70.5 in 2020 or later, they must take their first RMD by April 1st of the year following their 72nd birthday.
 - If an individual under the age of 72 was already taking RMDs before the new rules were enacted, they must continue taking RMDs each year. The CARES Act does allow an exception to this rule. More on that below.

Non-spouse beneficiaries of an IRA account are treated differently -

- Old rule: A non-spouse beneficiary had the option of taking a lump sum distribution at the time of inheritance or to stretch the distributions over their own life expectancy.
- New rule: Only four types of designated beneficiaries can stretch these distributions over their lifetime. They are spouses, minor children, disabled individuals, and those who aren't more than 10 years younger than the deceased.
 - Beneficiaries who don't fall into one of these four categories will now have to exhaust the Inherited IRA (i.e. take all the money out) within 10 years of the date of death.
 - IRAs inherited from someone who died on or after Jan. 1, 2020 will generally be subject to new SECURE Act rules.

Enter the CARES Act -

Clear as mud? I know...just when you thought you had the SECURE Act rules all sorted out the CARES Act came and threw a curveball. When the CARES act was passed, it waived RMDs in 2020 for IRAs, Inherited IRAs, 401(k)s, and Inherited 401(k)s. Since the act was not enacted until March of 2020, many individuals had already taken their distributions for 2020. Therefore, in June 2020, the IRS published a notice to allow individuals to return their RMD distributions back to their IRAs by the end of August.

As of right now, there is no indication that RMDs will be waived again in 2021.

What is a Coronavirus Related Distribution?

The CARES Act also allowed individuals to take Coronavirus Related Distributions (CRDs) up to \$100,000 with no 10% early withdrawal penalty. The individual, spouse, or dependent must have been diagnosed with COVID-19 or suffered financially from being laid-off, furloughed, or quarantined. The CRD must be repaid over the next three years.

With the 2020 tax season in full swing, you might be wondering how these new rules affect your tax filings. Thankfully, Charles Schwab has released a bulletin discussing the FAQs on the 2020 & 2021 RMDs and the 2020 CRD. Please [click on the link](#) for the Charles Schwab Required Minimum Distribution PDF for further information.

Clicking on the links above may result in you leaving the Pittenger & Anderson, Inc. website. The opinions and ideas expressed on these external websites are those of third-party vendors and Pittenger & Anderson, Inc. has not approved or endorsed any of this third-party content. For the full Terms & Conditions of using the Pittenger & Anderson, Inc. website, [click on this link](#).

Pittenger & Anderson, Inc. does not provide tax, legal, or accounting advice. This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for, tax, legal, or accounting advice. You should consult your own tax, legal, and accounting advisors before engaging in any transaction. Additionally, the information presented here is not intended to be a recommendation to buy or sell any specific security. To learn more about our firm and investment approach, check out our [Form ADV](#).

To view this article and others like it online, visit the P&A blog at <https://pittand.com/blog/>.