

RMD Changes for Designated Beneficiaries in 2025

The final regulations regarding required minimum distributions (RMDs) for designated beneficiaries are effective now. This means that certain beneficiaries who haven't been taking RMDs will have to start.

The IRS recently issued the final regulations for designated beneficiaries (DBs). This rule will impact DBs subject to the original Setting Every Community Up for Retirement Enhancement (SECURE) Act distribution rules, generally known as the “10-year” rule. It specifically impacts them in the cases where IRA owners pass away on or after their required beginning dates (RBDs). In these situations, the beneficiary will not only have to drain the account by 12/31 of the year containing the tenth anniversary of the owner's passing, but he/she also will need to take RMDs in the interim.

This will impact all inherited contracts where the owners passed away in 2020 or later and on or after their RBDs. While DBs don't have to make up the missed RMDs for the prior year, their life expectancy factors (LEFs) will need to be calculated as though they began RMD distributions in the year following the year of an owner's death.

Hypothetical Example: Mary and Her Daughter Bonnie

- Mary passed in 2021 at the age of 80.
- The account value is assumed to be \$200,000.
- Her adult daughter Bonnie was 50 years old in 2021 and is Mary's sole primary beneficiary.
- Bonnie has not taken any distributions since her mother's passing, preferring to take the distribution in the final (tenth) year.

How Will Bonnie's RMDs Now Work?

- Bonnie's RMD is based on her age in the year following the death of Mary.
- Based on her being 51 in 2022, her Single Life Table LEF would have been 35.3.
 - Since it is now 2025, we subtract 1 for each year since, making her factor 32.3 in 2025 (35.3 – 3).
- If we went to the table in 2025 and looked at the factor for someone turning 55, she would have an LEF of 31.6. This would have resulted in her over-withdrawing her RMD— something she may be disinclined to do if she was originally planning on leaving assets invested until the tenth year.

Based on the correct methodology, the RMD would be \$6,191.95 ($\$200,000/32.3$). Using the incorrect methodology, the RMD would be \$6,329.12 ($\$200,000/31.6 + 6$).

Help Clients Understand Their Options as of 2025

Verify that the plans for those taking regular withdrawals will continue and that those withdrawals are sufficient to meet RMDs going forward. Check in with other clients who may not have started distributions, as in our example with Mary and Bonnie. You can provide a valuable service by helping them calculate the correct RMDs using the LEFs.

Source: Internal Revenue Service. “Publication 590-B (2023), Distributions from Individual Retirement Arrangements (IRAs)” *Publications*. [IRS.gov](https://www.irs.gov), September 10, 2024. Last accessed January 7, 2025.

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ACTIONS YOU CAN TAKE RIGHT NOW

- Reach out to clients who are DBs of inherited IRAs where the owner died in 2020 or later.
- Review the owners' dates of death and determine if those dates were post-RBD.
- Make a distribution plan and ensure clients have appropriate liquidity in the inherited IRA accounts.

Additional Resources and Links

[IRS Regulations for Designated Beneficiaries](#)

[Life Expectancy Tables](#)

For more information about retirement planning, please contact our Retirement Strategies Group at RSG@PacificLife.com or (800) 722-2333, ext. 3939.

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