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HOW TO BE YOUR CLIENT'S HERO: IRA PLANNING POST SECURE ACT



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1989



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HOW IRAS ARE DIFFERENT



- Distributed differently during life and at death
- Tapping IRA equity usually triggers tax
- Cannot transfer ownership during life
- Gains taxed as ordinary income
- Generally passed by beneficiary, not by will

TECHNICAL UPDATES FOLLOWING SECURE ACT AND SECURE 2.0



- Dec 2019 = SECURE passed
- July 2024 = final regs, so confusion abounds
- RMD age moving toward 75
- Missed RMD penalty drops from 50% to 25% (or even 10%)
- Statute of Limitations

TECHNICAL UPDATES
FOLLOWING SECURE
ACT AND SECURE 2.0

Year born	New RMD age
< 1951	72
1951 - 1959	73
> 1960	75



TECHNICAL UPDATES FOLLOWING SECURE ACT AND SECURE 2.0 (CONTINUED)

- Missed some RMDs? Different fix for IRA vs 401(k)

Year of death RMD - relaxed deadline

- QCDs indexed for inflation

- Spouse can treat IRA as their own

- Expanded Roth options



BIG CHANGES TO INHERITED IRA RULES



New Classes of Beneficiary

Flying first class : **Eligible Designated Beneficiary (EDB)**: Stretch options for certain individuals —such as surviving spouse, minor child (until age 21, then 10-year rule with RMDs), disabled or chronically ill individuals, and beneficiaries not more than 10 years younger than IRA owner

More info on spousal options in a moment...

An EDB MAY elect a faster payout

Beneficiary status is determined on the date of the IRA owner's death

BIG CHANGES TO INHERITED IRA RULES



New Classes of Beneficiary

Flying Coach: **Non-Eligible Designated Beneficiary**

(NEDB): 10-year distribution period. If death is before RBD, no annual RMD until year 10; if death is after RBD, annual RMDs are required for years 1-9.

In both instances, entire account must be emptied by end of the 10th year after the year of death.

TIME'S UP!

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BIG CHANGES TO INHERITED IRA RULES



New Classes of Beneficiary

Flying Standby: **Non-Designated Beneficiary (NDB):**
a beneficiary without a heartbeat (charity, estate, etc.)

5-year rule: If death before RBD then no RMD but must
empty account by end of 5th year

“Ghost Rule” if death ON or after RBD, must take RMDs
over deceased owner’s remaining life expectancy

SPOUSAL BENEFICIARY OPTIONS BEGINNING IN 2024

NEW RULES FOR SPOUSE BENEFICIARY

Option 1: Spousal Rollover

- Subject to 10% penalty if under age 59 ½
- Delay RMDs until surviving spouse's own RBD
- Use Uniform Lifetime Table (ULT) to calculate RMDs

Option 2: Treat as Own (a nuance that is not common)

Option 3: Remain an IRA beneficiary

(aka "Make a 327 election")

- Avoids 10% penalty
- Death before RBD
 - 10-year rule
 - Section 327 election
 - ✓ Delay RMDs until deceased IRA owner would have reached age 73
 - ✓ Use beneficiary's age and ULT to calculate RMDs
- Death on or after RBD
 - ➤ Section 327 (if available)
 - ✓ Use beneficiary's age and ULT to calculate RMDs ("ghost life" allowed if longer)

Expanded Uniform Lifetime Table For Spouse Beneficiaries

(per IRS Proposed Regulations - July 18, 2024)

Age of Spouse Beneficiary	Life Expectancy (in years)	% of Account Balance	Age of Spouse Beneficiary	Life Expectancy (in years)	% of Account Balance
10	88.2	1.13%	45	53.4	1.87%
11	87.2	1.15%	46	52.4	1.91%
12	86.2	1.16%	47	51.5	1.94%
13	85.2	1.17%	48	50.5	1.98%
14	84.2	1.19%	49	49.5	2.02%
15	83.2	1.20%	50	48.5	2.06%
16	82.2	1.22%	51	47.5	2.11%
17	81.2	1.23%	52	46.5	2.15%
18	80.2	1.25%	53	45.6	2.19%
19	79.2	1.26%	54	44.6	2.24%
20	78.2	1.28%	55	43.6	2.29%
21	77.2	1.30%	56	42.6	2.35%
22	76.2	1.31%	57	41.6	2.40%
23	75.2	1.33%	58	40.7	2.46%
24	74.2	1.35%	59	39.7	2.52%
25	73.3	1.36%	60	38.7	2.58%
26	72.3	1.38%	61	37.7	2.65%
27	71.3	1.40%	62	36.8	2.72%
28	70.3	1.42%	63	35.8	2.79%
29	69.3	1.44%	64	34.9	2.87%
30	68.3	1.46%	65	33.9	2.95%
31	67.3	1.49%	66	33.0	3.03%
32	66.3	1.51%	67	32.0	3.13%
33	65.3	1.53%	68	31.1	3.22%
34	64.3	1.56%	69	30.1	3.32%
35	63.3	1.58%	70	29.2	3.42%
36	62.3	1.61%	71	28.3	3.53%
37	61.3	1.63%	72	27.4	3.65%
38	60.3	1.66%	73	26.5	3.77%
39	59.4	1.68%	This expanded portion of the Uniform Lifetime Table is used only for spouse beneficiaries (spouses who choose to remain a beneficiary using section 327 under the SECURE 2.0 Act).		
40	58.4	1.71%			
41	57.4	1.74%			
42	56.4	1.77%			
43	55.4	1.81%			
44	54.4	1.84%			



Spouse Beneficiary Options After SECURE 2.0

This chart is for a spouse beneficiary who inherits an IRA in 2024 or later, or for any spouse beneficiary when the deceased IRA owner would have been age 73 in 2024 or later. The options will depend on when the IRA owner dies and the age of the spouse beneficiary. If the death is before the **required beginning date (RBD)**, the options are spousal rollover, keeping an inherited IRA, or electing the 10-year rule. If the IRA owner dies on or after the RBD, the options are spousal rollover and keeping an inherited IRA. A spousal rollover can be done at any time, but once done, cannot be reversed.

Date of Death	IRA Owner Dies <i>BEFORE</i> RBD (or has a Roth IRA): 3 Options			IRA Owner Dies <i>ON</i> or <i>AFTER</i> RBD: 2 Options	
Options	<i>Spousal Rollover</i>	<i>Inherited IRA</i>	<i>10-Year Rule</i>	<i>Spousal Rollover</i>	<i>Inherited IRA</i>
Spouse beneficiary is under age 59½	No RMDs (ULT)* until age 73 If Roth, no lifetime RMDs 10% penalty applies	No RMDs (ULT)* until 12-31 of the year the deceased IRA owner would have been 73. No 10% penalty	Distribute funds by 12-31 of the 10th year after the year of death. No annual RMDs or 10% penalty	No RMDs (ULT)* until age 73 10% penalty applies	RMDs (ULT)** each year No 10% penalty
Spouse beneficiary is older than age 59½ but younger than age 73	No RMDs (ULT)* until age 73 If Roth, no lifetime RMDs No 10% penalty	No RMDs (ULT)* until 12-31 of the year the deceased IRA owner would have been 73. No 10% penalty	Distribute funds by 12-31 of the 10th year after the year of death. No annual RMDs or 10% penalty	No RMDs (ULT)* until age 73 No 10% penalty	RMDs (ULT)** each year No 10% penalty
Spouse beneficiary is age 73 or older	RMDs (ULT)* each year If Roth, no lifetime RMDs No 10% penalty	No RMDs (ULT)* until 12-31 of the year the deceased IRA owner would have been 73. No 10% penalty	Distribute funds by 12-31 of the 10th year after the year of death. No annual RMDs or 10% penalty	RMDs (ULT)* each year No 10% penalty	RMDs (ULT)** each year No 10% penalty

* Use the Uniform Lifetime Table (ULT) and the recalculated age of the spouse beneficiary to calculate the required minimum distribution (RMD).
** If the section 327 election is made, use the ULT and the recalculated age of the spouse beneficiary to calculate the RMD. You may use the Single Life Table (SLT) and the nonrecalculated life expectancy of the deceased IRA owner if it is longer. If the 327 election is not made, the SLT must be used to calculate RMDs.

SPOUSAL BENEFICIARY OPTIONS- CASE STUDY 1

Case Study #1 - Childhood Sweethearts

Bill, age 72, is married to his childhood sweetheart, Cathy, age 67. Both have IRAs and each has named the other as beneficiary.

If Bill dies in 2024 and Cathy inherits his IRA, what are her options?

Cathy inherits Bill's IRA	Spousal Rollover	Section 327 ("inherited IRA")
RMD start date	4-1-31	12-31-25
RMD calculation	ULT 26.5 (Cathy @ age 73)	ULT 31.1 (Cathy @ age 68)
10% Penalty	No	No



The best option for Cathy would be to do a **spousal rollover** because she could delay RMDs the longest. A Section 327 election (inherited IRA) would require her to begin taking RMDs next year when Bill would have turned age 73. The 10% penalty is not an issue here because Cathy is over age 59 ½.

SPOUSAL BENEFICIARY OPTIONS- CASE STUDY 1

If Cathy, age 67, dies in 2024 and Bill, age 72, inherits her IRA, what are his options?

Bill inherits Cathy’s IRA	Spousal Rollover	Section 327 Election (“inherited IRA”)
RMD start date	4-1-26	12-31-30
RMD calculation	ULT 26.5 (Bill @ age 73)	ULT 22.0 (Bill @ age 78)
10% Penalty	No	No



If his goal is to delay RMDs as long as possible, the best option for Bill would be to do the section 327 election. This will allow him to delay RMDs until Cathy would have been age 73. This will delay RMDs longer than a spousal rollover because she is a few years younger than him.

SPOUSAL BENEFICIARY OPTIONS- CASE STUDY 2

Case Study #2- Before RBD - May-December Romance

Bill, age 72, and Cathy, age 67, get a divorce. Bill finds a new girlfriend, Jordan, age 24. Bill and Jordan marry and name each other as beneficiaries on their IRAs.

If Bill dies in 2024 and Jordan inherits his IRA, what are her options?

Jordan inherits Bill's IRA	Spousal Rollover	Section 327 ("inherited IRA")
RMD start date	4-1-76	12-31-25
RMD calculation	ULT 24.6 (Jordan @ age 75)	ULT 73.3 (Jordan @ age 25)
10% Penalty	Yes, until age 59 1/2	No



If she needs the IRA funds, the best option for Jordan would be to use section 327 and establish an inherited IRA under the new stretch rules. She can then access the inherited IRA without the 10% penalty. The downside to this is that she must start taking RMDs in 2025. When Jordan reaches age 59 ½ she can do a **spousal rollover** because the 10% penalty is no longer a concern. She would also be able to stop RMDs until she reaches age 75.

If Jordan does not need the IRA funds, she should immediately do a **spousal rollover**.

SPOUSAL BENEFICIARY OPTIONS- CASE STUDY 2

If Jordan dies and Bill inherits her IRA, what are his options?

Bill inherits Jordan's IRA	Spousal Rollover	Section 327 ("inherited IRA")
RMD start date	4-1-26	12-31-75
RMD calculation	ULT 26.5 (Bill's age @ 73)	ULT 2.0 (Bill's age @ 123)
10% Penalty	No	No



If Bill used section 327, he could delay RMDs until 2075 - *until he is 123 years old!*

Then, he could take RMDs using the ULT. Unfortunately, due to his short life expectancy, he would have to empty the account in two years. The 10% penalty is not an issue for Bill due to his age.

WHAT ABOUT ROTH?

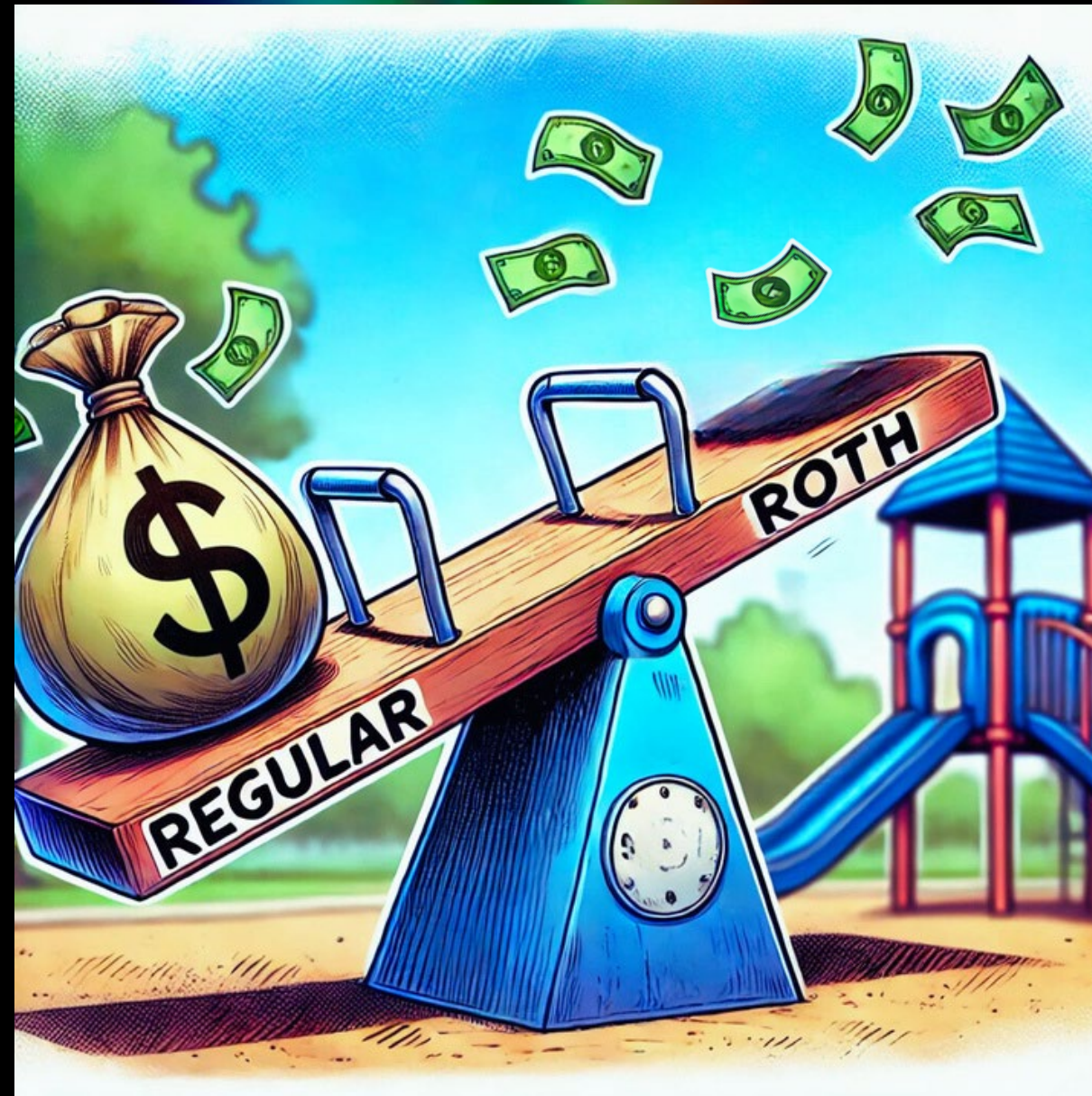


- Roth owners are **always** deemed to have died before Required Beginning Date
- Successor beneficiaries
- Trust as Roth beneficiary is generally icky!



Planning Opportunities

**Ensure tax diversification to avoid
overloading client portfolios with
taxable - later accounts**



**Don't follow the herd...RMDs are MINIMUM, but often leave
a taxpayer in a tighter situation later on**



Reasons to convert to Roth



1. Tax diversification is key —think of it as legislative diversification

2. No RMDs on Roth balances

3. Roth distributions do not trigger IRMAA

4. Aim to be mortgage - free across all assets

5. Prioritize tax - free legacy (Roth or life insurance)

6. Anticipate potentially less favorable tax policies in the future

Reasons NOT to convert to Roth



1. Qualified Charitable Distribution from IRA post age 70.5
2. Avoid triggering IRMAA surcharges
3. Be mindful that higher MAGI could disqualify you or heirs from certain aid
4. Plan to use future medical deductions by preserving pre-tax dollars
5. Expect lower tax rates in the future
6. Anticipate a 501(c)3 organization as the account beneficiary



**Everyone makes mistakes, so
let's avoid some of the biggest
ones that we see**

MISTAKES

Overlooking the impact of beneficiary designations



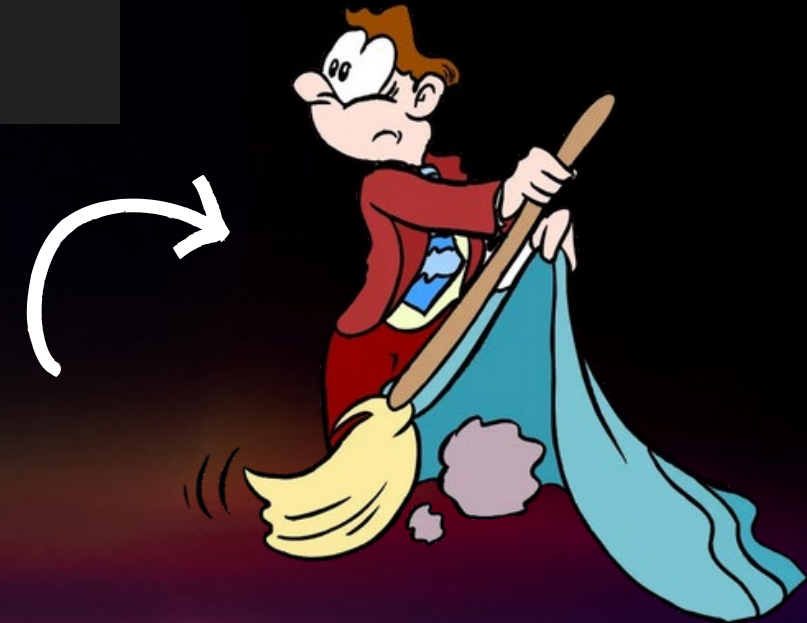
PERSONAL FINANCE

**His Ex Is Getting His \$1 Million Retirement Account.
They Broke Up in 1989.**

A legal fight over a forgotten form offers a cautionary tale

Moving too quickly and distributing vs rolling over
Moving too slowly and hoping a missed RMD can be ignored

Failing to take RMD before rolling over a qualified plan to an IRA at RMD
age



MISTAKES



Self-Directed IRAs and ROBS can be high - risk areas

Failing to advise divorcing clients on tax differences between Roth and Regular

Confusing RMD aggregation rules, esp. for annuitized IRAs and new "annuity overage" offsets

Full RMD must be satisfied before ANY Roth conversion or 60 - day rollover

Mishandling Back - Door Roth contributions, re: the pro - rata rule

MISTAKES

Confusing the 10%
early distribution
penalty exceptions



10% Early Distribution Penalty Exceptions

Type of Exception	Exception Applies To:		
	Plans and IRAs (Including SEP and SIMPLE IRAs)	IRAs Only (Including SEP and SIMPLE IRAs)	Plans Only
Death	✓		
Disability	✓		
Annuitizing (72(t) - Substantially Equal Periodic Payments)	✓		
Medical Expenses (over 7.5% AGI)	✓		
IRS Levy	✓		
Active Reservists	✓		
Birth or Adoption (\$5,000)	✓		
Terminal Illness	✓		
Federally Declared Disasters (\$22,000)	✓		
Domestic Abuse (\$10,000)	✓		
Emergency Expenses (\$1,000)	✓		
Higher Education Expenses		✓	
First Time Homebuyer (\$10,000)		✓	
Health Insurance if you are Unemployed		✓	
Age 55			✓
Age 50 or 25 Years of Service for Public Safety Employees			✓
Section 457(b) (governmental) Plans			✓
Divorce (QDRO - Qualified Domestic Relations Order)			✓
Phased Retirement Distributions from Federal Plans			✓
Pension-Linked Savings Accounts (\$2,500)			✓

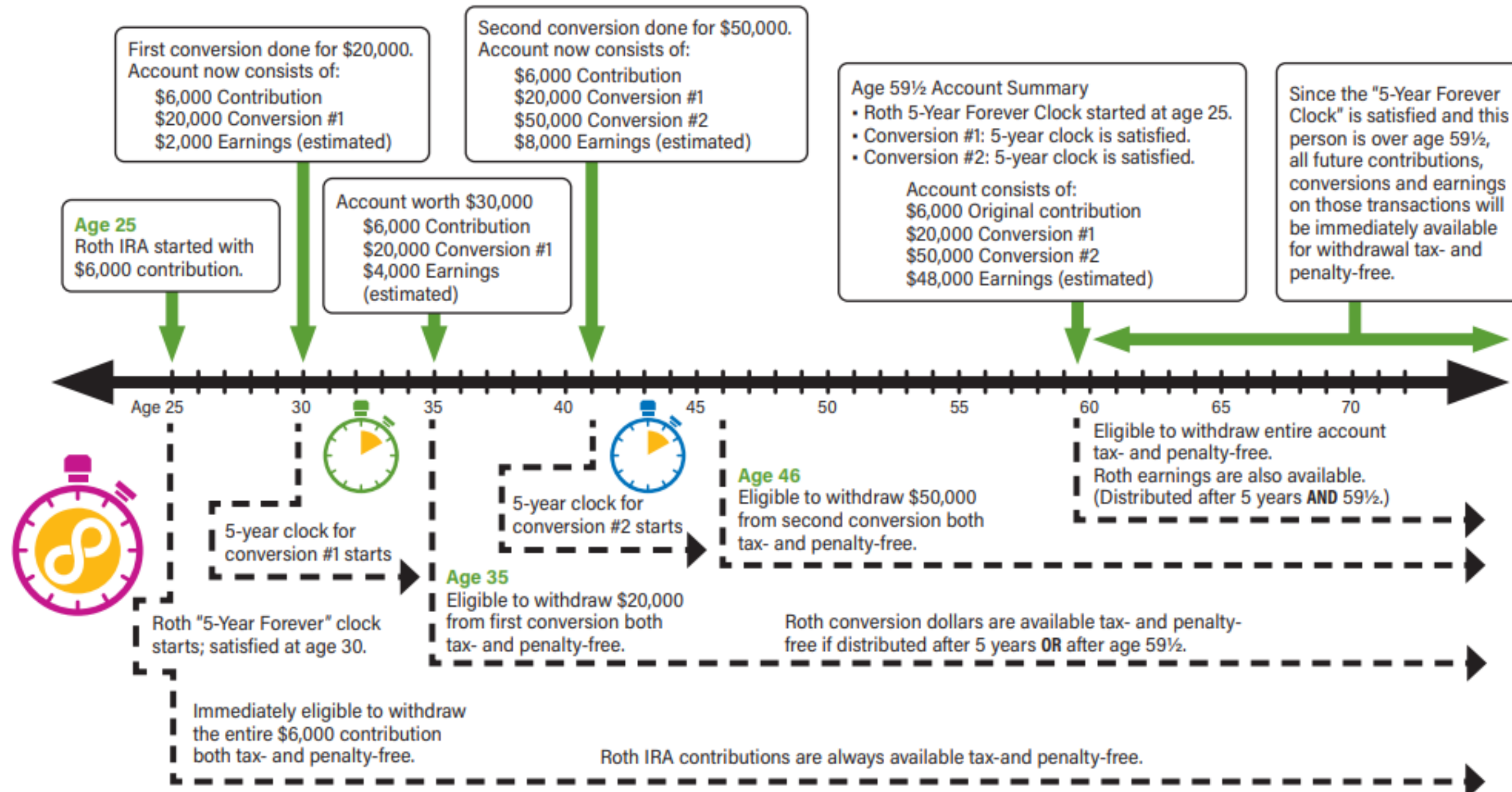
Exception generally effective in 2026: For plans only - Long-Term Care (\$2,500)

Roth IRA: 5-Year Clocks & Distribution Ordering Rules

All Roth IRA Accounts are Considered One



* Earnings are not subject to tax if withdrawn after the account owner has had any Roth IRA for 5 years **AND** is over the age of 59½, or is dead, disabled, or is taking the funds for a first-time home purchase. If the account owner is under the age of 59½ at the time of the distribution of earnings, he or she is also subject to the 10% early distribution penalty.



MISTAKES



Not starting a Roth IRA early enough (remember the 5 year rule)

Not opening a Roth IRA when starting a Roth 401(k)

Not planning for aunt IRMAA or uncle NIIT

Lacking a skilled advisor (CPA, CFP, JD) to navigate complex options or identify fraud

MISTAKES

Misunderstanding the “still working exception” applies only to employer plans, not IRAs

Mistaking single - member 401(k)s as having the same creditor protection as ERISA plans

Lacking clarity on nuances in rollovers, including 60 - day rollovers (once per 365 days)





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**Leverage up - front costs for CCRC entry
as a tax planning tool, potentially
offsetting with a Roth conversion**