

Inherited IRAs Planning:

Untangling SECURE to Minimize Taxes & Maximize Control

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Home cooking, Jiu-Jitsu, Family walks
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SECURE Act

- Key Changes for IRA Planning

Case Study #1

- Surviving Spouse

Case Study #2

- Designated Beneficiary

Case Study #3

- See-Through Trust

Bonus

- A Hidden IRA Time Bomb?

Strategic Planning

Agenda



- **Ever-changing** landscape
- **\$40T** in Qualified Funds
- **All Financial Planning Domains:** Retirement, Estate, Income tax, Charitable Giving and Investing
- **Your Personal planning**

WHY?

DESIGNATED
BENEFICIARY

Non-DESIGNATED
BENEFICIARY

SECURE ACT 12/31/2019

ELIGIBLE DESIGNATED
BENEFICIARY

Stretch

DESIGNATED
BENEFICIARY

10-Year Rule

Non-DESIGNATED
BENEFICIARY

5-Year Rule

Post-SECURE



Quick Bites

- Inherited IRA RMDs **THIS YEAR (2025)**
(no more extensions!)
- **Leniency** in missed RMD penalties (10% - 25%)
- Expansion of **Spousal options**
- **Annuity aggregation** in 2024
- Year of death distribution **flexibility**
- Roth Accounts always treated as **Pre-RBD**
= **No RMDs**
- **'ALAR'** = At Least As Rapidly

Your New Best Friend

How to use this guidebook

Before you
Review of

Account
• Date
• Date

Beneficiary
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When did death occur?

Date of

PRIMARY BENEFICIARY

SECURE Act Rules

Death occu
Janu

Frequently Asked Questions

How are Inherited Roth IRAs treated?

With the passing of SECURE and the addition of the 10-Year Rule, Roth IRAs are treated as if the original account owner had not yet reached their RBD, even if they passed on or after that date. As such, distributions are *not required* during years 1-9.

How does the SECURE Act apply to Qualified annuities?

Annuities held within a qualified plan or an IRA must still follow the broader inherited IRA rules of SECURE and are not exempt from distribution requirements.

How does the SECURE Act apply to Non-Qualified annuities?

It doesn't. The SECURE Act only affects employer retirement plans and other qualified accounts. The Act has no effect on non-qualified annuities and a lifetime stretch is still available from non-qualified annuities.

What is the penalty for missed RMDs?

Previously 50%, effective 2023 SECURE 2.0 reduced the penalty to 10% of the amount not taken, provided the missed RMD is taken by the *end of the second calendar year* following the year for which the RMD was missed. If the RMD is not taken by that time, the penalty is 25%.

How can my client avoid the penalty?

The IRS allows for a complete waiver of the penalty if there has been "reasonable error." To request a waiver, the taxpayer sends a letter of explanation along with Form 5329 to the IRS. That form is usually attached to the client's 1040 Income tax return but can also be sent as a standalone form.

osaic Inherited IRA Guidebook | 10



SCAN to
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your copy!

Discovery

Before you begin *Review or Request*

Account Owner

- Date of Death
- Date of Birth

Beneficiary

- Relationship to Account Owner
- Current age
- Disabled or Chronically ill



Date of Death

When did death occur? Identifying the Original Account Owner's date of death is the first step in understanding which set of rules they must follow.



Beneficiary Classification

Beneficiary types can encompass the age, relationship, and a handful of other factors. Beneficiaries may also be primary or successor, which are treated differently for account distribution.



Distribution Method

Once the type of beneficiary has been identified, the next step is how and when distributions must be made.

Before you begin

Account Owner

- Date of Death
- Date of Birth

Beneficiary

- Relationship to Account Owner
- Current age
- Disabled or Chronically ill

Account owner: Tom (50)

- DOB 02/02/1975
- DOD 04/17/2025

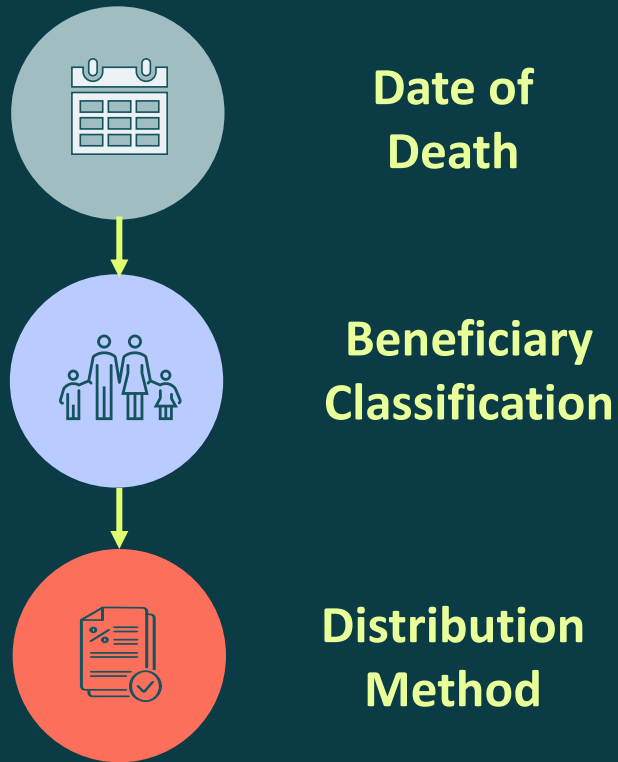
Beneficiary: Beth (50)

- Spouse

Case Study #1: Surviving Spouse

Case Study #1:

Surviving Spouse



1. Lump Sum distribution

- No 10% early distribution penalty
- All taxable; exceptions may apply for state income taxes

2. Treat her husband's IRA as her own

- Only available to surviving spouses
- Pre-59.5 distributions subject to 10% penalty

3. Inherited IRA

- Start with Inherited IRA
- Transfer to 'Own IRA' at any time

Before you begin

Account Owner

- Date of Death
- Date of Birth

Beneficiary

- Relationship to Account Owner
- Current age
- Disabled or Chronically ill

Account owner: **Grandma Mary (86)**

- DOB 10/19/1939
- DOD 02/25/2025

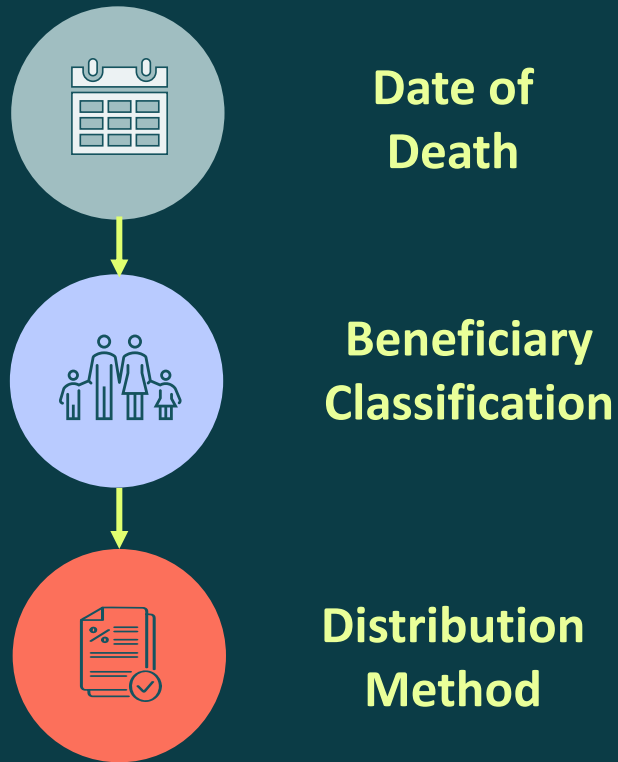
Beneficiary: Kate (47)

- Daughter

Case Study #2: Designated Beneficiary

Case Study #2:

Designated Beneficiary



1. Lump Sum distribution

- No 10% early distribution penalty
- All taxable; exceptions may apply for state income taxes

2. 10-Year Distribution

- 2025 Year-of-death RMD
- 10-Year Rule beginning in 2026
- Distributions Y1-9, based on **Kate's Life Expectancy**

POP QUIZ!

“How are Inherited **Health Savings Accounts** treated?”

- A. **SPOUSE** = Take as their own
- B. **All Others** = Taxable immediately!

“Because the house always wins. Play long enough, you never change the stakes, the house takes you...”

— Danny Ocean, Ocean’s Eleven



Before you begin

Account Owner

- Date of Death
- Date of Birth

Beneficiary

- Relationship to Account Owner
- Current age
- Disabled or Chronically ill

Account owner: Raul (57)

- DOB 03/14/1967
- DOD 10/01/2014

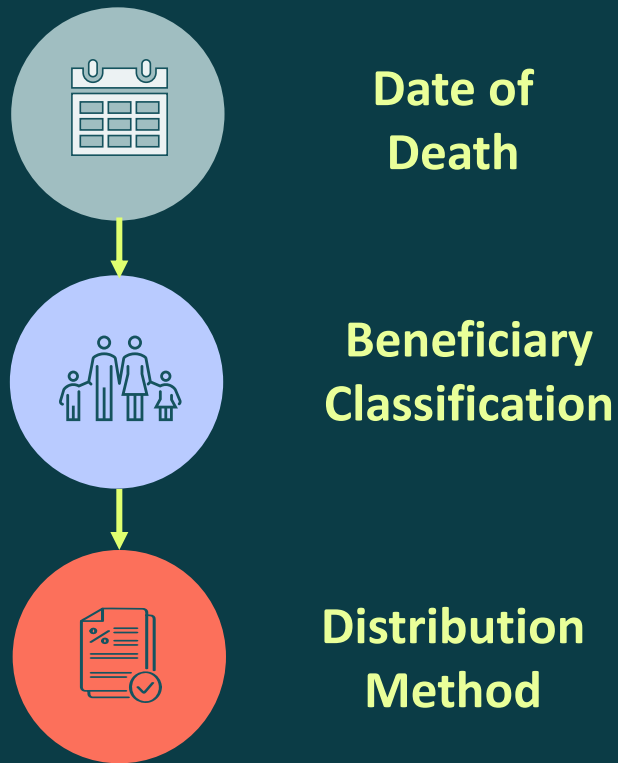
Beneficiary:

- Raul's Revocable Trust

Case Study #3: See-Through Trust

Case Study #3:

See-Through Trust



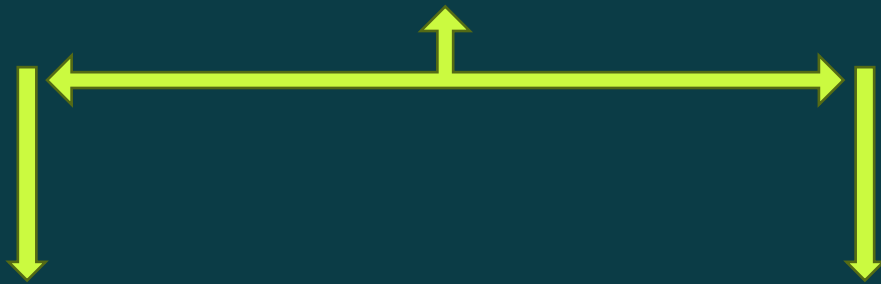
See-Through Qualifications:

1. Valid under state law ✓
2. Irrevocable at death ✓
3. Beneficiaries are identifiable humans
 - 17yo Son
 - 22yo Daughter ✓
 - Divided into Sub-trusts ✓



Case Study #3: See-Through Trust

“The Trust shall be divided into Subtrust A, Subtrust B, with each Subtrust receiving a proportionate share of each trust asset...”



17yo

- Eligible Designated Beneficiary
- Stretch until 21
- 10 Year Rule + Annual distributions

22yo

- Designated Beneficiary
- 10 Year Rule + *NO* Annual distributions

“Each beneficiary shall receive rights to proportionate interest of the undivided Trust assets...”



17 and 22yo

- Both treated as Designated Beneficiary
- 10 Year Rule + *NO* Annual distributions

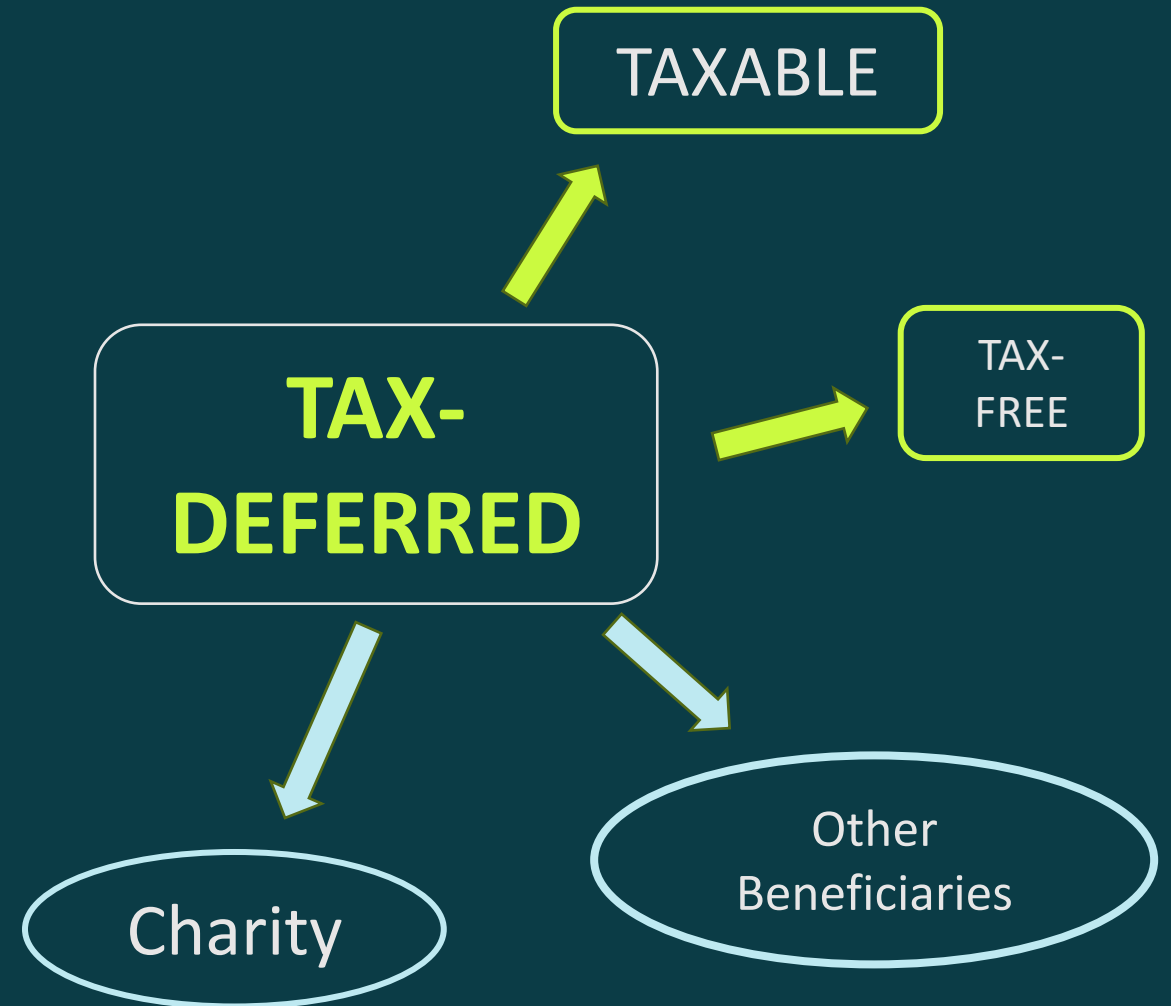
Strategic Planning

Asset Shifting

- Reduce/Stop Tax-deferred
- General Distributions
- Roth Conversions

Legacy Planning

- Charitable Giving
- Disclaimer Planning



INHERITED IRA

How do I reduce taxes and maximize wealth?

Takeaways



Check the beneficiary forms and IRA titling



Think Maximum, Not Minimum



Accumulation Planning
≠ Decumulation Planning



Review Trust Planning

SECURE Act

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Strategic Planning



Thank You

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