

# Beneficiary's Distribution Notice and Certification Form and Payment Instruction



## Beneficiary Information

Name \_\_\_\_\_  
Home Address \_\_\_\_\_  
City, State, Zip \_\_\_\_\_  
County \_\_\_\_\_ Date of Birth \_\_\_\_\_  
Phone: Home \_\_\_\_\_  
SSN \_\_\_\_\_ Plan No. \_\_\_\_\_

Are you the accountholder's surviving spouse?  Yes  No

If so, are you the sole beneficiary?  Yes  No

## Deceased Accountholder Information

Name \_\_\_\_\_ SSN \_\_\_\_\_  
Date of birth of IRA accountholder \_\_\_\_\_  
Date of death of IRA accountholder \_\_\_\_\_  
Req. beg. date of IRA accountholder \_\_\_\_\_  
(April 1 of the year following the year in which age 70 1/2 is attained.)

## Custodian/Trustee Information

Name \_\_\_\_\_  
Attn: \_\_\_\_\_  
Phone \_\_\_\_\_  
Address \_\_\_\_\_  
City/State/Zip \_\_\_\_\_

## Beneficiary's Instruction/Acknowledgment

I have read the explanation on the reverse side. I hereby instruct you that the following rule will govern the required distribution to be made to me as an inheriting IRA beneficiary:

- Since the Accountholder died before his or her RBD, then I elect the
  - A. Life-Distribution Rule
  - B. Five-Year Rule (includes a lump-sum distribution)
  - C. Elect as Own (only applies to a spouse beneficiary who is the sole beneficiary)
  - D. Rollover (only applies to a spouse beneficiary)
- Since the Accountholder died after his or her RBD, then I will use the:
  - A. Special Life-Distribution Rule for any living beneficiary situation other than (c)
  - B. Special Life-Distribution Rule for a non-living beneficiary
  - C. Special Life-Distribution Rule for spouse who is the sole beneficiary
  - D. Elect as Own (only applies to a spouse beneficiary who is the sole beneficiary)
  - E. Rollover (only applies to a spouse beneficiary)

## Beneficiary's Certification

I certify that I am a designated beneficiary of the referenced deceased IRA accountholder. I understand I have inherited \_\_\_\_\_% of the referenced IRA. I have furnished you with a certified copy of the death certificate or other documentation verifying that the accountholder has died. I have instructed you above as to how to distribute my share of this IRA.

When signing the withholding certification, I signify that I understand that the initial distribution is subject to federal income tax withholding unless I elect to not have it apply. I also understand that my initial instruction will stay in effect until I change it, and that this distribution may have income tax consequences; therefore, I should consult a tax advisor as necessary. If I do not have sufficient income tax withheld, then I realize that I may have to pay additional tax penalties under the withholding and estimated tax payment rules. **I am aware that if I am a nonspouse beneficiary I am not eligible to roll over any portion of a distribution from an inherited IRA.**

If I am a spouse beneficiary, I certify to you that I understand I am eligible to roll over funds from a deceased spouse's IRA to my IRA only if I comply with the 60-day rule and the once per year rule. I understand that I am not eligible to roll over any required distribution for the current year.

## Purpose of Form

An IRA beneficiary who inherits the IRA of a deceased IRA accountholder is required by law to commence withdrawing such IRA funds within certain time deadlines. You are to use this form to instruct us how and when we are to make distributions to you to comply with the rules. What options, if any, a beneficiary has depends upon whether the accountholder died before or on/after his or her required beginning date (RBD) and whether or not his or her spouse was the sole beneficiary.

Rules for the year of the death. If the IRA accountholder died before his or her required beginning date, there is no RMD which must be distributed for such year. If the IRA accountholder died after his or her required beginning date, there is an RMD which must be distributed for such year. To the extent this amount was not paid out before his or her death, the beneficiary(ies) will need to be paid their proportionate share of the RMD by December 31 or the 50% tax will apply.

Rules for later years. See the reverse side for an additional explanation.

If you as a beneficiary, have options to choose from, then you will make your election using this form. You must also understand that you will be deemed to have elected the life-distribution rule if you do not make an election. Your IRA plan agreement provides for this result.

## Payment Instruction to Custodian/Trustee Annual Amount to be Distributed

- 1. Pay me an annual amount which equals my required minimum distribution amount.
- 2. Pay me the amount of \$ \_\_\_\_\_.

I want this annual paid to me in the following manner: Commencing on \_\_\_\_\_ and each  annual  monthly  quarterly  or semi-annual anniversary, you shall pay the pro rata portion of the annual amount. This periodic payment will initially be: \$ \_\_\_\_\_.

## I instruct you to make payments to:

- Me directly by mail to:
  - the address given above; or
  - \_\_\_\_\_
- My regular savings account or share account # \_\_\_\_\_
- My checking account # \_\_\_\_\_
- Other/Special Instruction \_\_\_\_\_

Substitute

FORM W-4P

Withholding Certificate for IRA Pension or Annuity Payments

OMB NO. 1545-0415

Department of the Treasury (IRS)

The instructions to this substitute Form W-4P are on the reverse side, as well as additional discussion of special withdrawal topics. Select #1, #2, or #3.

- 1.  I elect **NOT** to have income tax withheld from this IRA distribution.
- 2.  I elect to have income tax withheld from this IRA distribution equal to 10% of the amount withdrawn.
- 3.  I want the following additional amount withheld from each IRA payment. \$ \_\_\_\_\_

Signature of IRA Beneficiary

Date

Custodian/Trustee (Payer)

Date

# Withholding Notice

## Instructions to Accountholder — Withholding — Form W-4P

### Paperwork Reduction Act Notice

We ask for the information on this form to carry out the Internal Revenue laws of the United States. The Internal Revenue Code requires this information under sections 3405 and 6109 and their regulations. Failure to provide this information may result in withholding on your payment(s).

### Purpose

This form is for U.S. citizens, resident aliens, or their estates who are recipients of pensions, annuities, including commercial annuities, and certain other deferred compensation. Use this form to tell payers the correct amount of Federal income tax to withhold from your payment(s). You also may use this form to choose (a) not to have any income tax withheld from the payment (except for eligible rollover distributions or payments to U.S. citizens delivered outside the United States or its possessions) or (b) to have an additional amount of tax withheld.

Your options depend on whether the payment is periodic, nonperiodic, or an eligible rollover distribution.

**Your previously filed Form W-4P will remain in effect if you do not file a Form W-4P for 2001.**

You can use this substitute Form W-4P or the actual IRS Form W-4P to instruct your payer to withhold or not withhold. By January 31 of next year, you will receive a statement from your payer (i.e. Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.) showing the total amount of your IRA or pension or annuity payments and the total income tax withheld during the year.

Copies of Form W-4P will not be sent to the IRS.

### What Do I Need To Do?

Recipients who want no tax to be withheld must check box 1 and sign the form. Recipients who want 10% of the amount withdrawn withheld should check box 2 and sign the form. Recipients who want more than 10% withheld should check box 2 and complete line 3 and sign the form.

### Other Income:

If you have a large amount of income from other sources not subject to withholding (such as interest, dividends, taxable social security), you should consider making estimated tax payments using **Form 1040-ES**, Estimated Tax for Individuals. Call 1-800-TAX-FORM or 1-800-829-3676 for copies of Form 1040-ES and **Pub. 505**, Tax Withholding and Estimated Tax. You can also get forms and publications at the IRS's Internet Web Site at [www.irs.gov](http://www.irs.gov).

### Withholding Notice Requirement and Changes and Revocations —

The payments you receive from your IRA are subject to Federal income tax withholding unless you elect not to have withholding apply. However, if you fail to furnish your taxpayer identification number (i.e. social security number), your election to have no tax withheld will not apply. You may elect not to have withholding apply or elect to have withholding apply by returning this form to us. Your most current election remains in effect until you revoke it or change it. You may revoke or change your election at any time by completing a new form and returning it. Since your IRA payments are payable upon demand, your IRA withdrawals are considered to be nonperiodic and are subject to a ten (10) percent rate of withholding. If your withholding and estimated tax payments are insufficient, you may incur tax penalties.

Generally, your election to have no tax withheld will apply to any later payment from the same plan. You cannot use line 2 to change the way tax is withheld. But you may use line 3 to specify that an additional amount be withheld.

With respect to a periodic distribution, your payer must notify you each year of your right to elect to have no tax withheld or to revoke your election. A periodic distribution is one that you receive in installments at regular intervals over a period of more than one full year.

### Limitations of this Substitute Form W-4P

This substitute form cannot be used if payments from your IRA are not payable upon demand. IRS Form W-4P should be used if the payments are not payable upon demand.

Nonperiodic payments from an IRA payable upon demand will have income tax withheld at a flat 10% rate. The rate for a qualified total distribution does not apply to a payment from an IRA.

**Caution/Warning:** Remember that there are penalties for not paying enough tax during the year, either through withholding or estimated tax payments. New retirees especially, 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 pension or annuity using Form W-4P.

### Completing the Withholding Portion

- (1) Fill in your name;
- (2) Make your instruction to withhold or not withhold; and
- (3) Sign, date and return it to the financial institution.

### Payments Outside the United States

If you are a U.S. citizen or resident alien receiving periodic or nonperiodic payments that are delivered outside the United States or its possessions, withholding is required. You **cannot** choose not to have income tax withheld on line 1 of Form W-4P.

## General Discussion

An IRA beneficiary who inherits the IRA of a deceased IRA accountholder is required by law to commence withdrawing such IRA funds within certain time deadlines. What options, if any, a beneficiary has depends upon whether the accountholder died before or on/after his or her required beginning date (RBD).

If you, as a beneficiary, have options to choose from, then you will make your election using this form, and you will also use this form to instruct us how and when to make payments to you. You must also understand that you will be deemed to have elected the life-distribution rule if you do not make an election. Your IRA plan agreement provides for this result.

The RMD rules which apply to a beneficiary depend upon whether he or she is the deceased accountholder's spouse or nonspouse, whether or not the spouse is the sole beneficiary, and whether the accountholder died before or after his or her required beginning date (RBD). A beneficiary in some situations has some options or elections to make. In other situations the beneficiary does not have any elections to make. A beneficiary generally has the right to accelerate his or her required distributions.

These RMD rules continue to depend upon whether you die before or on/after your required beginning date. You and your beneficiary will want to understand the following six situations. These rules define the RMD amounts and the deadline for receiving the RMD. Your beneficiary, of course, is permitted to take more than the RMD amount. In addition, the IRS has made clear that even though your spouse beneficiary does not have the right to elect to treat your IRA as his or her own because he or she is not the sole beneficiary or for some other reason, your spouse may still roll over a distribution as long as the standard rollover rules are satisfied.

**Situation #1.** If your spouse is your sole beneficiary, and you die before the required beginning date, then your spouse may choose from three options:

**Five-Year Payout** – Under this option, your spouse must remove all funds from the IRA by December 31 of the year that contains the fifth anniversary of your death. As much or as little as your spouse desires can be removed each year, as long as the entire IRA balance is distributed by the deadline.

**Election as Own** – Your spouse will still be able to elect to treat his or her interest as a beneficiary in your IRA as his or her own IRA. This is true even if distribution has commenced to your spouse. The effect of this election is that all standard distribution rules will apply to your spouse's new IRA.

Your spouse makes such an election when he or she redesignates the IRA to be his or her own IRA as an owner rather than as a beneficiary. Such election is also deemed made when, if at any time, your spouse fails to take an RMD within an appropriate time period or contributes any additional amounts to the IRA.

Your spouse is eligible to make this election only if he

or she is the sole beneficiary of your IRA; he or she must have an unlimited right to withdraw funds from the IRA.

**Life-Distribution Rule** – If your spouse is the sole beneficiary of your IRA, then he or she is required to commence distributions over his or her life-expectancy - no later than the later of: December 31 of the year you would have attained age 70½, or December 31 of the following year if you would die in the year you would have attained age 70½.

**Situation #2.** If your spouse is your sole beneficiary, and you die after the required beginning date, then your spouse may establish a periodic distribution schedule which will be based on his or her life-expectancy factor as set forth in the Single Life Table as prepared by the Internal Revenue Service – in Internal Revenue Code regulation 1.401(a)(9)-9. Each year's factor is based on your spouse's age as of his or her birth date for such year. For example, if you died in 2001 at age 79, and your spouse attained age 71 in 2001, then your spouse's factor will be 15.5 (age 72) for 2002, 14.8 (age 73) for 2003, 14.1 (age 74) for 2004, etc.

After your spouse dies, there will be a different method of determining the distribution period to govern the required distributions to any subsequent beneficiary(ies) for years after the year your spouse dies. This method requires a preliminary factor to be determined from the Single Life Table for the year of the spouse's death by using the birth date your spouse either attained or would have attained for the year of his or her death. The actual factors to be used for subsequent years are determined by reducing the preliminary factor by one for each subsequent year. For example, if your spouse died in 2004 at age 74, then the factors to be used for subsequent years will be as follows: 13.1 (14.1-1.0) for 2005; 12.1 (14.1-2.0) for 2006; 11.1 (14.1-3.0) for 2007, etc. As discussed in situation #1, your spouse may still elect to treat your IRA as his or her own.

**Situation #3.** If your beneficiary is a living person other than your spouse, or your spouse is not your sole beneficiary, and you die before the required beginning date, then the beneficiary has two options:

**Five-Year Payout** – All funds must be distributed by December 31 of the year that contains the fifth anniversary of your death. As much or as little as the beneficiary desires can be removed each year, as long as the entire IRA balance is distributed by the deadline.

**Life-Distribution Rule** – Under this option, the distribution is based on the beneficiary's life-expectancy, using one-year reduction. This is the option which automatically applies unless your beneficiary elects the five-year payout.

**Situation #4.** If your beneficiary is a living person other than your spouse, or your spouse is not your sole beneficiary, and you die after your required beginning date, then the applicable distribution period for years after the year of your death will be based on the remaining life-expectancy of your designated beneficiary. The beneficiary's remaining life-expectancy is calculated using the age of your beneficiary in the year following the year of your death, reduced by one for each subsequent year.

**Situation #5.** If you did not designate a living person as a beneficiary and you died before your required beginning date, then the estate or other beneficiary will be required to use the 5-year rule.

**Situation #6.** If you do not designate a living person as a beneficiary and you die on or after your required beginning date, then the applicable distribution period (i.e. the original factor) for years after the year of your death is based on your age and life-expectancy as determined as of December 31 of the year you die. For subsequent years, the original factor is reduced by one for each elapsed year.

**Special Exception.** Under Situation #2 or Situation #4, the distribution period will be based on the remaining life expectancy or the accountholder, as determined under Situation #6, rather than that of the beneficiary, if it results in a longer distribution period.