

## INTRODUCTION TO THE SECURE RMD CALCULATOR

This calculator relates to the distributions to be made from an IRA or other similar retirement account to a designated beneficiary (DB) who is a “non-eligible” DB following the death of the owner of the IRA. An eligible DB can still take distributions based on his own age under the tables published in IRS Publication 590-B, as was the case for all DBs before 2020. Other DBs are required to distribute all funds from the account within 10 years of the owner’s death, in addition to having to continue Required Minimum Distributions if the owner had reached his Required Beginning Date.

Since these new requirements were introduced, many advisors and commentators seem to have simply assumed that the DB should take 10% of the balance each year for the 10 years. This oversimplified approach overlooks the fact that the money in the account continues to earn income in the form of interest, dividends, capital gains, and increases in principal.

As the comparison shows, using a shorter time period (six years in this example) produces a result that is pretty close to that of the 10-year period, and has the significant advantage of getting all of the distributions completed in a much shorter period of time.

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**Distributions to non-spouse DB**

Using 5% increasing percentage

Over 9 years

		<b>Begin</b>	<b>Distr</b>	<b>Tax</b>	<b>Earned</b>	<b>Rem'g</b>
1	10%	1,000,000	100,000	26,000	50,000	950,000
2	15%	950,000	142,500	37,050	47,500	855,000
3	20%	855,000	171,000	44,460	42,750	726,750
4	25%	726,750	181,688	47,239	36,338	581,400
5	30%	581,400	174,420	45,349	29,070	436,050
6	35%	436,050	152,618	39,681	21,803	305,235
7	40%	305,235	122,094	31,744	15,262	198,403
8	45%	198,403	89,281	23,213	9,920	119,042
9	50%	119,042	59,521	15,475	5,952	65,473
10	100%	65,473	65,473	17,023		
		<b>Totals</b>	<b>\$1,258,594</b>	<b>\$327,234</b>		
		<b>Net</b>	<b>\$931,360</b>			

Beginning amount: **\$1,000,000**  
 Assumed rate of return: **5.00%**

**Distributions to non-spouse DB**

Using 10% increasing percentage

Over 6 years

		<b>Begin</b>	<b>Distr</b>	<b>Tax</b>	<b>Earned</b>	<b>Rem'g</b>
1	10%	1,000,000	100,000	26,000	50,000	950,000
2	20%	950,000	190,000	49,400	47,500	807,500
3	30%	807,500	242,250	62,985	40,375	605,625
4	40%	605,625	242,250	62,985	30,281	393,656
5	50%	393,656	196,828	51,175	19,683	216,511
6	100%	216,511	216,511	56,293		
		<b>Totals</b>	<b>\$1,187,839</b>	<b>\$308,838</b>		
		<b>Net</b>	<b>\$879,001</b>			

**This is what many advisors miss:  
 During the distribution period, the  
 account is still earning a return.**

Tax is calculated at 22% Federal, 4% state, total 26%

## Tax effects

Year	Distr	Tax	Rem'g
1	\$100,000	\$26,000	\$74,000
2	\$190,000	\$49,400	\$140,600
3	\$242,250	\$62,985	\$179,265
4	\$242,250	\$62,985	\$179,265
5	\$196,828	\$51,175	\$145,653
6	\$216,511	\$56,293	\$160,218
	\$1,187,839	\$308,838	\$879,001
Over the course of 6 years, the total distributed:			\$1,187,839
Tax on those distributions:			\$308,838
Net distributed to beneficiaries:			\$879,001
as a percentage of the initial balance:			87.9%