

A photograph showing a woman with curly hair hugging a man from behind. The man is smiling and looking down. A third person's head is visible on the right side of the frame. The image is set against a dark blue background with white, rounded rectangular cutouts.

Making the right decision

Understanding your options when you inherit
a retirement account

How to handle your inheritance

Coping with the loss of a family member or friend knows no timetable. However, there are many time-sensitive choices you'll have to make during this emotional period. This guide breaks down your options so you can make the best decision for your needs.

If you have questions, our TIAA consultants can guide you every step of the way:

- Filling out paperwork
- Setting up beneficiaries and investments
- Taking withdrawals

Call us at 800-842-2252, weekdays, 8 a.m. to 7 p.m. (ET).



Taking the first step

There are two key decisions to make when you inherit a retirement account: if you're going to keep the funds and your timeline for withdrawing them.



If you do not want or need the gift

You'll want to decline or "disclaim" the gift within nine months of the giver's passing and before taking possession of any assets.

- This allows the assets to pass to an alternate beneficiary named by the giver.
- You won't need to claim income from the account for tax purposes, potentially avoiding an increase in your tax bracket.



If you need the gift immediately

You can withdraw all the assets as a lump sum, however, you'll:

- Need to pay taxes on a tax-deferred account.
- Risk jumping into a higher tax bracket, depending on size of the inheritance.
- Miss out on additional tax-deferred growth potential over time, if you don't stay invested in a tax-deferred account.



If you'd like to stretch the gift over time

You can open a TIAA Brokerage Inherited IRA and place the gift in that account.

- Continued tax-deferred growth potential.
- Investment and income opportunities for your personal short- and long-term needs.
- No immediate income tax implications.
- No tax penalties on withdrawals at any age (in most cases, you'll pay income taxes on the withdrawals).
- You'll be required to take withdrawals from the account or you could face a 10% to 25% tax penalty.

Important note: Consulting a tax professional may be helpful, especially if you experience tax implications with an increase in income.



Can I just leave the money alone?

If you inherited a retirement account such as a 401(k) or 403(b), you may have the option to leave the gift within the account. You can still take advantage of tax-deferred growth potential, but you'll have to take the required minimum distributions (RMDs) to avoid the tax penalty.

- If you're the spouse and the giver passed away before the initial RMD age, your RMDs will begin on what would have been the year they would have been required to begin RMDs. If you're not the spouse, your RMDs will begin the year after the giver's passing.
- If the giver passed away at or after the initial RMD age, you'll have to continue taking RMDs.

If you're the spouse, you can consolidate the giver's account into your own individual retirement account. This can simplify managing the funds—since they're all in one place—and the RMDs reset to your age. With this option, you'll have to wait until age 59½ to take distributions to avoid any tax penalties unless you meet one of the IRS penalty exceptions.

What are required minimum distributions (RMDs)?

When it comes to tax-deferred savings—like a Traditional IRA or 403(b) plan—eventually the government requires it to be withdrawn so taxes can be paid. The amount of these RMDs depends on when you inherited the gift, your beneficiary status, the age of the giver at passing and what you plan to do with the funds. Failing to take the appropriate amount can result in a tax penalty.

Understanding the giver's RMD requirements will help you better determine when you must begin taking RMDs. If the giver turned age 72 on or before December 31, 2022, they were of initial RMD age. The initial RMD age was changed to age 73 beginning January 1, 2023.

Note: The information provided is based on the rules mandated by the SECURE Act of 2019, which apply when the giver passed away on or after January 1, 2020. For givers who passed away prior to that date, speak with your tax advisor or a TIAA representative.

The information provided is intended for educational purposes only and does not cover every rule or situation. Recently issued IRS Notice 2022-53 offers additional guidance to inherited retirement account beneficiaries subject to the SECURE Act's 10 year rule. There is uncertainty in how the proposed RMD regulations will apply. TIAA does not provide tax advice, and you should seek the counsel of your tax professional.

The information in this brochure is intended for individual U.S. citizens and for situations where a U.S. retirement account is being inherited for the first time. If you are inheriting the account as part of a charitable donation, a trust is the beneficiary, are inheriting a previously inherited account, or are inheriting a foreign account, please consult your tax advisor.



How to stretch your inheritance

You can open a TIAA Brokerage Inherited IRA for your inherited money anytime, but the frequency and amount of the required minimum distribution(s) depends on the giver's age and your relationship with them.¹

Eligible designated beneficiaries need to take RMDs over the course a lifetime or may withdraw the full amount sooner.

- Surviving spouse
- Minor child of the deceased
- Disabled or chronically ill²
- Not more than 10 years younger than the deceased

If the giver passed away before the initial RMD age

You may elect to withdraw all of the funds by the end of the 10th year after the giver's death or extend the payments for a longer period.

- For spouses, the RMDs begin in the year of what would have been the giver's initial RMD age.
- For all others, you must begin taking RMDs no later than December 31 the year after the giver passed away.

If the giver passed away at or after the initial RMD age

- If they didn't take an RMD this year, it must generally be taken before December 31. The penalty is automatically waived if the giver's RMD is taken by the due date of the beneficiary's tax return (including extensions).
- If they already took this year's RMD, then you can wait until the following calendar year to begin taking an annual distribution.

The minor's exception

Children are allowed to stretch out the distributions, typically until they reach 21 years old. Once reaching this "age of majority," annual distributions must continue, and all the funds must be withdrawn within 10 years.



Non-eligible beneficiaries are required to withdraw the funds within 10 years of the giver's passing.³ However, you may be required to take action sooner.

If the giver passed away before the initial RMD age

- Invest the gift and take one lump-sum withdrawal in year 10 to maximize account value.
- Minimize tax implications by taking a withdrawal every year to potentially avoid jumping into a higher tax bracket, with all the funds distributed by the end of the 10th year.

If the giver passed away at or after the initial RMD age

- You must continue taking a withdrawal every year, with all the funds distributed by the end of the 10th year.

Important note: If you inherit a Roth account, it could make sense to leave those assets in the account for as long as possible. This way the funds may grow tax free for 10 years, then be taken tax free.

Trustees or executors of an estate can work with one of our financial consultants to:

- Withdraw all the funds within five years, if the giver was under the initial RMD age.
- Continue distributions based on the giver's life expectancy, if they were of the initial RMD age or older.



Need help?

Call us at 800-842-2252, weekdays, 8 a.m. to 7 p.m. (ET).

1. Note: The information provided is based on the rules mandated by the SECURE Act of 2019, which apply when the giver passed away on or after January 1, 2020. For givers who passed away prior to that date, speak with a TIAA representative or consult with your tax advisor.
2. At the date of death, the individual must be chronically ill as generally defined by IRC 7702B(c)(2) or disabled as defined by IRC 72(m)(7).
3. Recently issued IRS Notice 2022-53 offers additional guidance to inherited retirement account beneficiaries subject to the SECURE Act's 10 year rule. There is uncertainty in how the proposed RMD regulations will apply. TIAA does not provide tax advice, and you should seek the counsel of your tax professional. Information provided is intended for individual beneficiaries. Differing rules may apply when the beneficiary is a trust and you should seek the advice of your tax professional.

We recommend you talk with your tax advisor or CPA before making a decision that could affect your financial standing. They can help you understand the specific tax implications of your inheritance and set up a RMD schedule so your distributions can be withdrawn to avoid tax penalties.

Although TIAA can help you understand your choices, ultimately the IRS requires account owners to be responsible for their beneficiary RMD calculations and due dates.

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