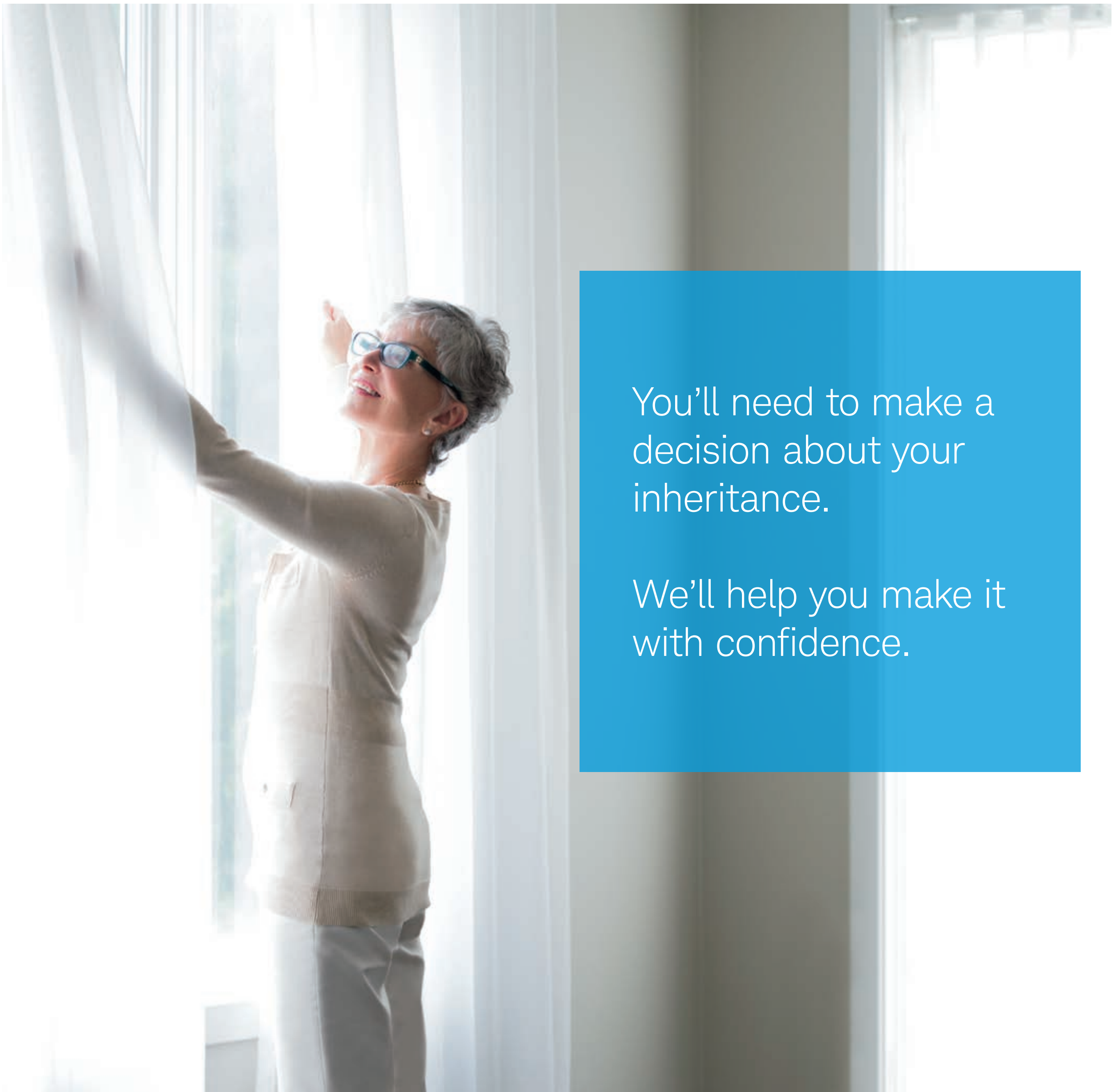
You've just inherited a retirement account.

Now what?

A step-by-step decision guide for retirement account beneficiaries.

charles SCHWAB

Own your tomorrow™



As you consider what to do with the money you've inherited from an IRA or Qualified Retirement Plan, we'll help you understand your options so that you can make a decision that feels right and makes financial sense for your situation.

We're here to help:

1-888-297-0244, 8:30 a.m.–8:00 p.m. ET, Monday–Friday.

Although the IRS does not currently require Schwab to notify Inherited IRA account holders of their beneficiary RMD calculations and due dates, we have provided general RMD information in this document. This general information is not intended to be a substitute for individualized advice and is not intended to be construed as tax advice. Schwab recommends consulting with a qualified tax advisor or CPA. Your tax advisor can help you set up an RMD schedule so your distributions can be withdrawn annually to avoid tax penalties.

You have four options.

1. Transfer the money to your own account (for spouses only).

If you inherit a retirement account from your spouse, you can transfer the assets into a retirement account of your own. Rules about when and how you can take the money (distribution rules) are the same as if the account had always been yours.

2. Transfer the money to an Inherited IRA.

This is typically done if you inherit from someone other than a spouse, but spouses can also open an Inherited IRA. The money in an Inherited IRA can continue to grow tax-deferred, and you can generally start withdrawing it immediately without paying a penalty. You're required to withdraw specified amounts (known as Required Minimum Distributions, or RMDs). Rules about when you must take these withdrawals are explained later in this brochure. Inherited IRAs are not not protected from creditors in bankruptcy under federal law.

3. Take all the money now.

The money from the inherited account may be taxable income depending on the type of IRA and whether the contributions were pre-tax or post-tax. Taking a taxable distribution all at once may push you into a higher tax bracket. If you choose to take all the money now, an Inherited IRA will be opened in your name to ensure that tax information is correctly reported to the IRS, and then you can choose to take the money in a single lump sum.

4. Choose not to take the money.

If you prefer to allow the assets to pass to alternate beneficiaries—perhaps to avoid tax implications—you can choose to "disclaim" the account. To do so, you need to act within nine months of the original owner's death and before you've taken possession of the assets. Make sure you speak with your tax advisor to determine if this or one of the other options may be right for you.

Important things to know before you decide >

Important things to know before you decide what to do.

Who inherited the account?

When the original account holder established the account, he or she designated a beneficiary to inherit the account. This beneficiary can be an individual or an entity such as a trust or an estate. Knowing the capacity in which you have inherited the account will help determine your options.

The beneficiary may be:

You—as a spouse, family member, or friend.

A trust—that is managed by you, the trustee.

An estate—that is managed by you, the executor.

Glossary terms:

- Beneficiary
- Estate
- Inherited IRA
- Qualified Retirement Plan
- Required Beginning Date (RBD)
- Required Minimum Distribution (RMD)
- Roth IRA
- SEP-IRA
- SIMPLE IRA
- Trust

Read definitions on pages 20–21.

What type of account was inherited?

Rules for how you can receive your money vary depending on the type of account inherited.

You may have inherited:

A Traditional IRA—such as a regular IRA or an employer-sponsored SEP-IRA or SIMPLE IRA.

A Roth IRA—which may have special tax benefits.

A Qualified Retirement Plan—such as a profit-sharing, money-purchase, 401(k), or 403(b) plan sponsored by an employer.

Not sure which type of account you've inherited?

Check an old account statement or call the financial institution where the retirement plan is held.

The age of the person who passed.

Most retirement accounts require you to begin withdrawing a minimum amount of money each year once you reach a certain age. For inherited accounts, it's the original account holder's age—not yours—that determines when your Required Minimum Distributions (RMDs) must begin. IRS rules vary depending on the type of account inherited and your relationship to the original account holder, so check the charts on the following pages for more specifics.

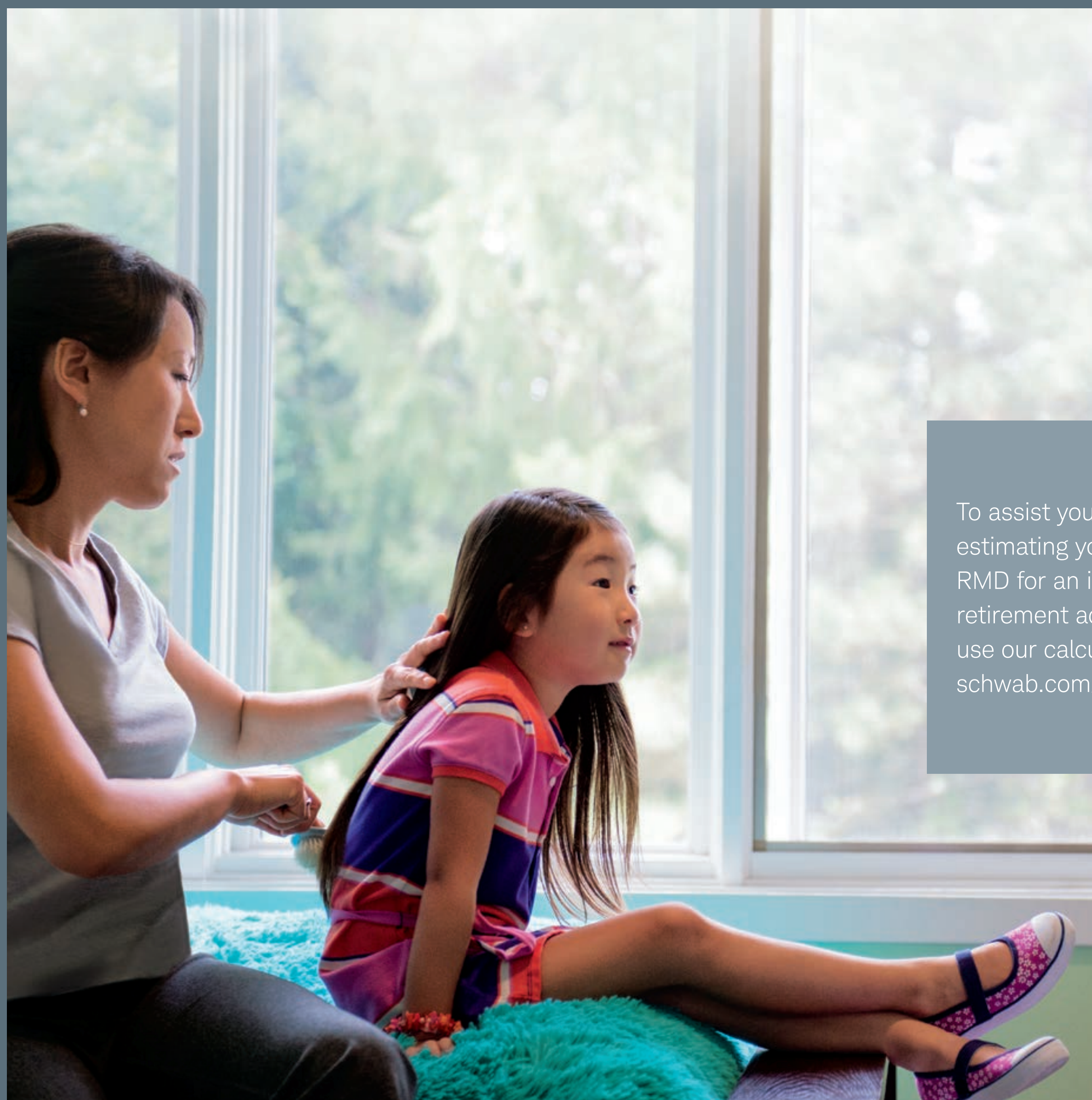
Why it's important:

- The date you must begin taking RMDs is generally determined by whether the original account holder had reached age 70½ or their Required Beginning Date (RBD), which is April 1 of the year after the account holder reached, or would have reached, age 70½.
- If you don't take RMDs when required, you may have to pay a 50% IRS penalty on the RMD amount.
- The amount of the RMD you must withdraw each year is typically based on your life expectancy and the year-end value of your account.
- You can estimate your RMD with our Beneficiary RMD Calculator at **schwab.com/benermdcalc**.

A $30,000 legacy grows to $2.1 million.

For younger inheritors, transferring inherited retirement money to an Inherited IRA where it can grow tax-deferred can turn a modest inheritance into a substantial legacy. Consider this example:

When six-year-old Tara inherited a $30,000 IRA from her grandfather, her parents decided to open an Inherited IRA with the money. By doing so, and by limiting Tara's annual withdrawals (RMDs) to the minimum amount required, they ensured that the majority of her legacy had the potential to grow tax-deferred for decades. If the account earns 8% annually and Tara withdraws the required minimum amount over her 82-year life expectancy for 76 years, her grandfather's initial $30,000 legacy could turn into a cumulative inheritance of $2.1 million.



To assist you with estimating your RMD for an inherited retirement account, use our calculator at schwab.com/benermdcalc.

This example is hypothetical in nature and not intended to predict or project the return of any specific investment. Charges and expenses that would be associated with an actual investment, and which would lower performance, are not reflected. Actual results will vary.

Source: Schwab Center for Financial Research. The Beneficiary RMD Calculator on Schwab.com was used for the calculations. The following assumptions were made: Tara's grandfather was born on or after 1944; Tara's life expectancy is 82, per the IRS life expectancy table; the total legacy is the sum of Tara's projected RMDs over 76 years ($2,168,909).

Let’s walk through your choices.

Go straight to the page that applies to you.

Spouse

Traditional, SEP-IRA, or SIMPLE IRA	Page 6
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Friend or family member other than spouse

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Trustee of trust or executor of estate

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Spouse

Traditional, SEP-IRA, or SIMPLE IRA

Option 1: Transfer the assets to your own Traditional IRA.

What are the benefits?	What do I have to do?	When is the money available?
▪ The assets can continue to grow tax-deferred. ▪ You can designate your own beneficiary(ies). ▪ Provides bankruptcy creditor protection up to $1M.	▪ If you're the sole beneficiary, simply transfer the assets into your own existing or new IRA. If there are multiple beneficiaries, you must take your share as a distribution and roll over the assets into your IRA within 60 days.	▪ You can access the funds at any time, but a penalty will apply to distributions made before you reach age 59½ unless you meet one of the IRS penalty exceptions. ▪ After you turn age 70½, your account will be subject to annual RMDs based on your life expectancy. ▪ Taxable distributions are included in your gross income.

Option 2: Transfer the assets to an Inherited IRA.

What are the benefits?	What do I have to do?	When is the money available?
▪ The assets can continue to grow tax-deferred. ▪ You will not have to pay a 10% early withdrawal penalty. ▪ You can designate your own beneficiary(ies).	▪ You can transfer the assets into an Inherited IRA held in your name. ▪ If there are multiple beneficiaries, you must establish a separate account by December 31 following the year of death in order to use your own life expectancy. If you miss this date, your RMDs will be based on the life expectancy of the oldest beneficiary.	▪ You can access your funds at any time, and taxable distributions are included in your gross income. ▪ Your life expectancy may be used to calculate RMDs. **If the account holder was under 70½:** RMDs must begin by the later of: ▪ December 31 following the year of the original account holder's death, or ▪ December 31 of the year in which the original account holder would have reached age 70½. Alternatively, you may follow the five-year rule, under which the account must be fully distributed by December 31 of the fifth year after the year of death. **If the account holder was 70½ or older:** ▪ RMDs must start by December 31 of the year after death. ▪ If the original account holder did not take an RMD for the year in which he or she died, you must take at least that amount as a distribution by the end of the current year.

Option 3: Take a lump-sum distribution.

What are the benefits?	What do I have to do?	When is the money available?
▪ You won't have to pay a 10% early withdrawal penalty.	▪ Transfer the assets into an account in your own name and then distribute as a lump sum.	▪ The funds are distributed all at once. ▪ You'll pay income taxes on the taxable portion of the distribution all at once, and you may move to a higher tax bracket.

Glossary terms:

- Beneficiary
- Distribution
- Early withdrawal penalty
- Five-year holding period
- Inherited IRA
- Lump sum
- Penalty exception
- Required Minimum Distribution (RMD)
- Rollover
- Single life expectancy
- Tax-deferred

For the definitions of these and other phrases, see pages 20–21.

Spouse

Roth IRA

Option 1: Transfer the assets to your own Roth IRA.

What are the benefits?	What do I have to do?	When is the money available?
▪ The assets can grow tax-free. ▪ You can designate your own beneficiary(ies). ▪ You do not have to take RMDs. ▪ Provides bankruptcy creditor protection up to $1M.	▪ If you're the sole beneficiary, simply transfer the assets into your own existing or new Roth IRA. ▪ If there are multiple beneficiaries, you must take your share as a distribution and roll over the assets into your Roth IRA within 60 days.	▪ You can access the funds at any time. ▪ Distributions are generally tax- and penalty-free if you are over age 59½ or qualify for a penalty exception and you have met the five-year holding period.

Option 2: Transfer the assets to an Inherited Roth IRA.

What are the benefits?	What do I have to do?	When is the money available?
▪ The assets can grow tax-free. ▪ You will not have to pay a 10% early withdrawal penalty. ▪ You can designate your own beneficiary(ies).	▪ Transfer the assets into an Inherited Roth IRA held in your name. ▪ If there are multiple beneficiaries, separate accounts must be established by December 31 following the year of death in order to use your own life expectancy; otherwise, RMDs will be based on the life expectancy of the oldest beneficiary.	▪ You can access the funds at any time. ▪ Any earnings are generally tax-free if the five-year holding period has been met. ▪ Your life expectancy may be used to calculate RMDs. **Annual distributions (RMDs) must begin by the later of:** ▪ December 31 following the year the original account holder died, or ▪ December 31 of the year when the original account holder would have reached age 70½. Alternatively, you may follow the five-year rule, under which the account must be fully distributed by December 31 of the fifth year after the year of death.

Option 3: Take a lump-sum distribution.

What are the benefits?	What do I have to do?	When is the money available?
▪ You won't have to pay a 10% early withdrawal penalty.	▪ Transfer the assets into an account in your own name and then distribute as a lump sum.	▪ The funds are distributed all at once. ▪ Any earnings are generally tax-free if the five-year holding period has been met.

Talk with your tax advisor or CPA. Your tax professional can help you understand the specific tax implications of your inheritance and set up an RMD schedule so your distributions can be withdrawn annually to avoid tax penalties. *While Schwab can help you understand your choices, the IRS requires account holders to be responsible for their beneficiary RMD calculations and due dates.*

Estimate your RMDs. Use our calculator at schwab.com/benermdcalc.

Ready to take action?
See page 18.

Qualified Retirement Plan

As the spouse of the original account holder, you can treat the plan assets as your own. You generally have the same rights the employer-sponsored plan allows a participant who is no longer working for the company, which means that you may not be required to take an immediate distribution from the plan. These tables show two of the most common distribution options, but we encourage you to talk with the employer's plan administrator to learn more about which options might be available to you.

Option 1: Transfer the assets to your own Traditional IRA.

What are the benefits?	What do I have to do?	When is the money available?
• The assets left in the account can continue growing tax-deferred. • You can designate your own beneficiary(ies).	• Roll over the assets into your own existing or new IRA. • If the original account holder had reached the plan's RBD for taking distributions, his or her annual RMD must be withdrawn before the assets can be rolled into your IRA.	• You can access the funds at any time. • Distributions are penalty-free if you are over age 59½ or if you meet one of the IRS penalty exceptions. • After you turn age 70½, your account will be subject to annual RMDs based on your life expectancy. • Taxable distributions are included in your gross income.

Option 2: Take a lump-sum distribution.

What are the benefits?	What do I have to do?	When is the money available?
• You won't have to pay a 10% early withdrawal penalty.	• Transfer the assets into an account in your own name and then distribute as a lump sum.	• The funds are distributed all at once. • You'll pay income taxes on the distribution all at once, and you may move to a higher tax bracket. • The distribution will be subject to a mandatory 20% withholding.

Glossary terms:

- Beneficiary
- Distribution
- Early withdrawal penalty
- Inherited IRA
- Lump sum
- Penalty exception
- Qualified Retirement Plan
- Required Beginning Date (RBD)
- Required Minimum Distribution (RMD)
- Rollover
- Tax-deferred

Read definitions on pages 20–21.

Talk with your tax advisor or CPA. Your tax professional can help you understand the specific tax implications of your inheritance and set up an RMD schedule so your distributions can be withdrawn annually to avoid tax penalties. *While Schwab can help you understand your choices, the IRS requires account holders to be responsible for their beneficiary RMD calculations and due dates.*

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Emergency money for an uncertain future.

Most spouses take advantage of the special spousal privilege that allows them to roll assets inherited from their spouse's retirement plan directly into an IRA of their own. There are times, however, when this might not be the best option. Here's an example:

When Janet's husband dies unexpectedly, she worries about how she'll manage without his income in the years ahead. Will she need money from her husband's Traditional IRA to help with the mortgage? She can't be sure.

So instead of transferring the money to her own IRA, where it would be treated as if it had always been hers—and subject to a 10% early withdrawal penalty if she needs to withdraw money before age 59½—she opens an Inherited IRA, where she can make withdrawals at any time without the 10% penalty. Her husband's money can continue to grow tax-deferred, and it's readily available if the need arises.

Traditional, SEP–IRA, or SIMPLE IRA

Option 1: Transfer the assets to an Inherited IRA.

What are the benefits?	What do I have to do?	When is the money available?
▪ The assets can grow tax-deferred. ▪ You will not have to pay a 10% early withdrawal penalty. ▪ You can designate your own beneficiary(ies).	▪ Transfer the assets into an Inherited IRA held in your name. ▪ If there are multiple beneficiaries, you must establish a separate account by December 31 following the year of death in order to use your own life expectancy. If you miss this date, your RMDs will be based on the life expectancy of the oldest beneficiary.	▪ You can access your funds at any time, and taxable distributions are included in your gross income. ▪ Your life expectancy may be used to calculate RMDs. **If account holder was under 70½:** ▪ RMDs must begin no later than December 31 of the year after death, or ▪ You can delay distributions until December 31 of the fifth year after the year of the original account holder's death, at which time all assets must be distributed. **If account holder was 70½ or older:** ▪ RMDs must start by December 31 of the year after death. ▪ If the original account holder did not take an RMD for the year in which he or she died, you must take at least that amount as a distribution by the end of the current year.

Option 2: Take a lump-sum distribution.

What are the benefits?	What do I have to do?	When is the money available?
▪ You won't have to pay a 10% early withdrawal penalty.	▪ Transfer the assets into an account in your own name and then distribute as a lump sum.	▪ The funds are distributed all at once. ▪ You'll pay income taxes on the taxable portion of the distribution all at once, and you may move to a higher tax bracket.

Glossary terms:

- Beneficiary
- Distribution
- Early withdrawal penalty
- Five-year holding period
- Inherited IRA
- Lump sum
- Required Minimum Distribution (RMD)
- Roth IRA
- Single life expectancy
- Tax-deferred

Read definitions on pages 20–21.

Roth IRA

Option 1: Transfer the assets to an Inherited Roth IRA.

What are the benefits?	What do I have to do?	When is the money available?
▪ The assets can grow tax-free. ▪ You will not have to pay a 10% early withdrawal penalty. ▪ You can designate your own beneficiary(ies).	▪ Transfer the assets into an Inherited Roth IRA held in your name. ▪ If there are multiple beneficiaries, separate accounts must be established by December 31 following the year of death in order to use your own life expectancy to calculate RMDs; otherwise, RMDs will be based on the life expectancy of the oldest beneficiary.	▪ You can access your funds at any time. ▪ Any earnings are generally tax-free if the five-year holding period has been met. ▪ Your life expectancy may be used to calculate RMDs. ▪ RMDs must begin by December 31 following the year of the original account holder's death, or ▪ You can delay distributions until December 31 of the fifth year after the year of the account holder's death, at which point all assets must be distributed.

Option 2: Take a lump-sum distribution.

What are the benefits?	What do I have to do?	When is the money available?
▪ You will not have to pay a 10% early withdrawal penalty.	▪ Transfer the assets into an account in your own name and then distribute as a lump sum.	▪ The funds are distributed all at once. ▪ Any earnings are generally tax-free if the five-year holding period has been met.

Talk with your tax advisor or CPA. Your tax professional can help you understand the specific tax implications of your inheritance and set up an RMD schedule so your distributions can be withdrawn annually to avoid tax penalties. *While Schwab can help you understand your choices, the IRS requires account holders to be responsible for their beneficiary RMD calculations and due dates.*

Estimate your RMDs. Use our calculator at schwab.com/benermdcalc.

Ready to take action? See page 18.

Qualified Retirement Plan

In some situations, beneficiaries may be allowed to keep inherited assets in the existing plan. You should check with the plan's administrator to determine what options are available for you.

Option 1: Open an Inherited IRA.

What are the benefits?	What do I have to do?	When is the money available?
• The assets can grow tax-deferred. • You will not have to pay a 10% early withdrawal penalty. • You can designate your own beneficiary(ies).	• Roll over the assets into an Inherited IRA. • If there are multiple beneficiaries, separate accounts must be established by December 31 following the year of death in order to use each beneficiary's single life expectancy. Otherwise, distributions will be based on the life expectancy of the oldest beneficiary.	• You can access your funds at any time, and taxable distributions are included in your gross income. • Your life expectancy may be used to calculate RMDs. **If account holder was under 70½:** • RMDs must begin by December 31 following the year of the original account holder's death, or • You can delay distributions until December 31 of the fifth year after the year of the account holder's death, at which point all assets must be distributed. **If account holder was 70½ or older:** • RMDs must begin no later than December 31 following the year of the original account holder's death. • If the original account holder had reached the plan's Required Beginning Date (RBD) for taking distributions, his or her annual RMD must be withdrawn before the assets can be rolled into your Inherited IRA.

Option 2: Take a lump-sum distribution.

What are the benefits?	What do I have to do?	When is the money available?
• You won't have to pay a 10% early withdrawal penalty.	• Transfer the assets into an account in your own name and then distribute as a lump sum.	• The funds are distributed all at once. • You'll pay income tax on the distribution all at once, and you may move to a higher tax bracket. • The distribution will be subject to a mandatory 20% withholding.

Glossary terms:

- Beneficiary
- Distribution
- Early withdrawal penalty
- Inherited IRA
- Lump sum
- Qualified Retirement Plan
- Required Beginning Date (RBD)
- Required Minimum Distribution (RMD)
- Rollover
- Roth IRA
- Single life expectancy
- Tax-deferred

Read definitions on pages 20–21.

Talk with your tax advisor or CPA. Your tax professional can help you understand the specific tax implications of your inheritance and set up an RMD schedule so your distributions can be withdrawn annually to avoid tax penalties. *While Schwab can help you understand your choices, the IRS requires account holders to be responsible for their beneficiary RMD calculations and due dates.*

Estimate your RMDs. Use our calculator at schwab.com/benermdcalc.

Ready to take action?
See page 18.

Making it through a rough time.

John is 21 when he inherits $100,000 from his grandfather's Roth IRA and he opens an Inherited Roth IRA. John must begin taking RMDs the year after his grandfather's death, and if he chooses, he can stretch the withdrawals out over the rest of his life.

John understands that he'd be substantially better off in the long run by withdrawing as little as possible from his Inherited Roth IRA. But he's recently lost his job and needs some of the money now. Because there are no early withdrawal penalties for an Inherited Roth IRA and no taxes on withdrawals since the five-year holding period has been met, John will be able to use the entire $100,000 his grandfather left him whenever he needs to.

But John will try to minimize his withdrawals. If he limits them to no more than the minimum amount required each year based on his life expectancy factor, and his investments appreciate at a steady rate of 6% over the next 44 years, John's inheritance could be worth $775,975 by the time he reaches age 65.

This example is hypothetical in nature and not intended to predict or project the return of any specific investment. Charges and expenses that would be associated with an actual investment, and which would lower performance, are not reflected. Actual results will vary.

Source: Schwab Center for Financial Research. The Beneficiary RMD Calculator on Schwab.com was used for the calculations. The following assumptions were made: John's grandfather was born on or after 1944; John's life expectancy is 82, per the IRS life expectancy table; the value of John's inheritance is based on adding the estimated value of the Inherited Roth IRA ($414,493) to the cumulative RMDs ($361,482) over 44 years. The five-year holding period requirement was met by the grandfather prior to death so the Inherited Roth IRA earnings and distributions are tax-free.

Trust or Estate

If you are the trustee of a trust or the executor of an estate that has inherited a retirement plan, you may be making decisions for multiple beneficiaries. This section outlines your options.

Is your trust a qualified trust?

Distribution options depend on whether a trust is qualified or non-qualified.

If you answer "yes" to all three of these questions, your trust is most likely qualified:

1. Is the trust irrevocable, or did it become irrevocable when the account holder died?
2. Is the trust valid under state law?
3. Does the trust document identify the beneficiary(ies)?

Glossary terms:

- Beneficiary
- Distribution
- Early withdrawal penalty
- Five-year rule
- Inherited IRA
- Lump sum
- Penalty exception
- Qualified Retirement Plan
- Required Minimum Distribution (RMD)
- Rollover
- Roth IRA
- Tax-deferred

Read definitions on pages 20–21.

Talk with your tax advisor or CPA. Your tax professional can help you understand the specific tax implications of your inheritance and set up an RMD schedule so your distributions can be withdrawn annually to avoid tax penalties. *While Schwab can help you understand your choices, the IRS requires account holders to be responsible for their beneficiary RMD calculations and due dates.*

Estimate your RMDs. Use our calculator at schwab.com/benermdcalc.

Ready to take action?
See page 18.

Traditional, SEP–IRA, or SIMPLE IRA

Qualified trusts only | Open an Inherited IRA.

What are the benefits?	What do I have to do?	When is the money available?
▪ The assets can grow tax-deferred. ▪ You won't have to pay a 10% early withdrawal penalty.	▪ Open an Inherited IRA in the name of the original account holder for the benefit of the trust, and transfer the assets to this account. ▪ Beneficiaries of the trust cannot establish their own Inherited IRAs. The trustee of the trust is responsible for making distributions to the beneficiaries.	▪ You can access your funds at any time. **If account holder was under 70½:** ▪ RMDs must begin no later than December 31 following the year of death, or ▪ You can delay distributions until December 31 of the fifth year after the year of the account holder's death, at which point all assets must be distributed. **If account holder was 70½ or older:** ▪ RMDs must begin by December 31 following the year of death. ▪ If the original account holder did not take an RMD for the year in which he or she died, you must take at least that amount as a distribution by the end of the current year. **RMD calculation:** ▪ If a spouse is the sole beneficiary of the trust, their single life expectancy may be used. Otherwise, distributions are based on the life expectancy of the oldest beneficiary. The trust or its beneficiaries will pay taxes on the taxable portion of each distribution.

Non-qualified trusts and estates only | Open an Inherited IRA.

What are the benefits?	What do I have to do?	When is the money available?
▪ The assets can grow tax-deferred. ▪ You won't have to pay a 10% early withdrawal penalty.	▪ Open an Inherited IRA in the name of the original account holder for the benefit of the estate, and transfer the assets to this account. ▪ Beneficiaries of the trust cannot establish their own Inherited IRAs. The trustee of the trust or the executor of the estate is responsible for making distributions to the beneficiaries.	▪ You can access your funds at any time. **If account holder was under 70½:** ▪ You can delay distributions until December 31 of the fifth year after the year of the account holder's death, at which point all assets must be distributed. **If account holder was 70½ or older:** ▪ RMDs must begin by December 31 of the year after death (using the decedent's remaining single life expectancy to determine the amount). ▪ If the original account holder did not take an RMD for the year in which he or she died, you must take at least that amount as a distribution by the end of the current year. The trust or the estate will pay taxes on the taxable portion of each distribution.

All trusts and estates | Take a lump-sum distribution.

What are the benefits?	What do I have to do?	When is the money available?
▪ You won't have to pay a 10% early withdrawal penalty.	▪ Transfer the assets into the name of the trust or estate and distribute as a lump sum.	▪ The funds will be distributed all at once. ▪ The trust, the trust's beneficiaries, or the estate will pay taxes on the taxable portion of the distribution all at once.

Roth IRA

All trusts and estates | Open an Inherited Roth IRA.

What are the benefits?	What do I have to do?	When is the money available?
▪ The assets can grow tax-free. ▪ You won't pay a 10% early withdrawal penalty.	▪ Transfer the assets to an Inherited Roth IRA held in the name of the decedent for the benefit of the trust or estate.	▪ You may access the funds at any time. ▪ Any earnings are generally tax-free if the five-year holding period has been met. **Trustees of qualified trusts:** ▪ RMDs must begin no later than December 31 following the year of the original account holder's death. **RMD calculation:** ▪ If a spouse is the sole beneficiary of the trust, their single life expectancy may be used. Otherwise, distributions are based on the life expectancy of the oldest beneficiary. **Trustees of non-qualified trusts and executors of estates:** ▪ You may delay distributions until December 31 of the fifth year after the year of the account holder's death, at which point all assets must be distributed.

All trusts and estates | Take a lump-sum distribution.

What are the benefits?	What do I have to do?	When is the money available?
▪ You won't have to pay a 10% early withdrawal penalty.	▪ Transfer the assets into the name of the trust or estate and distribute as a lump sum.	▪ The funds are distributed all at once. ▪ Any earnings are generally tax-free if the five-year holding period has been met.

Glossary terms:

- Beneficiary
- Distribution
- Early withdrawal penalty
- Estate
- Five-year holding period
- Inherited IRA
- Lump sum
- Required Minimum Distribution (RMD)
- Roth IRA
- Single life expectancy
- Tax-deferred
- Trust

Read definitions on pages 20–21.

Talk with your tax advisor or CPA. Your tax professional can help you understand the specific tax implications of your inheritance and set up an RMD schedule so your distributions can be withdrawn annually to avoid tax penalties. *While Schwab can help you understand your choices, the IRS requires account holders to be responsible for their beneficiary RMD calculations and due dates.*

Estimate your RMDs. Use our calculator at schwab.com/benermdcalc.

Ready to take action?
See page 18.

Qualified Retirement Plan

If you are the trustee of a non-qualified trust or the executor of an estate, we recommend that you talk with the plan sponsor to see what other options might be available to you.

Qualified trusts only | Open an Inherited IRA.

What are the benefits?	What do I have to do?	When is the money available?
▪ The assets can grow tax-deferred. ▪ You won't pay a 10% early withdrawal penalty.	▪ Roll over the assets to an Inherited IRA held in the name of the original participant for the benefit of the trust.	▪ You may access the funds at any time. **If account holder was under 70½:** ▪ RMDs must begin no later than December 31 following the year of death, or ▪ You can delay distributions until December 31 of the fifth year after the year of the account holder's death, at which point all assets must be distributed. **If account holder was 70½ or older:** ▪ RMDs must begin by December 31 of the year after death. ▪ If the original account holder did not take an RMD for the year in which he or she died, you must take at least that amount as a distribution by the end of the current year. **RMD calculation:** ▪ If a spouse is the sole beneficiary of the trust, their single life expectancy may be used. Otherwise, distributions are based on the life expectancy of the oldest beneficiary. The trust or its beneficiaries will pay taxes on the taxable portion of each distribution.

All trusts and estates | Take a lump-sum distribution.

What are the benefits?	What do I have to do?	When is the money available?
▪ You won't pay a 10% early withdrawal penalty.	▪ Transfer the assets into the name of the trust or estate and distribute as a lump sum.	▪ The funds are distributed all at once. ▪ The trust, the trust's beneficiaries, or the estate will pay taxes on the distribution all at once.

Is your trust a qualified trust?

Distribution options depend on whether a trust is qualified or non-qualified.

If you answer "yes" to all three of these questions, your trust is most likely qualified:

1. Is the trust irrevocable, or did it become irrevocable when the account holder died?
2. Is the trust valid under state law?
3. Does the trust document identify the beneficiary(ies)?

You've made a decision.

Here's how to put it into action.

To open an Inherited IRA or to transfer the assets to your IRA:

If the plan you inherited is held at Schwab, please gather the documents and complete the forms that are identified in the table, according to the action you wish to take and the type of beneficiary you are. If you are acting on behalf of a trust, all paperwork must be submitted by October 31 of the year following the account holder's death.

If the original account is held at another financial institution, please contact that institution for instructions on transferring the account to Schwab.

Copy of the death certificate
Notarized Affidavit of Domicile
Schwab Inherited IRA Account Application
Birth certificate or letters of guardianship (if beneficiary is a minor)
Copy of the Trust Agreement identifying successor trustees(s)
Letters Testamentary (dated within the last 60 days)
Schwab Incorporated or Non-Incorporated Organization Account Application

To take the assets as a lump sum:

If you wish to liquidate all the assets in the account and receive the money in the form of a check, please call us at **1-888-297-0244**.

Glossary terms:

- Affidavit of Domicile
- Beneficiary
- Estate
- Letters Testamentary
- Trust

Read definitions on pages 20–21.

Spouse Beneficiary	Nonspouse Beneficiary	Trust Beneficiary	Estate Beneficiary	Organization/Entity Beneficiary
■	■	■	■	■
■	■	■	■	■
■	■	■	■	■
	■			
		■		
			■	
				■

Where to send your completed documents and forms:

Residents of California and the Pacific Northwest and Southwest regions, please send documents and forms to:

Charles Schwab & Co., Inc.
P.O. Box 52114
Phoenix, AZ 85072-2114

Residents of Florida and the Great Lakes, Mid-Atlantic, Midwest, Northeast, and Southeast regions, please send documents and forms to:

Charles Schwab & Co., Inc.
P.O. Box 628291
Orlando, FL 32862-8291

Glossary

Affidavit of Domicile—A legal document that verifies the legal residency of the account holder prior to his or her death.

Beneficiary—The person named as the inheritor of assets.

Distribution—Assets that are withdrawn from a retirement account and paid to the account holder or his or her beneficiary.

Early withdrawal penalty—A tax paid by the account holder of a retirement account on funds withdrawn before the account holder reaches age 59½. The tax is usually 10% of the amount of the withdrawal. Note: There are several exceptions to the early withdrawal penalty. For a comprehensive list of these exceptions, please see IRS Publication 590, "Individual Retirement Arrangements (IRAs)."

Estate—All things of value that a person owns, including property (such as real estate and personal possessions) and investments.

Five-year holding period—For original contributions, this period starts on the first day of the first tax year in which the original account holder contributed money to his or her Roth IRA and lasts for five years. For assets that were previously in another retirement plan, this period starts on the first day of the year in which the assets were moved. If assets have been moved multiple times over several years, there are multiple five-year holding periods to consider.

IRA (Individual Retirement Arrangement)—A retirement plan that allows an individual to earn income on investments on a tax-deferred basis until the funds are withdrawn at retirement.

Inherited IRA—An IRA for clients inheriting funds from an IRA, or an employer-sponsored plan, following the death of the original account holder.

Letters Testamentary—An official document issued by the probate court naming the executor, administrator, or personal representative of the decedent's estate. Also known as Letters of Administration, Letters of Office, or Letters of Appointment.

Lump sum—A one-time distribution of the beneficiary's entire share of the retirement account assets.

Nonspouse—Any individual beneficiary who is not the spouse. This person could be the original account holder's son or daughter, or another family member or even a friend.

Penalty exception—Certain circumstances or events that will render distributions taken prior to age 59½ exempt from a 10% penalty. Instances include but are not limited to disability, substantial equal periodic payments (72t), first-time home purchase, and higher education expenses.

Qualified Retirement Plan—A tax-deferred plan established by an employer for employees. Examples of Qualified Retirement Plans include profit-sharing, money-purchase, 401(k), and defined benefit plans.

Required Beginning Date (RBD)—The day when the owner of an IRA must begin taking a Required Minimum Distribution from the account. This date is April 1 of the year following the year when the account holder reaches age 70½.

Required Minimum Distribution (RMD)—The sum of money that an IRA account holder must begin withdrawing from his or her retirement account. RMDs must be taken yearly starting by April 1 following the year when the account holder reaches age 70½.

Rollover—The tax-free transfer of cash or assets from one retirement plan to another.

Roth IRA—A retirement account in which the contributions are nondeductible. Qualified withdrawals are tax-free. Please refer to IRS Publication 590 for more information.

SEP-IRA—A retirement plan that allows employers to contribute a percentage of eligible employees' salary.

Separate accounts—An Inherited IRA for each beneficiary.

SIMPLE IRA—A retirement plan that allows employees to defer a portion of their salary and requires employers to make a matching contribution, or a contribution of 2% of eligible employees' salary.

Single life expectancy—The remaining number of years a person is expected to live. Life expectancy is used to calculate the annual Required Minimum Distribution.

Tax-deferred—Retirement account earnings that are not taxed until the account holder withdraws them.

Trust—A legal document that allows another person or a group of people—known as the trustee or trustees—to manage their assets for the benefit of a beneficiary.

For many people, inheriting a retirement plan is a new kind of financial responsibility. But it can also be an excellent opportunity to plan for a more secure future. Whether you have chosen to transfer your new assets into an Inherited IRA, transfer them into a new or existing retirement savings plan, or take them as a lump sum, we hope that you feel well-informed and confident about your decision. If you need additional information, please call us at **1-888-297-0244**, 8:30 a.m.–8:00 p.m. ET, Monday–Friday.

We are here to help.

Brokerage and insurance products: Are not deposits
▪ Are not FDIC-insured ▪ Are not insured by any federal government agency
▪ Are not guaranteed by the bank or any affiliate of the bank ▪ May lose value

The general information provided in this guide should not be considered an individualized recommendation or personalized tax advice. You should review your own particular situation and consider contacting an appropriate tax, legal, estate, or investment advisor prior to making a decision.

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