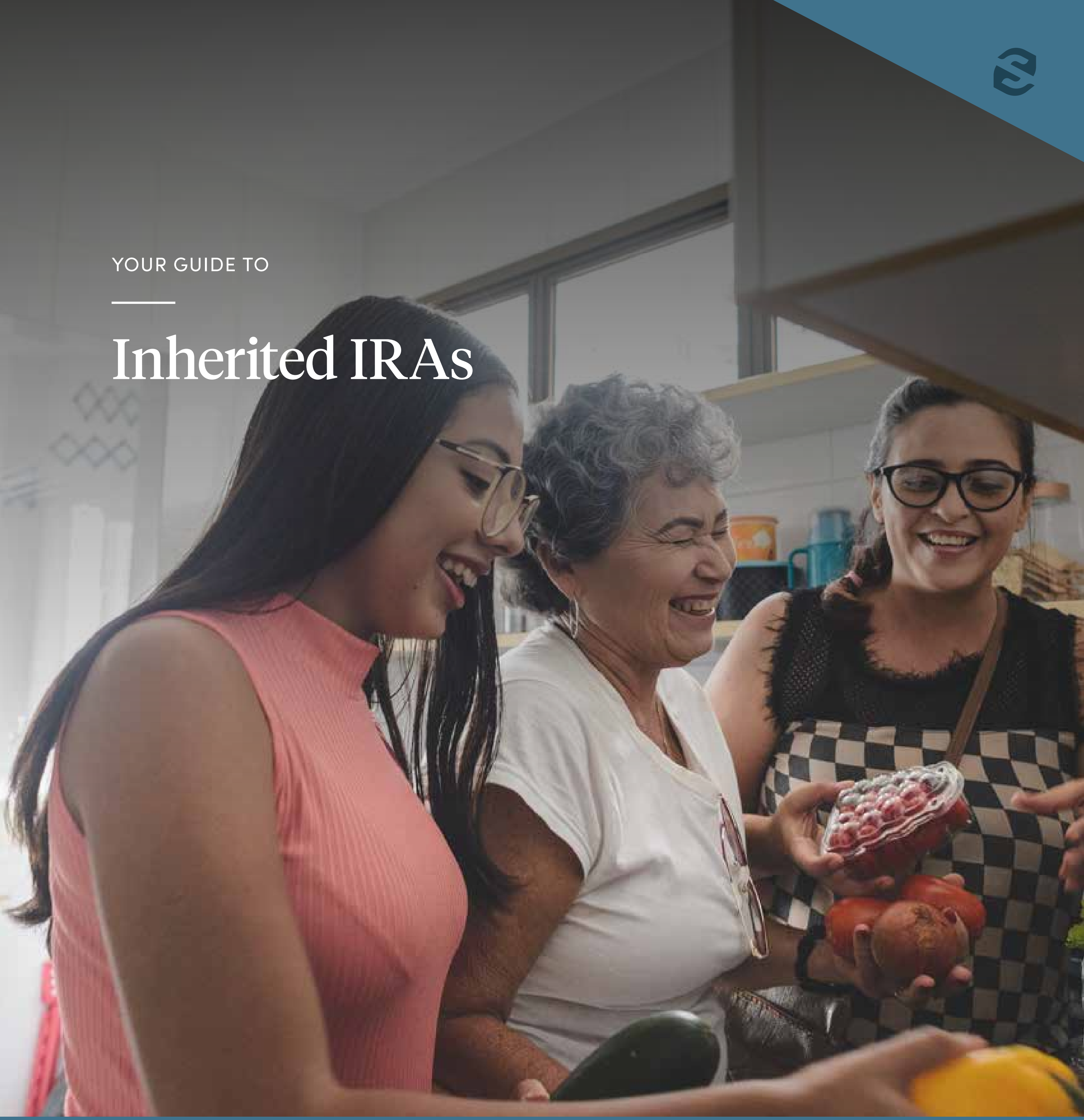
YOUR GUIDE TO

Inherited IRAs



Security Benefit®

TO AND THROUGH RETIREMENT

SECURITY BENEFIT LIFE INSURANCE COMPANY | FIRST SECURITY BENEFIT LIFE INSURANCE AND ANNUITY COMPANY OF NEW YORK

Inherited IRAs

For many people, inheriting a retirement account can be a new kind of financial responsibility. But it can also be an excellent opportunity to help you plan for a more secure future. We are proud to offer opportunities to help support those that are beneficiaries of IRAs and now need additional solutions when they receive those assets.

Understanding an Inherited IRA

An inherited IRA, also known as a beneficiary IRA, is an account that is opened for someone who inherits another person's IRA or employer-sponsored retirement plan after the original account owner dies.

Distribution Rules for Inherited IRAs

Anyone can inherit an IRA, but a beneficiary can't contribute more money into it. There are additional rules for beneficiaries of inherited IRAs:

- **Spousal Beneficiary** — If the sole beneficiary of an IRA is a spouse, there will be more flexibility with how to set-up the account. Spousal beneficiaries have two options:

  1. A spouse can reregister the IRA in their name upon the original account owner's death and continue Required Minimum Distributions (RMDs), if required, based on their own life expectancy (according to IRS tables). Generally, this option is used when the spouse is age 59 ½ or older, otherwise distributions would be subject to the 10% early withdrawal penalty tax. Note that under this option, RMDs are not required until the spouse attains age 73.[1]

  2. A spouse can establish an inherited IRA and delay RMDs until the end of the year following the year the deceased owner/spouse would have attained age 73. Generally, this option (to establish an inherited IRA) is used when the spouse is under age 59 ½, since distributions will not be subject to the 10% early withdrawal penalty tax. Additional flexibility is also available, by permitting a spouse to roll or re-register the inherited IRA to their own IRA once age 59 ½ is attained.

- **Non-spousal Beneficiary** — For deaths prior to the Required Beginning Date (RBD), IRS regulations mandate that a non-spousal beneficiary must deplete the inherited account by the end of the 10th year following the year of the original account owner's death. For deaths on or after the RBD, IRS regulations mandate that the distributions continue over the life expectancy of the designated beneficiary and the account must be depleted by the end of the 10th year following the year of death.

  Certain non-spousal beneficiaries are not subject to this 10-year rule and can still use the life expectancy rule. Those non-spousal beneficiaries include someone who is not more than 10 years younger than the original account owner, a disabled or chronically ill individual, or a minor child of the original account owner who has not reached the age of majority (which is determined by each U.S. state and could vary).

[1] SECURE 2.0 updated the RMD age rule, which now applies to account owners who turned 73 on Jan. 1, 2023, or later.

One of the following forms is required to complete the account setup for incoming inherited IRA transfers, along with all other required new business forms. The form is dependent on the product:

1. **EliteDesigns and EliteDesigns II products** — EliteDesigns® and EliteDesigns® II Stretch/Inherited Distribution Selection Form (an annuitization form is also required if electing an EliteDesigns® product and an installment payment option.)
2. **All other Security Benefit Life Insurance Company annuity products** — Stretch/Inherited Distribution Selection Form
3. **All First Security Benefit Life Insurance and Annuity Company of New York (FSBL) products** — Stretch/Inherited Distribution Selection Form – FSBL
4. **All Security Benefit mutual fund products** — Custodial Account Scheduled Systematic Withdrawal Form and the appropriate product application

Distribution Options for Inherited IRAs

A beneficiary can select to receive distributions, from the inherited IRA through penalty-free withdrawals, required minimum distributions, or a lump-sum payment.[2]

Options Available for a Spousal Inherited IRA

- **Option 1** — Monthly, quarterly, semi-annual, or annual payout based on the life expectancy of the spousal beneficiary. The first payment must begin no later than the end of the year following the year of the original account owner's death.
- **Option 2** — The spousal beneficiary can choose to deplete the account value by the end of the 5th year following the year of the original account owner's death.
- **Option 3** — This is a non-life fixed period option for a maximum of five years.

Options Available for a Non-spousal Inherited IRA

- **Option 1** — Monthly, quarterly, semi-annual, or annual payout period to deplete the account by the end of the 10th calendar year following the year of the date of death of the original account owner's death.
- **Option 2** — This is a non-life fixed period option for a maximum of 10 years.
- **Option 3** — A non-spousal beneficiary who is not more than 10 years younger than the original account owner, a disabled or chronically ill individual, or a minor child of the original account owner who has not reached the age of majority is still eligible to stretch the inherited IRA over their life expectancy. *Note: Minor children of the original account owner are only allowed to take age-based required minimum distributions until they reach the age of majority. At that time, they are then subject to the 10-year rule under IRS regulations.*

[2] A lump-sum distribution may be subject to state income tax as well as federal income tax. Please refer to the appropriate product form for specifics on your distribution options. Depending on your product, contingent deferred sales charge (CDSC), market value adjustment (MVA), and other product charges may still apply upon withdrawals.

Your path *To and Through Retirement®* begins here.

Talk to your financial professional to see whether an Inherited IRA can compliment your retirement portfolio or contact us at 800.888.2461.

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You should check the laws of your state for information regarding the tax treatment of IRA and retirement plan distributions.

Investing in variable annuities and/or mutual funds involves risk and there is no guarantee of investment results. Annuities are long term investments suitable for retirement planning.

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These are general guidelines and are not meant to replace legal or tax advice for your specific situation. Security Benefit and its affiliates and subsidiaries do not provide accounting, legal, or tax advice. Please consult your own advisor.

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