Banking Compliance

A compliance health check on your Traditional Beneficiary IRA documents

Traditional Beneficiary IRA historical updates

Custodial (including Self-Directed) and Trust

This document provides a detailed summary of compliance changes to Wolters Kluwer Traditional Beneficiary IRA documents

Detailed changes from 2026 to 2021

2026 (2027 COLA updates)

Traditional Beneficiary IRA Disclosure Statement

- Revised the *Right to Disclaim* section to clarify that the rules found in IRC Section 2518 are unqualified and irrevocable, and therefore it is recommended to seek the guidance and direction of tax and legal professionals before disclaiming an interest in a Beneficiary IRA
- Amended the *IRA Distributions* section. Revised the annual QCD limit and the limit for a once-in-a-lifetime QCD for a split-interest entity in the *Qualified Charitable Distributions (QCD)* subsection to reflect the 2027 COLA amounts
- Clarifying edits were made to subsection 10, *Time Period Rules*, subpart a (the *Ten-year rule*) and subpart b (the *Five-year rule*) in the *Required Minimum Distributions (RMDs)-Generally* section
- Revised part 2b (*IRA Owner's Death Occurred on or After His or Her RBD*) and 3b (*IRA Owner's Death Occurred Before His or Her RBD*), in the *Named Beneficiary is Not a Designated Beneficiary subparts of* the *RMD Rules for a Death that Occurred in 2019 or Earlier* section to clarify that these provisions apply in the absence of separate accounting
- Revised the *Eligible Designated Beneficiary* subsection in the *RMD Rules for a Death that Occurred in 2020 or Later* section to clarify that spouse beneficiaries may instead elect to use a uniform lifetime divisor to calculate their beneficiary RMD

2025 (November 2025, COLA updates, IRS Ann. 2025-2, and U.S. H.R. 517)

Form 5305-A and Form 5305

- Amended section 8.03, *Definitions*, to clarify how the phrase "SIMPLE IRA" is used throughout the document

Traditional Beneficiary IRA Disclosure Statement

- Amended the *Right to Disclaim* section to more closely follow the disclaimer rules found in IRC Section 2518
- Amended the *Definitions* section to reflect the same changes made to section 8.03 above
- Amended the *State Laws* subsection in the *IRA Restrictions and Approval* section to add "disclaimers" to the list of state laws that could impact a Beneficiary IRA
- Amended the *Qualified Charitable Distributions (QCD)* subsection of the IRA Distributions section to reflect the increased annual QCD limit as well as the increased once-in-a-lifetime QCD limit for a split-interest entity
- Amended the *Required Minimum Distributions (RMDs)-Generally* section and several subsections under it, including the *Time Period Rules* subsection to, among other things, clarify when certain life expectancy tables can be used
- Amended several subsections under the *RMD Rules for a Death that Occurred in 2019 or Earlier* section, including changes to reflect that the five-year rule is a rule that no longer applies and to remove references to an expired CARES Act exception
- Amended several subsections under the *RMD Rules for a Death that Occurred in 2020 or Later* section, including revisions to better explain the single life expectancy method and clarify that spouse beneficiaries may have multiple life expectancy options
- Amended the *Estate and Gift Tax* section to add cautionary language for beneficiaries who may want to disclaim all, or a portion, of a Beneficiary IRA
- Amended the *Disaster Tax Relief and Repayment of a Qualified Disaster Recovery Distribution* section to note that disasters may be declared not only by the President, but also by state officials

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2024
(November; 2025 COLA updates; final Internal Revenue Service (IRS) required minimum distribution (RMD) rule updates)

Form 5305-A and Form 5305

- Amended section 8.03, *Definitions*; clarified the references to "Beneficiary IRA"; noted that references to "IRA" and "traditional IRA" include an Individual Retirement Account (IRA) indicated to be a Simplified Employee Pension (SEP) IRA, and noted that references to "SIMPLE IRA" do not indicate a Roth Savings Incentive Match Plan for Employees (SIMPLE) IRA unless specifically stated
- Amended section 9.10, *Distributions*; added a NOTE advising IRA owners to seek the guidance of a tax or legal professional surrounding the taking of RMDs
- Added section 9.11, *Beneficiary Default Election*; this new section defines the default election in the event an eligible designated beneficiary does not elect an RMD method

Traditional Beneficiary IRA Disclosure Statement

- Amended the *Definitions* section; noted that references to "SIMPLE IRA" do not indicate a Roth SIMPLE IRA unless specifically stated
- Amended several subsections of the *IRA Restrictions and Approval* section:
  - In the *Collectibles* subsection, added references to nonfungible tokens (NFTs) and a reference to IRS Notice 2023-27
  - Amended the *No Prohibited Transactions* subsection; noted that any deemed distribution resulting from a prohibited transaction will not count toward any RMDs
- Amended the *IRA Distributions* section:
  - Amended the *Qualified Charitable Distributions (QCD)* subsection to reflect the 2025 cost-of-living adjustment (COLA) limits and that the once-in-a-lifetime QCD limit for a split-interest entity is subject to annual COLAs
- Amended the *Required Minimum Distributions (RMDs)-Generally* section; modified the introductory language to provide an expanded overview of the final beneficiary rules issued by the IRS in July 2024 and effective January 1, 2025; multiple subsections were also amended and one was added:
  - Revised the *Year of Death RMD* subsection to clarify effect on successor beneficiaries
  - Amended the *Qualifying Trust* subsection by clarifying that a qualifying trust is also known as a "see-through trust"
  - Renamed and revised the *Required Beginning Date and Applicable RMD Age* subsection to explain the applicable RMD age for tax years prior to and after 2032
  - The new *Time Period Rules* subsection explains the ten-year rule, the five-year rule, and the life expectancy method
- Amended several subsections under the *RMD Rules for a Death that Occurred in 2019 or Earlier* section including:
  - Amended the *IRA Owner's Death Occurred on or after His or Her RBD* subsection by clarifying that RMDs must be taken annually
  - Shortened the *Deceased Employer Plan Participant* area in the *IRA Owner's Death Occurred before His or Her RBD* subsection to remove content related to designated beneficiaries
- Amended several subsections under the *RMD Rules for a Death that Occurred in 2020 or Later* section including:
  - Incorporated the *Time Period Rules into the Generally* section
  - Amended the *Types of Beneficiaries* subsection to clarify that designated and eligible designated beneficiaries may name successor beneficiaries
  - Amended the *Eligible Designated Beneficiary* subsection, and several subparts within it, to clarify that a minor child who has attained the age of majority may still be considered an eligible designated beneficiary if they are disabled or chronically ill; to clarify that eligible designated beneficiaries may be able to choose between distributions over a life expectancy period or within 10 years; to explain when a spouse may have to take an RMD prior to treating the IRA as his or her own; to describe who qualifies to be a minor child and summarize a minor child's RMD options; to make substantial changes to clarify the RMD rules for an eligible designated beneficiary; and to note that a successor beneficiary may be required to take annual RMDs
- Amended the *Federal Income Tax Status of Distributions* section; noted that QCDs are not subject to federal tax withholding
- Amended the *Disaster Tax Relief and Repayment of a Qualified Disaster Recovery Distribution* section; added specifics relating to what constitutes a qualified disaster area and the rules relating to a first-time principal home buyer

2023
(November)

Traditional Beneficiary IRA Disclosure Statement

- Amended the *IRA Distributions* section; updated the dollar amounts in the *Qualified Charitable Distributions (QCD)* subsection to reflect the current year's limits

WOLTERS KLUWER

2023
(January; SECURE 2.0 Act)

Traditional Beneficiary IRA Disclosure Statement

- Amended the *IRA Restrictions and Approval* section:
  - Updated the *No Prohibited Transactions* subsection to clarify that the consequences of a prohibited transaction only apply to this Traditional Beneficiary IRA
  - In the *No Pledging* subsection, removed text stating the 10% early distribution penalty tax might apply to the taxable portion of amounts pledged as security for a loan
  - Updated the *IRS Approval of Form* subsection to reference Article IX (in addition to XIII)
- Amended the *IRA Distributions* section; updated the *Qualified Charitable Distributions (QCD)* subsection; reflected that the distribution limit is now subject to annual COLA; added information about being able to elect to take a once-in-a-lifetime QCD of up to $50,000 to a split-interest entity
- Amended two subsections of the *Required Minimum Distributions (RMDs)-Generally* section:
  - Updated the *Distributions of Less than the RMD Amount* subsection to reflect a recent law change reducing the excess accumulation penalty tax from from 50% to 25%; to note that the penalty may be reduced to 10% if corrected within the correction window
  - Amended the *Required Beginning Date (RBD)* subsection by changing age 72 to age 73 at the end of the first sentence; by adding a sentence referring to age 72 for the years 2020, 2021, and 2022
- Amended the *RMD Rules for a Death that Occurred in 2019 or Earlier* section:
  - Amended one part of the *RMD Rules for Designated Beneficiaries* subsection:
    - → Amended Part 4.a., *Spouse Beneficiary*; replaced the specific age listed with a statement referencing "the applicable RMD age"
- Amended the *RMD Rules for a Death that Occurred in 2020 or Later* section:
  - Amended one part of the *Eligible Designated Beneficiaries* subsection:
    - → Amended Part 3.a.ii., *Spouse Beneficiary*; replaced the specific age listed with a statement referencing "the applicable RMD age"
- Amended the *Disaster Tax Relief and Repayment of Qualified Disaster Recovery Distribution* section; updated the section to reflect the rules as modified by a recent law change

2022

Form 5305 and 5305-A

- Amended Section 9.10, *Distributions*; added that taking the beneficiary RMD within a prescribed period is the beneficiary's responsibility, and that the custodian is not required to determine the time period or a deadline for that period

Traditional Beneficiary IRA Disclosure Statement

- Amended the *IRA Distributions* section; updated the *Qualified Charitable Distributions (QCD)* subsection to add "annually" to the $100,000 amount of tax-free distributions
- Amended the *Required Minimum Distributions (RMD)-Generally* section; added that determining the period within which a beneficiary is required to withdraw all assets is not a requirement of the trustee/custodian
- Amended the *IRA Owner's Death Occurred Before His or Her RBD* subsection of the *RMD Rules for a Death that Occurred in 2019 or Earlier* section:
  - Amended Part 3.a.ii., *RMD Rules for Designated Beneficiaries*, *Spouse Beneficiaries*; added "or age 72 if the owner died in 2020 or later" for postponing commencement of RMDs

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2022, continued

- Amended several subsections and parts of the *RMD Rules for a Death that Occurred in 2020 or Later* section:
  - Amended subsection 3, *Designated Beneficiary*; added information regarding IRS proposed RMD rules and distributions within the ten-year period
  - Amended two parts of the *Eligible Designated Beneficiary* subsection:
    - → Amended Part 4.a., *Spouse Beneficiaries*; addressed that a spouse beneficiary must take any required RMD when rolling over shares to their own IRA
    - → Amended Part 4.b., *Eligible Designated Beneficiary Who is the Traditional IRA Owner's Minor Child*; removed reference to state law when defining age of majority
- Amended the *Successor Beneficiaries* subsection; added recommendation to consult with a tax or legal professional regarding successor beneficiary distribution requirements
- Amended the *Federal Income Tax Withholding* section; replaced reference to IRS Form W-4P with reference to IRS Form W-4R
- Amended the *Disaster Tax Relief and Repayment of Qualified Disaster Distribution* section; updated the citation for the IRS' Disaster Tax Relief website

2021 (IRS Publication 590-B guidance updates)

Traditional Beneficiary IRA Disclosure Statement

- Amended several subsections of the RMD Rules for a *Death that Occurred in 2020 or Later* section:
  - Amended subsection *Types of Beneficiary*; changed "can have successor beneficiaries" to "can name successor beneficiaries"
- Amended several parts of the *Eligible Designated Beneficiary* subsection:
  - Amended Part 4.a., *Spouse Beneficiary*; addressed IRA options and clarified the ten-year rule for surviving spouse beneficiaries
  - Amended Part 4.b., *Eligible Designated Beneficiary Who is the Traditional IRA Owner's Minor Child*; addressed new IRA rule for eligible designated beneficiaries who are surviving minor children of the IRA account owner, that they must remove all assets from the IRA by the 10th anniversary of the date they attain the age of majority
  - Amended Part 4.c., *Eligible Designated Beneficiary (Other than a Surviving Spouse or Minor Child)*; addressed IRA options and clarify the ten-year rule for eligible designated beneficiaries who are not a surviving spouse or a minor child of the IRA account owner; added the requirement that qualifying trusts choosing the single life expectancy option must use the age of the oldest trust beneficiary when calculating the RMD
- Renamed *Disaster Tax Relief* section as *Disaster Tax Relief and Repayment of a Qualified Disaster Distribution*

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