Banking Compliance

A compliance health check on your Roth Beneficiary IRA documents

Roth Beneficiary IRA historical updates

Custodial-includes Self-Directed, and Trust

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

Detailed changes from 2025 to 2020

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

Form 5305-R and 5305-RA

- Amended section 9.03, *Definitions*, to clarify how the phrase "SIMPLE IRA" is used throughout the document

Roth 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 9.03 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 Roth beneficiary IRA
- Amended the *Qualified Charitable Distributions (QCD)* subsection of the *IRA Distributions* section to reflect this year's annual QCD limit as well as this year's 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 the *Eligible Designated Beneficiary* subsection under the *RMD Rules for a Death that Occurred in 2020 or Later* section, making 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 Roth beneficiary IRA
- Amended the *Disaster Tax Relief and Repayment of a Qualified Disaster Recovery Distribution* section to accommodate the expansion allowing disasters to be declared not only by the President, but also by state officials

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

Form 5305-R and 5305-RA

- Amended section 9.03, *Definitions*; clarified the references to "Roth Beneficiary IRA"; clarified that references to "Roth IRA" do not indicate Roth Savings Incentive Match Plan for Employees (SIMPLE) or Roth Simplified Employee Pension (SEP) unless specifically stated; that references to "traditional" or "traditional IRA" include an Individual Retirement Account (IRA) indicated to be a SEP IRA; and that references to "SIMPLE IRA" do not indicate a Roth SIMPLE IRA unless specifically stated
- Added section 9.08, *Beneficiary Default Election*; this new section explains the default election in the event an eligible designated beneficiary does not elect an RMD method

Roth Beneficiary IRA Disclosure Statement

- Throughout the Disclosure Statement, changed the 10 percent early distribution from a "penalty tax" to an "additional tax" to conform with IRS terminology; and clarified that "qualifying trusts" are also known as "see-through trusts" for the purposes of defining IRA beneficiaries
- Amended the *Definitions* section; noted that references to "SIMPLE IRA" do not indicate a Roth SIMPLE IRA unless specifically stated

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

- Amended several subsections of the *IRA Restrictions and Approval* section:
  - In the *Collectibles* subsection, added references to nonfungible tokens (NFTs) and to IRS Notice 2023-27
  - Retitled the *RMD Rules* subsection to *Required Minimum Distribution Rule (RMDs) for Beneficiaries*
  - Amended the *No Prohibited Transactions* subsection to note that any distribution deemed to have resulted from a prohibited transaction will not count toward any RMDs
- Amended the *Designated Roth Account* subsection of the *Rollovers and Direct Rollovers from an ERP* section; clarified that designated Roth contributions may also be made by match or nonelective contributions
- Amended the *Roth IRA Distributions* section; specified the IRA referenced is a “Roth” IRA; updated the *Qualified Charitable Distributions (QCD)* subsection to reflect the 2025 cost-of-living adjustments (COLA) limits; and that the once in a lifetime QCD limit for a split-interest entity is subject to an annual COLA
- Amended the *Required Minimum Distributions (RMDs)–Generally* section’s introductory language to provide an expanded overview of the final beneficiary rules issued by the IRS in July 2024 and effective Jan. 1, 2025, noting further that RMDs may need to be taken annually; revised two subsections and added two new subsections:
  - Revised the *Year of Death RMD* subsection to clarify effect on successor beneficiaries
  - Added a new *Applicable RMD Age* subsection to explain the applicable RMD age for tax years prior to and after 2032
  - Added a new *Time Period Rules* subsection to explain the ten-year rule, the five-year rule, and the life expectancy method
- Amended the *Deceased Employer Plan Participant* subsection in the *RMD Rules for a Death that Occurred in 2019 or Earlier* section; removed content related to designated beneficiaries
- Amended several subsections of the section *RMD Rules for a Death that Occurred in 2020 or Later*:
  - Added a sentence to the subsection *Generally (2020 or Later)* directing the beneficiary to the time period rules
  - In the *Types of Beneficiaries* subsection, noted that, in general, designated and eligible designated beneficiaries can name successor beneficiaries
  - Amended the *Eligible Designated Beneficiary* subsection, and several areas 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 ten 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; and to note that a successor beneficiary may be required to take annual RMDs
- In the section *Federal Income Tax Status of Distributions*, amended the subsection *Taxation* to add a statement 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)

Roth 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

2023 (January; SECURE 2.0 Act)

Form 5305-R and 5305-RA

- Amended section 9.04 *Contributions* to reflect a recent law change by noting this Roth Beneficiary IRA can accept contributions from the original deceased owner's Roth IRA, including his or her SEP Roth or SIMPLE Roth IRA

Roth 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 Roth Beneficiary IRA
  - In the *No Pledging* subsection, removed text stating the 10 percent early distribution penalty tax might apply to the taxable portion of amounts pledged as security for a loan
- Amended the *Eligibility to Establish a Roth Beneficiary IRA* section; mentioned that a Roth Beneficiary IRA can hold amounts received as a beneficiary of a participant in an eligible retirement plan
- Amended the *Roth Beneficiary IRA Contributions* section; reworded the section for clarity; stated that a Roth Beneficiary IRA may accept transfers from a SEP Roth or SIMPLE Roth IRA; added language noting that there may be limitations on the types of contributions that may be accepted and information on when a spouse's actions shall be treated as an election to treat the Roth Beneficiary IRA as his or her own
- Amended the *IRA Distributions* section; updated the *Qualified Charitable Distributions (QCD)* subsection to reflect 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 50 percent to 25 percent to note that the penalty may be reduced to 10 percent if corrected within the correction window
- 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 2.b., *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 4.a., *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-R and 5305-RA

- Amended Section 9.07, *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

Roth 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 (RMDs)-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 *RMD Rules for a Death that Occurred in 2019 or Earlier* section:
  - Amended the *RMD Rules for Designated Beneficiaries* subsection:
    - → Amended Part 2.b., *Spouse Beneficiaries*; added "or age 72 if the owner died in 2020 or later" for postponing commencement of RMDs

2022,
continued

- Amended two subsections and parts of the *RMD Rules for a Death that Occurred in 2020 or Later* section:
    - Amended two parts of the *Eligible Designated Beneficiary* subsection:
        - → Amended Part 4.a., *Spouse Beneficiary*; 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 Roth 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 tax or legal professional regarding successor beneficiary distribution requirements
- 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)

Roth Beneficiary IRA Disclosure Statement

- Amended the *Restrictions and Approval* section; amended the list of state laws that may affect an IRA
- Amended several subsections of the *RMD Rules for a Death that Occurred in 2020 or Later* section:
- Amended the *Types of Beneficiary* subsection; changed "can have successor beneficiaries" to "can name successor beneficiaries"
- Amended two parts of the *Eligible Designated Beneficiary* subsection:
    - Amended Part 4.b., *Eligible Designated Beneficiary (Who is the Roth IRA Owner's Minor Child)*; addressed new IRA rule for eligible designated beneficiaries who are surviving minor children of the Roth IRA account owner, that they must remove all assets from the Roth IRA by the tenth 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)*; 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*

2020
(SECURE Act updates)

Roth Beneficiary IRA Disclosure Statement

- Amended the *State Law* subsection in the *IRA Restrictions and Approval* section; updated the list of state laws that may affect an IRA
- Amended the *Indirect Rollover and Withholding* subsection in the *Rollovers and Direct Rollovers from an ERP* section; changed "waive" to "extend" and "waiver" to "extension" throughout the subsection, including in the subsection heading
- The section RMDs-Generally was renamed *Required Minimum Distributions (RMDs)-Generally* and amended; updated to address new rules for beneficiaries
- The section *RMD Rules for Designated Beneficiaries* was removed
- The section *RMD Rules If A Named Beneficiary Is Not A Designated Beneficiary* was removed
- The section *RMD Rules for Spouse Beneficiaries* was removed
- The section *RMD Rules for a Beneficiary of a Deceased Plan Participant* was removed
- The section *RMD Rules for Successor Beneficiaries* was removed
- The section *RMD Rules for a Death that Occurred in 2019 or Earlier* was added to address rules for a death that occurred in 2019 or earlier
- The section *RMD Rules for a Death that Occurred in 2020 or Later* was added to address rules for a death that occurred in 2020 or later
- Renamed D*isaster Tax Relief* section as D*isaster Tax Relief and Repayment of a Qualified Disaster Distribution*; removed the sentence saying disaster distributions may be subject to a lifetime aggregate; removed reference to IRS Publication 976; and updated the URL where disaster relief information can be found on the IRS website