Inheriting an IRA

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The following information can be found in IRS publications 590 and 559:

Someone who inherits an IRA is a beneficiary. When you inherit an IRA, you must include the amount **you receive** as income in the year that you inherit it.

If you are a spouse and you inherit a traditional IRA (not Roth), you can treat it as your own by designating yourself as the owner, then rolling it into your own IRA or qualified retirement plan without taxation.

You can still make contributions provided you are employed and make the required earned income. If you receive a distribution, you have 60 days to roll it over without having to pay taxes. If you are over 70-1/2, you must take out RMDs (required minimum distributions) and pay taxes on this amount.

If you inherit an IRA from someone other than your deceased spouse, you cannot become the owner and make contributions. You cannot rollover into or out of (in any amount) the inherited IRA into another IRA or qualified retirement plant.

You can set up a trustee to trustee transfer and avoid taxation as long as it is set up in the name of the deceased owner. Be aware of your distribution options before you make withdrawals.

For specific questions, consult your accountant or call Lifeguard Financial at (440) 942-1936. Our accountant will answer your questions free of charge.