ED SLOTT'S IRA ADVISOR

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Tax & Estate Planning for Your Retirement Savings

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SECURE 2.0 Expands RMD Aggregation Rules for IRA Annuities

SECURE 2.0 expands the rules for aggregating required minimum distributions (RMDs) from annuitized IRAs. While the magnitude of this change was not immediately recognized by many financial professionals, by mid-2023 the insurance industry was fully leveraging its impact and pitching sales ideas to advisors. Over the past few months, as the details of the new guidelines became more mainstream, conversations about "annuity overages" have increased significantly. Nevertheless, while these new aggregation guidelines may be good news for certain IRA owners, hurdles and unknowns remain.

How the RMD Aggregation Rules Work

Before discussing the new SECURE 2.0 rules for IRA annuities, it is important to highlight the general RMD aggregation rules for retirement accounts. Not all RMDs from all types of accounts can be aggregated. RMDs from IRA accounts (including SEP and SIMPLE IRAs) owned by the same individual can be calculated for each account and then added together. The total RMD can then be taken from any one or combination of IRA accounts for that individual. RMDs are not required from Roth IRAs during an individual's lifetime. Therefore, no aggregation is permitted with Roth IRAs.

RMDs between spouses cannot be aggregated, nor can RMDs from a person's own IRA be aggregated with any of his inherited IRAs. However, RMDs from a combination of inherited IRAs (including inherited SEP and SIMPLE IRAs) that were inherited *from the same decedent* can be aggregated. Similarly, RMDs from inherited Roth IRAs can only be aggregated with RMDs from Roth IRAs inherited from the same decedent.

Employer plan RMDs cannot be aggregated. RMDs for each company plan must be calculated separately for each plan and taken separately from each plan. There is an exception for 403(b) accounts. RMDs for each 403(b) account must be calculated separately, but the total RMD for all 403(b)s may be taken from one (or more) of the 403(b) accounts.

Example 1: Margaret is 74 years old and retired. She has a 401(k), a Roth IRA, three traditional IRAs, and two inherited IRAs from her deceased brother. Based on the RMD aggregation rules, Margaret's RMDs for each account are determined as follows:

- The RMD from the 401(k) must be calculated solely on the 401(k) prior year-end value and must be taken only from the 401(k). No other distributions from any other accounts can offset any portion of the 401(k) RMD.