



## Banking Compliance

# *A compliance health check on your TRADITIONAL BENEFICIARY IRA documents*

## TRADITIONAL BENEFICIARY IRA UPDATES

(Custodial—includes Self-Direction & Trust)

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

### Detailed changes from 2011 to today

#### 2016

##### Traditional Beneficiary IRA Disclosure Statement

- This form was created in 2008, and this is its first revision. Numerous updates have been made to standardize the language with amendments from the other IRA types that have had more recent revisions.
- The *Direct Rollovers from Eligible Retirement Plans* section has been retitled *Rollovers and Direct Rollovers from an ERP*. This section has been updated with four numbered subsections.
- Under the *IRA Distributions* section, 3. *Tax-Free Distributions to Charities* has been retitled *Qualified Charitable Distributions*. The Qualified Charitable Distribution rule allowing an IRA owner or beneficiary age 70½ or older to have up to \$100,000 per year distributed directly to a charitable organization is now permanent.

#### 2017

The IRS updated Forms 5305, *Traditional Individual Retirement Trust Account* and 5305-A, *Traditional Individual Retirement Custodial Account* as follows:

- **Article I.** Updated contribution limits to 2017 amounts.
- **Article VIII.** Added statement that the IRS has reviewed and approved Articles I through VII.
- **General Instructions.** Updated to reflect the changes above, remove the identifying number instruction, and list IRS Pub. 590-A and Pub. 590-B as additional sources of information.

##### Traditional IRA Disclosure Statement

- Added statements that the IRS has reviewed and approved Articles I through VII but not Article VIII of the 5305 or 5305-A, as appropriate.
- Updated the Disaster Tax Relief section to summarize the requirements of the Disaster Tax Relief and Airport and Airway Extension Act of 2017.

## 2018 (January; Tax Cuts and Jobs Act)

### Form 5305 and 5305-A

- Amended section 8.04, *Contributions*, to remove the phrase, “recharacterization by a beneficiary from a Roth beneficiary IRA”.
- Amended section 9.11, *Cash or In-Kind Contributions*, to remove “recharacterizations” from the list of in-kind contributions that will be accepted.

### Traditional Beneficiary IRA Disclosure Statement

- Amended the *Right to Revoke Your Beneficiary IRA* section to remove the exception to revoke for recharacterization.
- Amended the *Beneficiary IRA Contributions* section to remove the phrase, “recharacterization by a beneficiary from a Roth beneficiary IRA”.

## 2018 (October)

### Traditional Beneficiary IRA Disclosure Statement

- Amended the *Indirect Rollover and Withholding* subsection within the *Rollovers and Direct Rollovers from an ERP* section by adding language explaining the self-certification procedure for claiming eligibility for waiver of the 60-day rollover period.
- Amended the *Disaster Tax Relief* section to add reference to IRS Publication 976, *Disaster Relief*, and make other minor clarifications.

## 2020 (SECURE Act updates)

### Traditional 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 Disaster Tax Relief section as Disaster 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.

## 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, to address IRA options and clarify the ten-year rule for surviving spouse beneficiaries.
- Amended part 4.b., Eligible Designated Beneficiary Who is the Traditional IRA Owner’s Minor Child, to address 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 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), to address 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.

