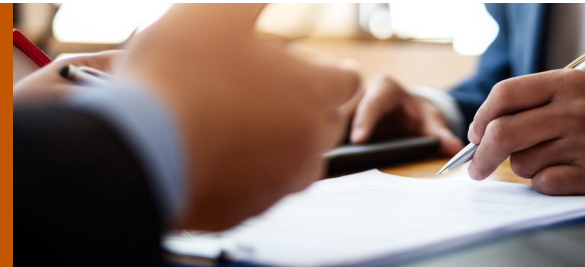


## 2025 RMD Guidance for Inherited IRAs: What You Need To Know And What To Do

MAY 22, 2025 | BY: THE INDIVIDUAL, TRUSTS & ESTATES TEAM



If you own an inherited IRA, it's important to understand the IRS rules regarding required minimum distributions (RMDs) and the timeline for withdrawing funds. Here are the changes introduced by the SECURE Act of 2019, which apply to IRA accounts inherited from individuals who passed away in 2020 or later. Please note that different rules apply for accounts inherited before 2020.

The SECURE Act, effective January 1, 2020, significantly changed the RMD rules for inherited IRAs. Under the new law, most non-spouse beneficiaries must now fully distribute inherited IRA assets within 10 years of the original account holder's death. However, the specifics of when and how much must be withdrawn can be complex—especially after several years of transitional relief provided by the IRS.

### What Changed Under the SECURE Act?

Before 2020, most non-spouse beneficiaries were allowed to “stretch” RMDs over their own life expectancy, potentially deferring taxable income for decades. The SECURE Act eliminated this option for most new beneficiaries and replaced it with a 10-year rule.

### Who Is Affected by the 10-Year Rule?

If you are a non-spouse beneficiary of an IRA from someone who died in 2020 or later, you are likely subject to the 10-year rule. This means:

- You must withdraw the full balance of the inherited IRA by **December 31 of the 10th year** following the original account holder's death.
- *Example: If the date of death was July 1, 2021, the account must be fully withdrawn by December 31, 2031.*
- If the original owner died **on or after** their required beginning date (RBD)—generally April 1 of the year following the year they turned age 72 or 73—you must take **annual RMDs in years 1 through 9**.
- If the original owner died **before** their RBD, no annual RMDs are required during the 10-year period, but the full account still must be withdrawn by the end of year 10. While not mandatory, taking annual distributions may still be a strategic move for tax planning purposes.

### What Has Happened Since 2020?

- **2021–2024 Relief:** Following the SECURE Act, there was confusion about whether beneficiaries were required to take annual RMDs or could wait until year 10 to withdraw the full amount. The IRS later clarified that annual RMDs are required in years 1–9 if the original owner died on or after their RBD. However, the IRS provided transitional relief, waiving penalties for missed RMDs in 2021 through 2024.
- **2025 and Beyond:** Beginning in the 2025 tax year, missed RMDs will be subject to a 25% penalty, and automatic penalty relief will no longer apply.

### What You Need to Do in 2025

If you inherited an IRA from someone who passed away in 2020 or later and have not taken any required distributions, now is the

time to act. The rules for inherited IRAs are nuanced and depend on multiple factors—including the original account holder's age at death, your relationship to the decedent, and the type of IRA involved.

We recommend consulting your advisor at Johnson O'Connor to discuss your 2025 RMD requirements and develop a personalized strategy to manage your inherited IRA in the most tax-efficient way possible.

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