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Beneficiary Access No.

Toll-Free Number:

(888) 842-6328

IRA Beneficiary Options (*SECURE Act*)

Important SECURE Act updates for 2020: The act changed the options available to beneficiaries if the IRA holder's date of death is on or after January 1, 2020. **Only use this form if the decedent's date of death is on or after January 1, 2020.** If the decedent's date of death is prior to 2020, please use **NFCU 515 (IRA Beneficiary Options)**. If the beneficiary is an Estate, Entity, or Trust, please use **NFCU 515B (IRA Beneficiary Options – Estate, Entity or Trust)**.

Before completing this form, see "Important Information About Your IRA Beneficiary Options" beginning on page 6 for additional guidance.

Section A. Basic Information					
Name of Decedent: First	MI	Last	Suffix	Decedent Access No.	Decedent Date of Death
Name of Beneficiary: First	MI	Last	Suffix	Social Security No. (SSN) or ITIN	Beneficiary Telephone No.
Beneficiary Address: Street		City	State	ZIP Code	
IRA Plan Type: (Choose one) Please complete a separate form for each plan type. <input type="checkbox"/> Traditional <input type="checkbox"/> SEP <input type="checkbox"/> Roth					

Section B. Beneficiary Classification <i>(Only use this form if the decedent's date of death is on or after 1/1/2020. Use NFCU 515 form if the date of death is prior to 2020.)</i>
<p>Under the SECURE Act, beneficiary classifications fall into 2 main categories: Eligible Designated Beneficiary (<i>spouse or non-spouse</i>) and Designated Beneficiary. These classifications are further defined below.</p> <p>Please check the box next to your Beneficiary Classification.</p> <p><input type="checkbox"/> Eligible Designated Beneficiary – Spouse:</p> <ul style="list-style-type: none"> • The surviving spouse of the deceased account holder <p><input type="checkbox"/> Eligible Designated Beneficiary – Non-Spouse:</p> <ul style="list-style-type: none"> • A minor child of the deceased account holder • A beneficiary who is no more than 10 years younger than the deceased account holder <i>(includes beneficiaries older than the deceased IRA holder)</i> • A disabled beneficiary <i>(Code Section 72(m)(7))*</i> • Certain chronically ill beneficiaries <i>(Code Section 7702B(c)(2))*</i> • Recipient of certain annuitized payments that began prior to the enactment of the SECURE Act <i>(January 1, 2020)*</i> <p><input type="checkbox"/> Designated Beneficiary:</p> <ul style="list-style-type: none"> • A minor child who is not the child of the IRA holder • All other individuals not listed

*Please seek competent legal/tax advice to determine if you meet the criteria for these options. Navy Federal cannot determine Eligible Designated Beneficiary eligibility.



Section C. Traditional, SEP, and Roth IRA Instructions (Select from the options under your Beneficiary Classification.)	
Eligible Designated Beneficiary—Spouse (Choose one option below.)	
Date of Death Prior to Required Beginning Date (RBD)* and All Roth IRAs	Date of Death on or After Required Beginning Date (RBD)*
<input type="checkbox"/> Lump Sum Distribution Option - I elect to receive the IRA plan balance in one single sum.	<input type="checkbox"/> Lump Sum Distribution Option - I elect to receive the IRA plan balance in one single sum.
<input type="checkbox"/> 10-Year Option - I elect to deplete the IRA plan balance by December 31 of the year containing the tenth anniversary of my spouse's death.	<input type="checkbox"/> Treat as Own Option - I elect to roll over or transfer the IRA plan balance into my own IRA. [If you elect <i>Treat as Own</i> , you must have the same IRA plan open as the beneficiary IRA plan. If you do not have the same IRA plan open, please complete and return the appropriate IRA application with this form (Traditional–NFCU 602; Roth–NFCU 602A; or SEP–NFCU 602C).]
<input type="checkbox"/> Treat as Own Option - I elect to roll over or transfer the IRA plan balance into my own IRA. [If you elect <i>Treat as Own</i> , you must have the same IRA plan open as the beneficiary IRA plan. If you do not have the same IRA plan open, please complete and return the appropriate IRA application with this form (Traditional–NFCU 602; Roth–NFCU 602A; or SEP–NFCU 602C).]	<input type="checkbox"/> Life Expectancy Payment Option (Select from your IRA plan.)
<input type="checkbox"/> Life Expectancy Payment Option (Select from your IRA plan.)	<input type="checkbox"/> Traditional and SEP IRAs only - I elect to deplete the IRA plan balance by taking Life Expectancy Payments beginning no later than December 31 of the year after my spouse's date of death. I elect to deplete the balance as follows:
<input type="checkbox"/> Roth IRA only - I elect to deplete the IRA plan balance by taking payments over my life expectancy. I understand these payments must begin no later than December 31 of the year after my spouse's death.	<input type="checkbox"/> Over my own life expectancy.
<input type="checkbox"/> Traditional and SEP IRAs only - I elect to deplete the IRA plan balance by taking payments over my own life expectancy. I elect to begin these payments:	<input type="checkbox"/> I am older than my spouse and elect to deplete the plan balance using the life expectancy of my spouse in the year of death.
<input type="checkbox"/> the year following the year of my spouse's death.	
<input type="checkbox"/> the year in which my spouse would have turned 73.	

Eligible Designated Beneficiary—Non-Spouse (Choose one option below.)	
Date of Death Prior to Required Beginning Date (RBD)* and All Roth IRAs	Date of Death on or After Required Beginning Date (RBD)*
<input type="checkbox"/> Lump Sum Distribution Option - I elect to receive the IRA plan balance in one single sum.	<input type="checkbox"/> Lump Sum Distribution Option - I elect to receive the IRA plan balance in one single sum.
<input type="checkbox"/> 10-Year Option - I elect to deplete the IRA plan balance by December 31 of the year containing the tenth anniversary of the IRA holder's death.	<input type="checkbox"/> Life Expectancy Payment Option** (Select from your IRA plan.)
<input type="checkbox"/> Life Expectancy Payment Option** (Select from your IRA plan.)	<input type="checkbox"/> Traditional and SEP IRAs only - I elect to deplete the IRA plan balance by taking Life Expectancy Payments beginning no later than December 31 of the year after the IRA holder's date of death. I elect to deplete the balance as follows:
<input type="checkbox"/> Roth IRA only - I elect to deplete the IRA plan balance by taking payments over my life expectancy. I understand these payments must begin no later than December 31 of the year after the IRA holder's death.	<input type="checkbox"/> Over my own life expectancy.
<input type="checkbox"/> Traditional and SEP IRAs only - I elect to deplete the IRA plan balance by taking payments over my own life expectancy. I elect to begin these payments no later than the year following the year of the IRA holder's death.	<input type="checkbox"/> I am older than the IRA holder and elect to deplete the plan balance using the life expectancy of the IRA holder in the year of death.

Designated Beneficiary (Choose one option below.)	
Date of Death Prior to Required Beginning Date (RBD)* and All Roth IRAs	Date of Death on or After Required Beginning Date (RBD)*
<input type="checkbox"/> Lump Sum Distribution Option - I elect to receive the IRA plan balance in one single sum.	<input type="checkbox"/> Lump Sum Distribution Option - I elect to receive the IRA plan balance in one single sum.
<input type="checkbox"/> 10-Year Option - I elect to deplete the IRA plan balance by December 31 of the year containing the tenth anniversary of the IRA holder's death.	<input type="checkbox"/> 10-Year Option - I elect to deplete the IRA plan balance by December 31 of the year containing the tenth anniversary of the IRA holder's death. I understand I must take annual Life Expectancy Payments during the first nine years and the balance paid out on the tenth year.

*Required Beginning Date (RBD) – April 1 of the year after the decedent reached age 70½ (date of birth on or before July 1, 1949), age 72 (date of birth between July 1, 1949 – December 31, 1950), or age 73 (date of birth on or after January 1, 1951).

**If Life Expectancy Payment option is elected and the Eligible Designated Beneficiary is the minor child of the deceased IRA holder, this option will convert to the 10-Year Option upon age of majority (age 21). The full balance of the IRA plan must then be depleted by December 31 of the tenth year after the minor child reaches age of majority (age 21).

Section D. Distribution Instructions (Choose your disbursement schedule below.) Skip this section if you elected Treat as Own (Spouse).

Frequency: <input type="checkbox"/> Monthly <input type="checkbox"/> Quarterly* <input type="checkbox"/> Annually <input type="checkbox"/> Lump Sum				Date to Begin Distributions (MM/DD/YY)		
*Distributions will be made on 3/30, 6/30, 9/30, and 12/28.						
Transfer to Navy Federal Account No.			Transfer to Navy Federal Certificate for a Term of (minimum balance required)			
Send Check Payable To**		Address: Street		City	State	ZIP Code
Name(s) on Account (if applicable)				Account No. at Other Financial Institution (if applicable)		

**If you are requesting a Direct Transfer, you must contact your financial institution for the appropriate transfer paperwork to accompany this form.

\$12 expedited mailing fee may apply.

Wire Funds to Other Financial Institution (\$20 wire fee may be applicable.)* Note: Beneficiaries must be a member of Navy Federal to request a wire transfer as the distribution method.

Name of Financial Institution		Routing Number		Account No.	
Name on Account		Amount			
Financial Institution Address: Street	City	State		ZIP Code	
Account Owner Address/Other Financial Institution: Street	City	State		ZIP Code	

*If multiple different disbursements are needed, please use a second copy of the form.

Section E. Federal Tax Withholding

Withdrawals and distributions from the IRA are subject to required federal income tax withholding unless you check the "No Withholding" box. If neither box is checked, Navy Federal will withhold 10% of the withdrawal for federal tax. Qualified withdrawals from a Roth IRA are not taxable.

Non-qualified withdrawals from a Roth IRA may be taxable.

If you elect not to have withholding applied to your withdrawals, you may be responsible for payment of estimated tax. You may incur penalties under the estimated tax rules if your withholding and estimated tax payments are not sufficient.

No Withholding: DO NOT withhold any portion of the proceeds from my IRA/SEP accounts for federal taxes

Withhold Federal Tax: Elect the following percentage to be withheld for federal tax purposes: _____% (not less than 1.00%)

Section F. State Tax Withholding. Important: Please review the state tax requirements on the attached form 603A for your state carefully before completing your state withholding election.

Navy Federal can only withhold for the states listed on the attached form 603A and the District of Columbia. Navy Federal cannot withhold an amount less than the required minimum for your state. If no state tax withholding instructions are provided, we are required to withhold the minimum state tax based on your state on record with Navy Federal.

No State Tax Withholding: Do not withhold any state tax from the IRA distribution**

State Tax (excluding CA and VT): Withhold _____% of the distribution for _____ state income tax

California and Vermont State Tax Only: Withhold _____% of the federal tax withheld for _____ state income tax

**Connecticut (CT) and Michigan (MI) residents must complete and return your state tax form with this form to waive state withholding. (CT: Form CT-W4P) or (MI: Form MI-W-4P)

Section G. Required Signatures and Tax Certification

Tax Certification (This certification does not apply if I have checked the box below my signature.)

Under penalty of perjury, I certify that (1) the SSN/ITIN provided is correct, (2) I am not subject to backup withholding, and (3) I am a US citizen or US resident alien.

The FATCA code certification does not apply.

I certify that I am an eligible beneficiary on this IRA and that I am authorized to make this election. The Trustee or Custodian, or any future Trustee or Custodian, can rely on this election. I certify that all information provided by me is true and accurate. No tax advice has been given to me by the Trustee or Custodian. All decisions regarding this election are my own. I expressly assume the responsibility for any adverse consequences that may arise from this election, and I agree that the Trustee or Custodian shall in no way be held responsible.

By signing, I/we acknowledge that I/we have read and agree to the information/disclosure above.

Signature		Date (MM/DD/YY)	
▶			

By checking this box, I certify that I am a non-resident alien and I have completed a Form W-8BEN.

Section H. Withholding Notice Information (Form W-4R/OMB No. 1545-0074)

Basic Information About Withholding From IRAs. Generally, federal income tax withholding applies to payments made from IRAs.

Purpose of Form W-4R. Unless you elect otherwise, federal income tax will be withheld from payments from IRAs. You can use IRS Form W-4R or a substitute form, such as that contained on this form furnished by the Trustee or Custodian, to instruct your Trustee or Custodian to withhold no tax from your IRA payments (*or to revoke this election*). This substitute form should be used only for distributions from IRAs that are payable upon demand.

Non-Periodic Payments. Payments from IRAs that are payable upon demand are treated as non-periodic payments for federal income tax purposes. Generally, non-periodic payments must have income tax withheld at a rate not less than 10%.

You can elect to have no income tax withheld from a non-periodic payment (*IRA payment*) by filing IRS Form W-4R or a substitute form with the Trustee or Custodian and checking the appropriate box on that form. Your election will remain in effect for any subsequent distributions unless you change or revoke it.

A US citizen or resident alien may not waive withholding on any distribution delivered outside the US or its possessions. Distributions to a nonresident alien are generally subject to a tax-withholding rate of 30%. A reduced withholding rate, including exemption, may apply if there is a tax treaty between the nonresident alien's country of residence

and the United States, and the nonresident alien submits Form W-8BEN, *Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding*, or satisfies the documentation requirements as provided under the regulations.

For more information, please see Publication 505, *Tax Withholding and Estimated Tax*, and Publication 515, *Withholding of Tax on Nonresident Aliens and Foreign Entities*, available from most IRS offices.

Caution: Remember that there are penalties for not paying enough tax during the year, through either withholding or estimated tax payments. New retirees should see Publication 505. It explains the estimated tax requirements and penalties in detail. You may be able to avoid quarterly estimated tax payments by having enough tax withheld from your IRA using IRS Form W-4R.

Revoking the Exemption From Withholding. If you want to revoke your previously filed exemption from withholding, file another IRS Form W-4R with the Trustee or Custodian and check the appropriate box on that form.

Statement of Income Tax Withheld From Your IRA. By January 31 of next year, you will receive a statement from your Trustee or Custodian showing the total amount of your IRA payments and the total federal income tax withheld during the year. Copies of IRS Form W-4R will not be sent to the IRS by the Trustee or Custodian.

This information is not intended to provide you with complete withholding rules and regulations for state tax withholding. Navy Federal makes every effort to obtain information about state tax law from state revenue authorities, and every effort has been made to ensure its accuracy. Because state tax laws are subject to change, often without prior notice, the accuracy of the information cannot be guaranteed beyond the revision date of the form. Seek professional tax advice if you have questions regarding state withholding requirements that apply to your Traditional and/or SEP IRA distribution. State tax is not required for Roth IRA distributions.

IMPORTANT: Please review the below requirements for your state carefully before completing your state withholding election. Navy Federal can only withhold for the following listed states and District of Columbia. Navy Federal cannot withhold an amount less than the required minimum for your state. If no election is made, the minimum withholding will be taken based on your state on record with Navy Federal.

It is your responsibility to ensure your State Tax election is up to date with Navy Federal by submitting a new 603 form with election updates. Changing your address with Navy Federal will not change your State Tax election for IRA distributions.

Arkansas (AR): The minimum withholding rate is 3.00% of the distribution amount. Withholding is required if electing to have Federal tax withheld. AR state tax can be waived or increased.

California (CA): The minimum withholding rate is 10.00% of the Federal tax withheld amount. CA state tax can be waived or increased. The amount of withholding **cannot** be less than \$10. (*Election must be a whole percent.*)

Connecticut (CT): The minimum withholding rate is 6.99% of the distribution. CT state tax can be waived or increased. **CT requires completing and returning form CT-W4P to waive withholding. NOTE:** If you have a CT-W4P form requesting to waive on file with Navy Federal, and it is your last election, you do not need to submit a new CT-W4P form to waive withholding.

Delaware (DE): The minimum withholding rate is 5.00% of the distribution amount. DE state tax can be waived or increased.

District of Columbia (DC): Withholding is mandatory at a rate of 10.75% for lump sum distributions of the full IRA plan balance. This withholding **cannot** be waived. Withholding on partial IRA distributions is not allowed.

Iowa (IA): The minimum withholding rate is 3.80% of the distribution amount. IA state tax can be waived or increased.

Kansas (KS): The minimum withholding rate is 5.58% of the distribution. Withholding is required if electing to have Federal tax withheld. KS state tax can be waived or increased.

Maine (ME): The minimum withholding rate is 5.00% of the distribution. Withholding is required if electing to have Federal tax withheld. ME state tax can be waived or increased.

Massachusetts (MA): The minimum withholding rate is 5.00% of the distribution. Withholding is mandatory if electing to have Federal tax withheld. MA state tax **cannot** be waived if Federal tax is withheld. MA state tax can be increased.

Michigan (MI): The minimum withholding rate is 4.25% of the distribution. MI state tax can be waived or increased. **MI requires completing and returning form MI-W-4P to waive withholding. NOTE:** If you have a MI-W-4P form requesting to waive on file with Navy Federal, and it is your last withholding election, you do not need to submit a new MI-W-4P form to waive withholding.

Minnesota (MN): The minimum withholding rate is 6.25% of the distribution. MN state tax can be waived or increased. **MN requires completing and returning form W-4MNP to waive withholding. NOTE:** If you have a W-4MNP form requesting to waive on file with Navy Federal, and it is your last withholding election, you do not need to submit a new W-4MNP form to waive withholding.

Nebraska (NE): The minimum withholding rate is 3.50% of the distribution. Withholding on premature distributions is not allowed regardless of Federal tax election. For other than premature distributions, NE state withholding is mandatory if Federal tax is withheld and **cannot** be waived. NE state tax can be increased.

North Carolina (NC): The minimum withholding rate is 4.00% of the distribution. Withholding is required if electing to have Federal tax withheld. NC state tax can be waived or increased.

Oklahoma (OK): The minimum withholding rate is 4.50% of the distribution. Withholding is mandatory if electing to have Federal tax withheld. OK state tax **cannot** be waived if Federal tax is withheld. OK state tax can be increased.

Oregon (OR): The minimum withholding rate is 8.00% of the distribution. Withholding is required if electing to have Federal tax withheld. OR state tax can be waived or increased. The amount of withholding **cannot** be less than \$10.

Vermont (VT): The minimum withholding rate is 30.00% of the Federal tax withheld amount. Withholding is mandatory if electing to have Federal tax withheld. VT state tax **cannot** be waived if Federal tax is withheld. VT state tax can be increased. (*Election must be a whole percent.*)

Virginia (VA): The minimum withholding rate is 4.00% of the distribution amount. VA state tax can be waived or increased.

Important SECURE Act updates for 2020: The act changed the options available to beneficiaries when the IRA holder's date of death is on or after January 1, 2020. If the IRA holder's date of death was on or before December 31, 2019, please use **NFCU 515 (IRA Beneficiary Options)**.

You have been named as the beneficiary of an IRA. This Information Sheet has been created to aid you in understanding your options and other issues related to an IRA beneficiary. **Please read this information before completing the form.**

IRA beneficiaries are individuals designated by the IRA holder to receive the IRA funds in the event of the IRA holder's death. There are 2 types of beneficiaries:

- 1) Primary:** The beneficiary first in order to receive the decedent's IRA funds. If more than one primary beneficiary is designated, the IRA will be divided among the individuals as specified by the deceased IRA holder, which could include an equal share or set percentage of the total assets of the IRA.
- 2) Contingent:** The contingent beneficiary(ies) is/are next in line to receive the IRA funds if all primary beneficiaries predecease the account holder.

Classification of Beneficiaries: There are 2 main classifications of beneficiaries under the SECURE Act. They include *Eligible Designated Beneficiary and Designated Beneficiary*. *Eligible Designated Beneficiaries* are further defined as Spouse and Non-Spouse. These classifications are defined as:

1) Eligible Designated Beneficiary (eligibility determined on date of death)

- The surviving spouse of the IRA account holder
- The minor child of the IRA holder who has not reached the age of majority (*at majority, the child becomes a Designated Beneficiary*). The definition of a "child" includes a step child, an adopted child, and an eligible foster child.
- A beneficiary who is not more than 10 years younger than the IRA holder (*includes beneficiaries older than the deceased IRA holder*)
- Disabled beneficiaries (*within the meaning of IRC Code Section 72(m)(7)*)*
- Certain chronically ill individuals (*within the meaning of IRC Code Section 7702B(c)(2)*)*
- Recipients of certain annuitized payments that began prior to the enactment of the SECURE Act*

2) Designated Beneficiary

- A minor child who is **not** the child of the IRA holder
- All other "person" beneficiaries not classified as an Eligible Designated Beneficiary

Beneficiary Options: The options available to a beneficiary are dependent on the classification of the beneficiary, the relationship, and in some instances, whether the IRA holder's death was before or after the required beginning date** for required minimum distributions. Following are the respective options for each classification under the SECURE Act.

1) Eligible Designated Beneficiary Options:

- **Treat as Own (SPOUSE ONLY):** You may treat the IRA as your own. For Traditional and SEP IRAs, your spouse's year of death Required Minimum Distribution (*if applicable*) must be removed prior to transferring the IRA to the spouse. For Roth IRA qualified distribution purposes, you will receive credit for the number of years your spouse owned the Roth IRA prior to death. The age of the deceased Roth IRA holder does not apply because Roth IRAs have no required minimum distributions and no required beginning date. The IRA should be transferred or rolled to an IRA account in your name. If you elect the Treat as Own option, you must have the same IRA plan open as the beneficiary IRA plan. If you do not have the same IRA plan open, please complete and return the appropriate IRA application with this form. (*Traditional-NFCU 602; Roth-NFCU 602A; or SEP-NFCU 602C*)
- **Life Expectancy Distribution (SPOUSE ONLY):**
 - If your spouse died before the required beginning date, you must begin to distribute the assets of the spouse's IRA over your own recalculated single life expectancy, beginning no later than December 31 of the later of:
 - the year following the year of your spouse's death. (*Roth, Traditional, and SEP IRAs*)
 - the year your spouse would have attained age 70½ (date of birth on or before July 1, 1949), age 72 (date of birth between July 1, 1949 – December 31, 1950), or age 73 (date of birth on or after January 1, 1951). (*Traditional and SEP IRAs only*)
 - If your spouse died **after** the required beginning date, you must begin to distribute the assets of your spouse's IRA over your own recalculated single life expectancy, beginning no later than December 31 of the later of:
 - the year following the year of your spouse's death. (*Roth, Traditional, and SEP IRAs*)
 - the year your spouse would have attained age 70½ (date of birth on or before July 1, 1949), age 72 (date of birth between July 1, 1949 – December 31, 1950), or age 73 (date of birth on or after January 1, 1951). (*Traditional and SEP IRAs only*)
- **Life Expectancy Distribution (NON-SPOUSE):** If the beneficiary is the minor child of the deceased IRA holder, this option will convert to the 10-year option upon age of majority (age 21). The full balance of the IRA plan must then be depleted by December 31 of the 10th year after the minor child reaches the age of majority. Please seek competent tax advice for more information.
 - If the IRA holder died **before** the required beginning date, you must begin to distribute the assets of the decedent's IRA over your own recalculated single life expectancy, beginning no later than December 31 of the later of:
 - the year following the year of the IRA holder's death. (*Roth, Traditional, and SEP IRAs*)
 - the year the IRA holder would have attained age 70½ (date of birth on or before July 1, 1949), age 72 (date of birth between July 1, 1949 – December 31, 1950), or age 73 (date of birth on or after January 1, 1951). (*Traditional and SEP IRAs only*)

*Please seek competent legal/tax advice to determine if you meet the criteria for these options. Navy Federal cannot determine your eligibility.

**Required Beginning Date: April 1 of the year after the decedent reached age 70½ (date of birth on or before July 1, 1949), age 72 (date of birth between July 1, 1949 – December 31, 1950), or age 73 (date of birth on or after January 1, 1951).

- If the IRA holder died **after** the required beginning date, you must begin to distribute the assets of the decedent's IRA beginning no later than December 31 the year following the year of the IRA holder's death using the following:

- Your own life expectancy. (*Roth, Traditional, and SEP IRAs*)
- If you are older than the IRA holder, you may elect to deplete the IRA plan balance using the life expectancy of the IRA holder in the year of death. (*Traditional and SEP IRAs only*)

- **10-Year Option:**

- Before Required Beginning Date (RBD): You must deplete the IRA plan balance by December 31 of the year containing the tenth anniversary of the original IRA owner's death. The 10 years is a deadline by which you must distribute the IRA plan in order to avoid a 25% excess accumulation excise tax.
- On or After Required Beginning Date (RBD): You must deplete the IRA plan balance by December 31 of the year containing the tenth anniversary of the original IRA owner's death. I understand I must take annual Life Expectancy Payments during the first nine years and the balance paid out on the tenth year. The 10 years is a deadline by which you must distribute the IRA plan in order to avoid a 25% excess accumulation excise tax.

- **Lump Sum Distribution:** You may distribute the entire IRA plan balance. You may owe taxes on the distribution; however, because the funds are being distributed because of death, the 10% IRS penalty tax will not apply.

2) Designated Beneficiary Options

- **10-Year Payout:**

- Before Required Beginning Date (RBD): You must deplete the IRA plan balance by December 31 of the year containing the tenth anniversary of the original IRA owner's death. The 10 years is a deadline by which you must distribute the IRA plan in order to avoid a 25% excess accumulation excise tax.
- On or After Required Beginning Date (RBD): You must deplete the IRA plan balance by December 31 of the year containing the tenth anniversary of the original IRA owner's death. I understand I must take annual Life Expectancy Payments during the first nine years and the balance paid out on the tenth year. The 10 years is a deadline by which you must distribute the IRA plan in order to avoid a 25% excess accumulation excise tax.

- **Lump Sum Distribution:** You may distribute the entire IRA plan balance. You may owe taxes on the distribution; however, because the funds are being distributed because of death, the 10% IRS penalty tax will not apply.

Timing Requirement Instructions: Regardless of which type of beneficiary classification, the IRS requires that you (*as the IRA beneficiary*) provide your distribution instructions to Navy Federal no later than **December 31** of the year following the date of death of the IRA holder. For example, if the IRA holder is deceased on May 31, 2019, you will have until December 31, 2020 to provide Navy Federal with your instructions.

Additional Information:

Beneficiary IRA Account(s): Upon receipt of a death certificate for an IRA holder, Navy Federal will audit the IRA account for named beneficiary(ies). After determining the beneficiary(ies), the remaining IRA proceeds will be placed into a temporary beneficiary IRA account, where they will remain until Navy Federal receives your instructions. The temporary account will contain the name of the beneficiary(ies) and their respective Social Security number(s). No beneficiaries may be named on such an account, so if the beneficiary dies while the IRA funds are in this account, the IRA

assets will go to the beneficiary's estate. Additional specifics about this temporary account include the following:

- This is a temporary account for the purpose of holding IRA assets in the interim of receiving instructions from the beneficiary. **New beneficiaries cannot be named to this temporary account.**
- If the total balance of the IRA assets is less than \$5,000, Navy Federal will pay out the entire balance to the beneficiary as an immediate lump sum distribution. Navy Federal will automatically withhold the minimum Federal taxes of 10% and any applicable State taxes at the time of distribution (for Traditional and SEP plans only).
- If no instructions are received from the beneficiary by the deadline as described above, Navy Federal will distribute the entire balance by December 31 of the year following the date of death payable to the beneficiary. This payout is irrevocable and will not be reversed.

Taxation of IRA Distribution to an IRA Beneficiary: Funds distributed from the IRA by a beneficiary may be considered income in the year they are distributed and included in income for taxation purposes. A spouse beneficiary may roll the proceeds into their own IRA, thereby avoiding distribution of the assets from the IRA. Please seek competent tax advice when considering this aspect.

Methods of Distribution: Navy Federal has many flexible options. You can elect to distribute annually, quarterly, or monthly. In addition, you may request for the funds to be distributed directly to your savings account, checking account, or MMSA at Navy Federal (*Navy Federal members only*) or have the funds sent via check to your home address or directly to another financial institution. Beneficiaries **must** be a member of Navy Federal to request a wire transfer as the distribution method.

Beneficiary Disclaimers: An individual who is entitled to receive death benefits from an IRA may file a disclaimer with Navy Federal, renouncing all or a portion of their interest in the IRA. In such case, the disclaimed assets pass as if the disclaiming beneficiary had died before the IRA owner.

A disclaimer cannot be used to direct the death benefits to a selected person. The disclaimed interest must pass to another eligible designated or designated beneficiary (based on the beneficiary designation form or the IRA plan agreement default, whichever applies).

A beneficiary may disclaim his or her rights only if all the following are met.

- A qualified disclaimer must be a written, irrevocable refusal to accept interest in the given property. Thus, the beneficiary cannot change his/her mind after signing the disclaimer.
- The disclaimer must be provided to Navy Federal within the later of:
 - nine (9) months after the IRA owner's death, or
 - nine (9) months after the date on which the beneficiary turns age 21.

When a trust or estate is named as the beneficiary and those individuals that benefit from the trust or estate choose to disclaim an interest in an IRA, each individual must make a disclaimer. A collective disclaimer made by an executor on behalf of the estate, for example, is not valid because the executor represents the estate, not those that benefit from it.

The beneficiary disclaiming may not have previously accepted any of the disclaimed assets or their benefits. Partial disclaimers are allowed, even after the beneficiary submitting the disclaimer has received some of the assets. But the assets received may not be disclaimed. If the beneficiary receives a year-of-death RMD before disclaiming, the earnings on the RMD amount cannot be disclaimed.

Additional Assistance: We hope that this information has been of help to you. If you have additional questions, call toll-free in the U.S. at 1-888-842-6328. For toll-free numbers when overseas, visit navyfederal.org. Use 1-703-255-8837 for collect international calls.