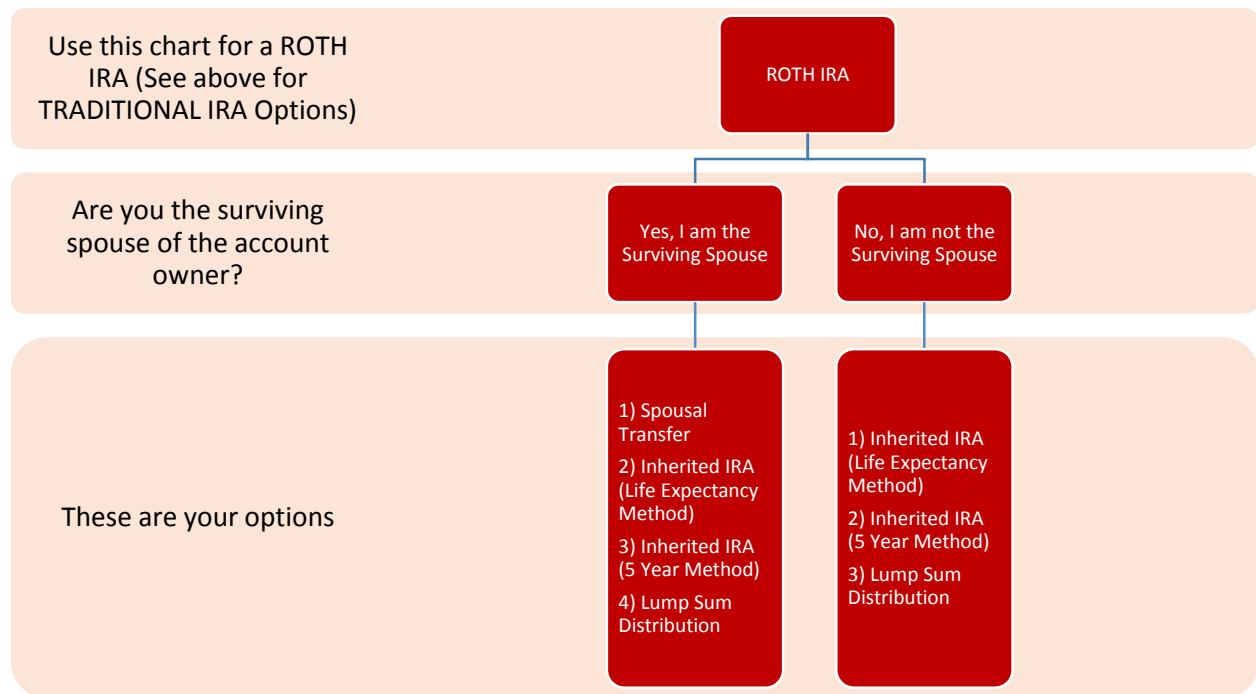


You've Inherited a ROTH IRA – Now What?

Inheriting assets in the form of an Individual Retirement Account (IRA) can be one of the most beneficial and flexible ways to inherit. If you've inherited an IRA, you may be wondering what your options are. The options available will depend on the type of IRA (Traditional or ROTH), whether the original account owner was your spouse, and, in the case of a Traditional IRA, whether the original account owner was over or under age 70 ½ at the time of his or her death.

If you've inherited a ROTH IRA, use the following chart to find out what options are available to you, and then read about those options below to learn more. If you've inherited a Traditional IRA, use the chart and information here to learn more. If you have questions about deciding on a form for your Inherited IRA, contact Mammel Law at 248-644-6326.



ROTH IRA Spousal Transfer

- A spousal transfer is available only to a surviving spouse and allows the surviving spouse to transfer the account owner's IRA assets into an existing or new ROTH IRA and **treat it as the spouse's own plan**. The money is available to the surviving spouse at any time, but earnings are generally taxable until the surviving spouse reaches age 59 ½ and meets the ROTH IRA five year minimum holding period, as **normal ROTH IRA distribution rules apply**. This option is only available to the spouse if he or she is the **sole beneficiary**. The **surviving spouse may name a new beneficiary on the account**, which includes the assets of the deceased account owner.

Inherited ROTH IRA (Life Expectancy Method)

- An inherited ROTH IRA allows you to transfer assets into an Inherited ROTH IRA in your own name, **spread the distributions over your own life expectancy** (as determined by IRS tables), avoid the 10% early withdrawal penalty, **and name your own account beneficiary**. As long as the five year ROTH holding period has been met, **distributions may be taken tax-free**, and **continue to grow tax deferred**. If there are multiple beneficiaries, the life expectancy of the oldest beneficiary will be used to determine the RMDs for all beneficiaries, unless **separate accounts** are created for each beneficiary by December 31st of the year following the year of the account owner's death. If you are the surviving spouse, **required minimum distributions** must begin by the later of December 31st of the year following the year of the account owner's death, or when the account owner would have turned 70 ½. If you are not the surviving spouse, required minimum distributions must begin by December 31st of the year following the year of the account owner's death.

Inherited ROTH IRA (5 Year Method)

- An inherited ROTH IRA allows you to transfer assets into an Inherited ROTH IRA in your own name, **and fully distribute all of the assets** no later than December 31st of the **fifth year** after the year of the account owner's death. **Distributions taken during the five year period are not taxable**, so long as the ROTH five year holding period requirement has been met (otherwise the earnings will be taxable), and the 10% early withdrawal penalty will not be incurred. The undistributed assets may continue to **grow tax deferred** during the five year period. You may **name your own account beneficiary**.

ROTH IRA Lump Sum Distribution

- A lump sum distribution makes all account funds available to the beneficiary **immediately**. No taxes are due, unless the account is less than five years old at the time of the account holder's death, in which case the earnings on the account are taxable.