

## Those Confusing RMD Rules!

**Quick-Take:** Different required minimum distribution (RMD) rules apply to different situations. Assuming which rule applies might lead to the failure to take an RMD.

**Background:** It seems that there is a different required minimum distribution (RMD) rule for different situations. These different rules can lead to assumptions, confusion, and mistakes. Consider the following examples of an individual who owns an IRA and who wants to know if they have to take an RMD before the end of 2025.

**Inherited Roth IRA:** Ted inherited a Roth IRA on his mother's death in 2021. A Roth IRA owner is not required to take an RMD during her lifetime, so Ted's mother was considered to have died prior to her required beginning date (RBD). Consequently, while no RMDs are required to be taken by Ted during the 10-year period after Ted's mother's death, Ted will have to empty his inherited Roth IRA no later than December 31, 2031.

**Inherited Traditional IRA:** Beth, age 52, inherited a traditional IRA from her mother, who died at the age of 88. Beth is subject to the SECURE Act's 10-year payout rule. But Beth's mother died after her RBD. The IRS's Regulations require that if the IRA owner died after her RBD, then annual RMDs must be taken by the beneficiary who inherited that traditional IRA during the ten year period. This requirement was waived by the IRS for years 2021-2024 due to the confusion caused by this SECURE Act change, but the Regulations are effective for 2025. Accordingly, Beth must take an RMD from the inherited IRA before December 31, 2025.

**Still Working IRA Owner:** Brad, age 77, is still working for his employer. Brad's employer offers a SIMPLE IRA plan in which Brad participates. Brad needs to take an RMD from his SIMPLE IRA, even though he is 'still working' in 2025. The 'still working' exception from RMDs only applies to a participant in a qualified retirement plan, not an employer-sponsored retirement plan that is based on IRAs, e.g., SEP or SIMPLE plans.

**Turning Age 73:** Jen turned 73 on October 25, 2025. Jen owns a traditional IRA. Jen does not have to take an RMD from her traditional IRA in 2025. The deadline for taking the first RMD

is April 1 of the year that follows the year in which the IRA owner turns age 73. Accordingly, the deadline for Jen's first RMD that must be taken from her IRA is April 1, 2026.

**Successor Beneficiary:** Mary, age 56, died in 2018 owning a traditional IRA. Mary's brother Alex was the named beneficiary of Mary's IRA. Alex dies in 2024. Alex's son Evan is the successor beneficiary to Mary's traditional IRA. Evan as successor beneficiary is subject to the SECURE Act's 10-year distribution rule. Evan must take an RMD for 2025. The IRS's Final Regulations that because the annual RMDs were started when Alex inherited the IRA (before the SECURE Act, when designated beneficiaries could stretch their RMDs over their life expectancies) those distributions must continue for the successor beneficiary. Therefore, Evan must take an RMD by December 31, 2025.

**Conclusion:** It would be nice if there was one set of rules that everyone could follow, but apparently that is not a priority for either Congress or the IRS. The point, I guess, is to go very slow when making the determination which distribution rules apply to each situation.

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