

What you need to know about an Inherited IRA

Understanding your choices and taking action.



In this guide:

- **Understand the basics**
- **Review your choices**
- **Take action**

Understand the Basics

When the owner of an Individual Retirement Account (IRA) dies, one or more designated beneficiaries—or their legal representatives—must choose how to manage the inheritance. To help you reach a decision, this guide will take you through the basics of IRA inheritance.

Gathering Information

While using this guide, you may need to refer to copies of the account holder's IRA statements or related documents. The account holder's tax advisor may be able to provide these to you.

Other information you will need to know is the following:

- Which type of IRA is being inherited (Traditional or Roth)
- The identity of the beneficiary(ies)—spouse, non-spouse, trust, charity or estate
- The age of the original account holder at time of death
- Whether or not the original account holder had started taking IRA distributions/Required Minimum Distributions
- The date the account was opened if a Roth IRA

Help and Advice

If you have tax or legal questions about managing an IRA inheritance, contact the professional counsel retained by the account holder's estate or your own tax advisor. You may also wish to reference copies of the account holder's IRA statements or related documents, along with Internal Revenue Service **Publication 590**, Individual Retirement Arrangements. You can get this publication at your local IRS office, by calling **1-800-TAX-FORM** or by downloading it from the IRS website at **www.irs.gov**.

To fully evaluate the potential impact that the inheritance may have on your overall tax and financial situation, we recommend that you consult your tax advisor.

Traditional IRA

Everyone who owns a Traditional IRA has a Required Beginning Date (RBD). The RBD is the date when distributions from the IRA must begin. After reaching the RBD (defined by the IRS as April 1 of the year following the year in which the original account holder reaches age 70½), annual minimum distributions must be taken from an IRA to avoid tax penalties. A Required Minimum Distribution (RMD) is the annual minimum dollar amount an account holder must take from an IRA once he/she reaches 70½.

The distribution alternatives to Traditional IRA beneficiaries depend on whether death occurred before or after the RBD and the type of beneficiary. These options will be discussed in detail in the following section, Review Your Choices.

Roth IRA

Roth IRAs are not subject to Required Minimum Distributions during the account holder's lifetime. However, after the account holder's death, distributions may need to be taken by the beneficiaries. Generally, the timing of distributions depends on who has inherited the account. In order for distributions of earnings to be tax-free, the account must be open for at least five years.

If the account is less than five years old at the time of the account holder's death, any earnings withdrawn before the account has been open for five years will be taxed. (Detailed "ordering" rules are used to determine if a withdrawal consists of contributions or earnings.) In addition, if a spouse beneficiary chooses to treat the Roth IRA as his or her own, the spouse beneficiary usually must also wait until age 59½ to take distributions of earnings tax-free.

The Inherited IRA Option

Both spouse and non-spouse beneficiaries have the option of transferring assets into an Inherited IRA after the original account holder's death. Withdrawal of funds must take place according to the schedule outlined in the following section, Review Your Choices, depending on whether the original account holder had reached his/her RBD. Additional contributions cannot be made to an Inherited IRA. However, additional contributions can be made after a spousal transfer to a spouse's beneficiary's Traditional or Roth IRA account.

IRS regulations establish that the IRA custodian (Schwab) must be notified of the designated beneficiary* (the individual whose life expectancy is used to calculate minimum distributions after death) of the IRA by September 30 of the year following the death of the account holder. This does not mean that beneficiaries will be added or eliminated after the account holder's death. It does mean beneficiaries have the flexibility to determine a distribution strategy that fits their situation.

When multiple beneficiaries exist, the IRA custodian (Schwab) must be notified of the various beneficiaries by September 30 of the year following the account holder's death, and the separate accounts must be established by December 31, in order for each beneficiary to use his/her own life expectancy. Otherwise, distributions will be based on the life expectancy of the oldest beneficiary.

Once the beneficiary has transferred assets into an Inherited IRA, he/she may designate his/her own beneficiary for the account. When the account holder of the Inherited IRA dies, this designated beneficiary has the option to transfer the assets into a new Inherited IRA in his/her own name, and must continue taking distributions on the same schedule or faster than the one applied to the original beneficiary.

*If a trust is the beneficiary, the IRA custodian must be provided with the required documentation (refer to page 12 in this guide) by October 31 of the year following the year of the IRA account holder's death.

Review Your Choices

Please turn to the section that fits your situation.

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Traditional IRA Beneficiaries

Spouse Beneficiary

For a spouse beneficiary, the choices that are available for managing the Traditional IRA inheritance depend on a variety of factors—such as whether the original account holder had reached his/her Required Beginning Date (RBD) and whether the spouse was the sole beneficiary.

Before choosing one of the alternatives below, you may wish to consult with your tax advisor to fully evaluate the impact it may have on your financial situation.

If the account holder was **under** 70½, these are your choices:

Choices	Account Type	When the Money Is Available	Other Considerations
Spousal Transfer (treat as your own)	You transfer the assets into your own existing or new IRA.	At any time, but a penalty will apply to withdrawals made before you reach age 59½.	<ul style="list-style-type: none"> • Only available if the spouse is the sole beneficiary. • IRA assets continue growing tax-deferred. • If you are under 59½, you'll be subject to the same distribution rules as if the IRA had been yours originally, so you cannot take distributions without paying the 10% early withdrawal penalty—unless you meet one of the IRS penalty exceptions. • You may designate your own IRA beneficiary.
Lump-Sum Distribution	None. All assets in the IRA are distributed to you.	All at once.	<ul style="list-style-type: none"> • You will pay income taxes on the distribution all at once. • You will not incur the 10% early withdrawal penalty. • You may move to a higher tax bracket depending on the amount of the distribution and your current income level.
Inherited IRA (five years)	You transfer the assets into an Inherited IRA held in your name.	At any time up until 12/31 of the fifth year after the year in which the account holder died, at which point all assets need to be fully distributed.	<ul style="list-style-type: none"> • You are taxed on each distribution. • You will not incur the 10% early withdrawal penalty. • Undistributed assets continue growing tax-deferred for up to five years. • You may designate your own IRA beneficiary.
Inherited IRA (life expectancy)	You transfer the assets into an Inherited IRA held in your name.	Distributions must begin no later than 12/31 of the year after the year in which the original account holder died or 12/31 of the year he/she would have reached 70½, whichever is later.	<ul style="list-style-type: none"> • Your annual distributions are spread over your single life expectancy determined by your age in the calendar year following the year of death and reevaluated each year. • If multiple beneficiaries, separate accounts must be established by 12/31 of the year following the year of death; otherwise, distributions will be based on the life expectancy of the oldest beneficiary. • You are taxed on each distribution. • You will not incur the 10% early withdrawal penalty. • Undistributed assets continue growing tax-deferred. • You may designate your own IRA beneficiary.

If the account holder was **over** 70½, these are your choices:

Choices	Account Type	When the Money Is Available	Other Considerations
Spousal Transfer (treat as your own)	You transfer the assets into your own existing or new IRA.	At any time, but a penalty will apply to withdrawals made before you reach age 59½.	<ul style="list-style-type: none"> • Only available if the spouse is the sole beneficiary. • IRA assets continue growing tax-deferred. • You must take an RMD for the year of death (if the account holder did not already take it). • If you are under 59½, you'll be regulated by the same distribution rules as if the IRA had been yours originally, so you cannot take distributions (other than the RMD for the year of death) without paying the 10% early withdrawal penalty. • You may designate your own IRA beneficiary.
Lump-Sum Distribution	None. All assets in the IRA are distributed to you.	All at once.	<ul style="list-style-type: none"> • You will pay income taxes on the distribution all at once. • You will not incur the 10% early withdrawal penalty. • You may move to a higher tax bracket depending on the amount of the distribution and your current income level.
Inherited IRA (life expectancy)	You transfer the assets into an Inherited IRA held in your name.	<p>You must begin taking an annual RMD over your life expectancy beginning no later than 12/31 of the year following the original account holder's death.*</p> <p>*Note: If the original account holder did not take an RMD in the year of death, an RMD must be taken from the account by 12/31 of the year the original account holder died.</p>	<ul style="list-style-type: none"> • Your annual distributions are spread over the longer of your single life expectancy determined by your age in the calendar year following the year of death and reevaluated each year, or the deceased account holder's remaining life expectancy. • If multiple beneficiaries, separate accounts must be established by 12/31 of the year following the year of death; otherwise, distributions will be based on the life expectancy of the oldest beneficiary. • You are taxed on each distribution. • You will not incur the 10% early withdrawal penalty. • Undistributed assets continue growing tax-deferred. • You may designate your own IRA beneficiary.

Non-Spouse Beneficiary

For a non-spouse beneficiary, the choices that are available for managing the Traditional IRA inheritance depend on a variety of factors—such as whether the original account holder had reached his/her Required Beginning Date (RBD) and whether there are multiple beneficiaries.

Before choosing one of the alternatives below, you may wish to consult with your tax advisor to fully evaluate the impact it may have on your financial situation.

If the account holder was **under 70½**, these are your choices:

Choices	Account Type	When the Money Is Available	Other Considerations
Lump-Sum Distribution	None. All assets in the IRA are distributed to you.	All at once.	<ul style="list-style-type: none"> You will pay income taxes on the distribution all at once. You will not incur the 10% early withdrawal penalty. You may move to a higher tax bracket depending on the amount of the distribution and your current income level.
Inherited IRA (five years)	You transfer the assets into an Inherited IRA held in your name.	At any time up until 12/31 of the fifth year after the year in which the account holder died, at which point all assets need to be fully distributed.	<ul style="list-style-type: none"> Your distributions can be spread over time, but all assets must be withdrawn by 12/31 of the fifth year after the year in which the account holder died. You are taxed on each distribution. You will not incur the 10% early withdrawal penalty. Undistributed assets continue growing tax-deferred for up to five years. You may designate your own IRA beneficiary.
Inherited IRA (life expectancy)	You transfer the assets into an Inherited IRA held in your name.	You must begin taking an RMD over your life expectancy beginning no later than 12/31 of the year following the original account holder's death.	<ul style="list-style-type: none"> Your annual distributions are spread over your single life expectancy determined by your age in the calendar year following the year of death and reduced by one each year thereafter. If multiple beneficiaries, separate accounts must be established by 12/31 of the year following the year of death in order to use your own single life expectancy; otherwise, distributions will be based on the life expectancy of the oldest beneficiary. You are taxed on each distribution. You will not incur the 10% early withdrawal penalty. Undistributed assets continue growing tax-deferred. You may designate your own IRA beneficiary.

If the account holder was **over** 70½, these are your choices:

Choices	Account Type	When the Money Is Available	Other Considerations
Lump-Sum Distribution	None. All assets in the IRA are distributed to you.	All at once.	<ul style="list-style-type: none"> You will pay income taxes on the distribution all at once. You will not incur the 10% early withdrawal penalty. You may move to a higher tax bracket depending on the amount of the distribution and your current income level.
Inherited IRA (life expectancy)	You transfer the assets into an Inherited IRA held in your name.	<p>You must begin taking an annual RMD over your life expectancy beginning no later than 12/31 of the year following the original account holder's death.</p> <p>*Note: If the original account holder did not take an RMD in the year of death, an RMD must be taken from the account by 12/31 of the year the original account holder died.</p>	<ul style="list-style-type: none"> Your annual distributions are spread over the longer of your single life expectancy determined by your age in the calendar year following the year of death and reduced by one each year thereafter, or the deceased account holder's remaining life expectancy. If multiple beneficiaries, separate accounts must be established by 12/31 of the year following the year of death in order to use your own single life expectancy; otherwise, distributions will be based on the life expectancy of the oldest beneficiary. You are taxed on each distribution. You will not incur the 10% early withdrawal penalty. Undistributed assets continue growing tax-deferred. You may designate your own IRA beneficiary.

Trust as Beneficiary

The choices that are available for managing the Traditional IRA inheritance depend on whether a trust's beneficiaries may be taken into account, as well as other factors—such as whether the original account holder had reached his/her Required Beginning Date (RBD).

Before making a choice, you may wish to consult with the trustee to fully evaluate the impact it may have on the trust and its beneficiaries. Please begin by completing this checklist.

Trust Qualification Checklist		
	No	Yes
In order for a trust's beneficiaries to be taken into account in determining the choices, the trust must meet each of these requirements:		
Is the trust irrevocable? (or did it become irrevocable when the account holder died?)		
Is the trust valid under state law?		
Does the trust name identifiable beneficiaries?		
Does the custodian possess a copy of the trust agreement? (or a list of all beneficiaries of the trust, certified by the trustee as complete?)		

If you answered **“NO”** to ANY of the checklist questions, these are your choices.
(Other conditions may apply to your situation depending on the decedent's elections. Please consult your tax advisor.)

If the account holder was **under** 70½, these are your choices:

Choices	Account Type	When the Money Is Available	Other Considerations
Lump-Sum Distribution	None. All assets in the IRA are distributed to the trust.	All at once.	<ul style="list-style-type: none"> The trust and/or its beneficiaries are taxed on the distribution. Distributions will not be subject to the 10% early withdrawal penalty.
Inherited IRA (five years)	An Inherited IRA is opened in the name of the trust.	At any time up until 12/31 of the fifth year after the year in which the account holder died, at which point all assets need to be fully distributed.	<ul style="list-style-type: none"> Distributions can be spread over time, but all assets must be withdrawn by 12/31 of the fifth year after the year in which the account holder died. The trust is taxed on each distribution. Distributions taken during the five-year period will not be subject to the 10% early withdrawal penalty. Undistributed assets continue growing tax-deferred for up to five years.

If the account holder was **over** 70½, these are your choices:

Choices	Account Type	When the Money Is Available	Other Considerations
Lump-Sum Distribution	None. All assets in the IRA are distributed to the trust.	All at once.	<ul style="list-style-type: none"> The trust and/or its beneficiaries are taxed on the distribution. Distributions will not be subject to the 10% early withdrawal penalty.
Inherited IRA (life expectancy)	An Inherited IRA is opened in the name of the trust.	Distributions must begin no later than 12/31 of the year following the year in which the original account holder died.* *Note: If the original account holder did not take an RMD in the year of death, an RMD must be taken from the account by 12/31 of the year the original account holder died.	<ul style="list-style-type: none"> Distributions continue based on the single life expectancy of the original account holder reduced by one each year. Distributions are not subject to the 10% early withdrawal penalty. The trust is taxed on each distribution. Undistributed assets continue growing tax-deferred.

If you answered **“YES”** to ALL of the checklist questions, these are your choices.

If the account holder was **under** 70½, these are your choices:

Choices	Account Type	When the Money Is Available	Other Considerations
Lump-Sum Distribution	None. All assets in the IRA are distributed to the trust.	All at once.	<ul style="list-style-type: none"> The trust and/or its beneficiaries are taxed on the distribution. Distributions will not be subject to the 10% early withdrawal penalty.
Inherited IRA (five years)	An Inherited IRA is opened in the name of the trust.	At any time up until 12/31 of the fifth year after the year in which the account holder died, at which point all assets need to be fully distributed.	<ul style="list-style-type: none"> Distributions can be spread over time, but all assets must be withdrawn by 12/31 of the fifth year after the year in which the account holder died. The trust is taxed on each distribution. Distributions taken during the five-year period will not be subject to the 10% early withdrawal penalty. Undistributed assets continue growing tax-deferred for up to five years.
Inherited IRA (life expectancy)	An Inherited IRA is opened in the name of the trust.	Distributions must begin no later than 12/31 of the year following the year in which the original account holder died.	<ul style="list-style-type: none"> Distributions can be spread over time, but not exceeding the life expectancy of the oldest beneficiary (subject to RMD rules). The trust may take distributions based on either: <ol style="list-style-type: none"> The recalculated or non-recalculated single life expectancy of a spouse beneficiary of the trust; or The non-recalculated single life expectancy of the oldest non-spouse beneficiary of the trust.

If the account holder was **over** 70½, these are your choices:

Choices	Account Type	When the Money Is Available	Other Considerations
Lump-Sum Distribution	None. All assets in the IRA are distributed to the trust.	All at once.	<ul style="list-style-type: none"> The trust and/or its beneficiaries are taxed on the distribution. Distributions will not be subject to the 10% early withdrawal penalty.
Inherited IRA (life expectancy)	An Inherited IRA is opened in the name of the trust.	<p>Distributions must begin no later than 12/31 of the year following the year in which the original account holder died.*</p> <p>*Note: If the original account holder did not take an RMD in the year of death, an RMD must be taken from the account by 12/31 of the year the original account holder died.</p>	<ul style="list-style-type: none"> Distributions continue based on the single life expectancy of the oldest beneficiary or the original account holder's life expectancy if longer. If the spouse is the only beneficiary of the trust, distributions are based on the spouse's recalculated life expectancy. If one of the beneficiaries is a non-individual (charity), distributions are based on the single life expectancy of the original account holder reduced by one each year. Distributions are not subject to the 10% early withdrawal penalty. The trust is taxed on each distribution. Undistributed assets continue growing tax-deferred.

Estate as Beneficiary

When a beneficiary is an estate, the choices that are available for managing the Traditional IRA inheritance depend on a variety of factors—such as whether the original account holder had reached his/her Required Beginning Date (RBD).

Before choosing one of the alternatives below, you may wish to consult with your tax advisor to fully evaluate the impact it may have on the estate and its beneficiaries.

If the account holder was **under** 70½, these are your choices:

Choices	Account Type	When the Money Is Available	Other Considerations
Lump-Sum Distribution	None. All assets in the IRA are distributed to the estate of the account holder.	All at once.	<ul style="list-style-type: none"> The estate is taxed on the distribution. Distributions will not be subject to the 10% early withdrawal penalty.
Inherited IRA (five years)	An Inherited IRA is opened in the name of the account holder's estate.	At any time up until 12/31 of the fifth year after the year in which the account holder died, at which point all assets need to be fully distributed. Assets are distributed to the estate.	<ul style="list-style-type: none"> Distributions can occur for up to five years after the account holder's death or until the assets have been fully distributed—whichever comes first. The estate is taxed on each distribution. Distributions taken during the five-year period will not be subject to the 10% early withdrawal penalty. Undistributed assets continue growing tax-deferred for up to five years.

If the account holder was **over** 70½, these are your choices:

Choices	Account Type	When the Money Is Available	Other Considerations
Lump-Sum Distribution	None. All assets in the IRA are distributed to the estate of the account holder.	All at once.	<ul style="list-style-type: none"> The estate is taxed on the distribution. Distributions will not be subject to the 10% early withdrawal penalty.
Inherited IRA (life expectancy)	An Inherited IRA is opened in the name of the estate.	<p>Distributions must begin no later than 12/31 of the year following the year in which the original account holder died.*</p> <p>*Note: If the original account holder did not take an RMD in the year of death, an RMD must be taken from the account by 12/31 of the year the original account holder died.</p>	<ul style="list-style-type: none"> Distributions continue based on the single life expectancy of the original account holder reduced by one each year after. Distributions will not be subject to the 10% early withdrawal penalty. The estate is taxed on each distribution. Undistributed assets continue growing tax-deferred.

Roth IRA Beneficiaries

The choices that are available for managing a Roth IRA inheritance are determined by the identity of the beneficiary—spouse, non-spouse, trust or estate—and other factors. Before making a choice, you may wish to consult with a tax advisor to evaluate the impact it may have.

Five-Year Holding Period

Roth IRA distributions consist of after-tax contributions and earnings. Contribution amounts are always distributed tax-free. But a five-year holding period applies to earnings. If the account has been open for at least five years at the time of the account holder's death, earnings are distributed tax-free and penalty-free. If earnings are distributed before the account has been open for five years, the earnings are taxable, but penalty-free. If not, they stay in the account and are taxed until the account is five years old. Early withdrawals are subject to all applicable tax, including possible early withdrawal penalties and withholding requirements.

If you are a spouse or non-spouse beneficiary, please review the chart below. If the beneficiary is a trust or estate, turn to page 12 to determine which choices are available.

Choices	Account Type	When the Money Is Available	Other Considerations
Spousal Transfer (treat as your own)	You transfer the assets into your own existing or new Roth IRA.	At any time, but earnings generally will be taxable until you reach age 59½ and the account is at least five years old.	<ul style="list-style-type: none"> • Only available if the spouse is the sole beneficiary. • You'll be regulated by the same distribution rules as if the IRA had been yours originally. • You may designate your own IRA beneficiary.
Lump-Sum Distribution	None. All assets in the Roth IRA are distributed to you.	All at once.	<ul style="list-style-type: none"> • If the account is less than five years old at the time of the account holder's death, earnings are taxable.
Inherited IRA (five years)	The assets are transferred into an Inherited IRA held in your name.	At any time until 12/31 of the fifth year after the year in which the account holder died, at which point all assets must be distributed.	<ul style="list-style-type: none"> • Your distributions can be spread over time, but all assets must be withdrawn by 12/31 of the fifth year after the year in which the account holder died. • Undistributed assets continue growing tax-free for up to five years. Distributions may be taken during that period without being taxed (provided that the five-year holding period has been met). • You may designate your own beneficiary for the Inherited Roth IRA.
Inherited IRA (life expectancy)	You transfer the assets into an Inherited IRA held in your name.	For non-spouse beneficiaries, distributions must begin no later than 12/31 of the year following the year of death. If you are a spouse sole beneficiary, you have the option to postpone distributions until the decedent would have attained age 70½, whichever is later.	<ul style="list-style-type: none"> • Distributions are spread over the beneficiary's single life expectancy. • If multiple beneficiaries, separate accounts must be established by 12/31 of the year following the year of death in order to use your own single life expectancy; otherwise, distributions will be based on the life expectancy of the oldest beneficiary. • You will not incur the 10% early withdrawal penalty. • Undistributed assets continue growing tax-free. • You may designate your own beneficiary for the Inherited IRA.

Trust as Beneficiary

If a trust is the beneficiary of a Roth IRA, an Inherited IRA must be opened in the name of the trust. The choices that are available depend on whether or not the trust qualifies to have its beneficiaries taken into account by meeting these conditions:

- The trust is irrevocable (or became irrevocable when the account holder died).
- The trust is valid under state law.
- The trust names identifiable beneficiaries.
- The custodian possesses a copy of the trust agreement (or a list of all beneficiaries of the trust, certified by the trustee to be complete).

If the trust meets all of the conditions, it is qualified and eligible for one of the following choices, shown in the chart on page 11:

- Lump-Sum Distribution
- Inherited IRA (five years)
- Inherited IRA (life expectancy)

If the trust does not meet all of the conditions, it is not qualified and, therefore, eligible for one of the following choices:

- Lump-Sum Distribution
- Inherited IRA (five years)

Estate as Beneficiary

If the account holder's estate is the beneficiary of a Roth IRA, an Inherited IRA must be opened in the name of the estate. The choices available to an estate as beneficiary, described in the chart on page 11, are:

- Lump-Sum Distribution
- Inherited IRA (five years)

Note: Life expectancies of the beneficiaries of a qualifying trust may be used to calculate distributions to a qualified trust as beneficiary. Life expectancies of an estate's beneficiaries cannot be used to calculate distributions to an estate as beneficiary.

Take Action

Use this checklist to make sure you have completed and submitted all the required documents:

To open a Schwab Inherited IRA or to make a spousal transfer to a Schwab Rollover IRA, please complete the following forms and mail them to Schwab in the enclosed envelope along with a certified copy of the death certificate:

- Notarized Affidavit of Domicile
- Spousal Transfer/Inherited IRA Application
- Inherited IRA Distribution Election Form

If the trust is the beneficiary, in order to transfer or distribute the assets in the account, in addition to the items mentioned in the left column, you must also provide the custodian with the following documents (by October 31 following the year of the account holder's death):

- Copy of the Trust Agreement identifying Successor Trustee(s)
- Completed IRS Form W-9 for the tax ID number of the trust
- Written instructions from the Successor Trustee(s)

If the estate of the account holder is the beneficiary, in order to transfer or distribute the assets of the account to the estate, in addition to the items mentioned in the far-left column, you must also provide the custodian with the following documents:

- Letters of Testamentary (dated within the past 60 days)
- Completed IRS Form W-9 for the tax ID number of the estate
- Written instructions from the executor(ix) of the estate

For questions about opening a Schwab IRA, call 1-800-435-4000.

Glossary

Account Holder

The original owner of the IRA.

Affidavit of Domicile

A form that verifies the residence of a decedent prior to his/her date of death. This document determines legal residency. The affidavit indicates which state statutes will prevail.

Beneficiary

A person or entity—usually designated on the IRA application—entitled to receive IRA proceeds when the account holder dies.

Designated Beneficiary

The person or entity who is determined to be the designated beneficiary of the account by September 30 of the year following the death of the account holder (October 31 for trusts).

IRA

Individual Retirement Arrangement, also referred to as Individual Retirement Account.

Letters of Testamentary

Official document confirming the account holder's death and the legitimacy of the account, and naming the personal (legal) representative of the estate. Also known as Letters of Authorization and Letters of Authorization with Will Annexed.

Life Expectancy Calculations

The life expectancy factor used to calculate the Required Minimum Distribution (RMD) of an Inherited IRA depends on the identity and number of beneficiaries, the age of the original account holder at the time of death, the type of IRA being inherited and the age of the beneficiary(ies) in the calendar year following the year of death.

Lump-Sum Distribution

Total distribution of your share of the assets in the decedent's retirement account. At Schwab, you have a choice of ways to receive your lump-sum distribution:

- Transfer your share of the assets in-kind from the decedent's IRA to your own new or existing nonretirement account.
- Liquidate your share of the assets in the decedent's IRA and request a distribution to your own new or existing non-retirement account.
- Liquidate your share of the assets in the decedent's IRA and request a check.

Required Beginning Date (RBD)

The date when an IRA holder must begin taking a Required Minimum Distribution from the account—April 1 following the year in which the account holder reaches age 70½.

Required Minimum Distribution (RMD)

A dollar amount required to be taken by the original account holder from an IRA at age 70½ and older.

Rollover

A reportable tax-free movement of cash or assets from one retirement plan (an IRA, for example) to another.

Separate Accounts

When multiple beneficiaries of an IRA exist, separate accounts must be established by December 31 following the original account holder's year of death for beneficiaries to have the option to open an Inherited IRA and receive distributions over each beneficiary's single life expectancy.

Single Life Expectancy Table

IRS table used to calculate required distributions after death.

10% Early Withdrawal Penalty

A federal tax penalty assessed on any distribution made from an IRA—before the account holder reaches age 59½—which is not made due to death, disability or certain other exceptions.

Transfer of Account Form (TOA)

This form is used to transfer the assets from the decedent's account at another financial institution into a Schwab account.

