



Avoiding Non-Spouse Beneficiary Mistakes in 5 Easy Steps

How can I avoid making costly mistakes when I inherit an IRA from a person who was not my spouse? Inheriting an IRA can be a financial windfall, but it's important to understand the complex, specific rules that apply to non-spouse IRA beneficiaries to avoid critical errors.

- 1. At first, don't do anything!** Especially, don't take a distribution from the IRA. Doing so without proper planning may forfeit years of potential tax-favored investment returns. Inherited IRA funds are distinct from IRA funds you save for yourself. They can't be commingled with your other IRAs, you can't make contributions to an account that holds them, and they can't be converted to inherited Roth IRAs. Before acting, consult with a qualified advisor to learn the rules and plan how to best use the inherited funds in your personal situation.
- 2. Set up an inherited IRA.** Be sure to set up a properly titled inherited IRA. You can move the funds to a different financial institution if you choose. The transfer between financial institutions must be done by a direct trustee-to-trustee transfer. Nonspouse beneficiaries cannot do a 60-day rollover.
- 3. If the original IRA has multiple beneficiaries, split it so each obtains a separate inherited IRA.** This will ensure that each beneficiary will get the maximum payout period that the rules allow for them.
- 4. Prepare to take required minimum distributions (RMDs).** Both inherited traditional and Roth IRAs are subject to the RMD rules. Most nonspouse beneficiaries under the SECURE Act are subject to a 10-year payout rule and in some cases must take annual RMDs within the 10-year period. A penalty applies to RMDs that are not taken.
- 5. Heed deadlines and records.** Inherited IRAs must be established and split by December 31 of the year after that of the owner's death. Also, check the records of the deceased IRA owner to see if an inherited Traditional IRA contained non-deductible contributions, which provide tax-free distributions. And be sure to designate beneficiaries of your own to the inherited IRA that you establish.

1419 Highland Avenue, Manhattan Beach, CA 90266 ☎ 310.643.7472 🌐 www.CRAadvisors.com

Investment advisory services offered through Mutual Advisors, LLC DBA California Retirement Advisors, a SEC registered investment adviser. Securities offered through Mutual Securities, Inc., member FINRA/SIPC. Mutual Securities, Inc. and Mutual Advisors, LLC are affiliated companies. CA Insurance license #0B09076. Mutual Advisors, LLC and California Retirement Advisors takes no responsibility for the current accuracy of this information. Ed Slott and Company LLC is not affiliated with Mutual Advisors. © 2026 Ed Slott and Company LLC. Reprinted with permission. Ed Slott and Company LLC takes no responsibility for the current accuracy of this information.

This is being provided for informational purposes only and should not be construed as a recommendation to buy or sell any specific securities. Past performance is no guarantee of future results, and all investing involves risk. The views expressed are those of California Retirement Advisors (CRA) and do not necessarily reflect the views of Mutual Advisors, LLC or any of its affiliates. CRA, nor any of its members, are tax accountants or legal attorneys, and do not provide tax or legal advice.

For tax or legal advice, you should consult your tax or legal professional.