



AMERICA'S IRA EXPERTS

INHERITED IRAS AND ROTH CONVERSIONS: TODAY'S SLOTT REPORT MAILBAG

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Question:

I inherited an IRA in 2022 upon the passing of my father after he had already started his RMDs. I took a 2023 RMD from it in May 2023. Your website says I'm not required to take this RMD. I called the custodian to reverse it, but they said it can't be done. Is this true?

Answer:

In the recently released Notice 2023-54, the IRS has once again excused RMDs from inherited IRAs within the 10-year payout period. They did the same thing last year for RMDs for 2021 and 2022. This was in response to all the confusion caused by the proposed SECURE Act regulations unexpectedly requiring RMDs for some beneficiaries during the 10-year period. Unfortunately, the new relief does not help beneficiaries like you who already took 2023 RMDs. The rule that nonspouse beneficiaries cannot roll over a distribution from an inherited IRA still applies.

Question:

I earn too much money and can't do a Roth IRA and want to save more than the traditional IRA allows. I know the book discussed the "back door" for those who earn more than the allowable contribution for the Roth IRA where they can contribute to a traditional IRA and then roll over to a Roth IRA.

Can this "back door" analysis be used for a sole proprietor with no employees by

contributing to a SEP IRA and then rolling over to the Roth IRA. It seems like a loophole.

Answer:

A SEP IRA can be converted to a Roth IRA at any time, and there are no income limits on conversions the way there are for Roth IRA contributions. There would be nothing that would prevent a sole proprietor from making a SEP contribution and then converting those funds to a Roth IRA.

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