



Revised Life Expectancy Tables Are In Effect

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Even though the federal Centers for Disease Control and Prevention (CDC) recently announced that life expectancy in the U.S. fell by nearly two years in 2020, the Internal Revenue Service (IRS) hasn't changed course.¹ As the tax collection agency takes a longer-term view, their new life expectancy tables take effect in 2022, based on more longevity than the now-replaced 2002 version. The new tables have a broad impact, especially on required minimum distributions (RMDs) from retirement accounts. To see the final regulations, go to www.govinfo.gov/content/pkg/FR-2020-11-12/pdf/2020-24723.pdf.

How significant are the changes? For example, the Single Life Expectancy Table to be used by account beneficiaries of decedents dying before 2020 or eligible designated beneficiaries of an account owner dying after 2019 previously showed a life expectancy of 34.2 years for age 50. That number is 36.2 years on the new table. Thus, a beneficiary starting RMDs at age 50 for a \$100,000 inherited Individual Retirement Account (IRA) would have begun with a \$2,923.98 distribution ($\$100,000/34.2$) under the prior table. Now, the same RMDs would start at \$2,762.43 ($\$100,000/36.2$).

With age, the difference between the old and new tables falls. Some excerpts:

Life Expectancy for Beneficiaries After Inheriting A Retirement Account (Years)

	Old	New
60	25.2	27.1
70	17.0	18.8
75	13.4	14.8
80	10.2	11.2
85	7.6	8.1
90	5.5	5.7

Similar changes appear in the new Uniform Lifetime Table, used by most IRA and qualified plan owners subject to RMDs. Most 75-year-olds, for example, now will take RMDs based on a 24.6-year life expectancy versus 22.9 years under the old table.

Altogether, three life expectancy tables have changed:

- The Uniform Lifetime Table - used for most lifetime RMDs.
- The Joint and Last Survivor Table - used instead of the Uniform Lifetime Table when the account owner's spouse, the sole primary beneficiary, is more than ten years younger than the account owner.
- The Single Life Expectancy Table - used only by eligible designated beneficiaries of retirement accounts or IRAs inherited after 2019. Beneficiaries of owners who died before 2020 would use the new version of this table for RMDs in 2022 and future years if they elected to stretch distributions over their life expectancy.

Under the SECURE ACT, eligible designated beneficiaries (EDBs) of IRAs and other retirement account owners who inherited from owners who died after 2019 also use the Single Life Expectancy table. EDBs include surviving spouses, disabled and chronically ill individuals, beneficiaries who are not more than ten years younger than the retirement account owner, and minor children of the deceased.

See below for complete updated Uniform Lifetime and Single Life Expectancy Tables.

Other Non-EDBs of decedents dying after 2019 will have no annual RMDs. But they must deplete the entire inherited account by the end of the tenth year following the year of inheritance. Therefore, these beneficiaries will be unaffected by the revised life expectancy tables.

Setting the Tables

All three revised life expectancy tables show greater life expectancy than the predecessor tables from 2002. Longer life expectancy means lower RMDs each year and more opportunities to reduce taxes paid each year—if the lower RMD is sufficient to meet spending needs.

If someone is just starting RMDs this year as an account owner or an eligible designated beneficiary (EDB), the proper approach to the new tables is simple. Take the year-end 2021 balance and divide it by the life expectancy (determined by their attained age in 2022) shown on the relevant table to find the RMD for 2022. Ensure that at least the RMD amount is withdrawn in 2022 to avoid a 50% penalty on any shortfall.

IRA and retirement account owners will repeat the process each year. However, an EDB will only refer to the new life expectancy table the year after the death of the original account owner. Each subsequent year, the divisor is reduced by one.

For existing RMD recipients transitioning to the new tables this year, the proper procedure can be a bit more tedious, particularly for beneficiaries with inherited accounts. Nevertheless, there is no need to panic about making the right move from an old to a new table.

One reason to remain calm is that IRA custodians and plan administrators are required to calculate account owners' RMDs each year, under the new tables, for 2022 and beyond. RMD numbers will be reported to account owners who owe RMDs, and arrangements will be offered to ensure compliance.

Further, the downside is scant, even if RMDs

are taken under the old tables rather than the new ones. A 50-year-old eligible designated beneficiary who inherits a \$100,000 IRA this year and withdraws \$2,923.98 in 2022, using the 2021 table, rather than the \$2,762.43 required under the new table (see example above) won't be in any danger of an IRS challenge for the excess distribution. The slightly larger distribution will increase the tax payment slightly, but there would be nothing improper about this error.

Few people relish paying more tax than necessary, so deriving the true "minimum" in RMD should be everyone's goal, assuming no need for the extra cash. Account owners and financial professionals alike should make a genuine effort to take advantage of the potential tax relief inherent in the new tables; the following examples can illustrate how to crunch the numbers.

Initial RMDs

Individuals who were subject to their first RMD in 2021 will use the former tables to calculate that RMD, even if they wait until as late as April 1, 2022, to take the distribution.

Suppose Jane turned 72 in December 2021, so her required beginning date (RBD) for RMDs from her IRA is April 1, 2022. She takes the 2021 RMD on March 31, 2022, and Jane will use the old Uniform Lifetime Table for her 2021 RMD. From now on, Jane will take RMDs using the revised version of the table.

Ongoing RMDs

The situation can become trickier if the RMD is for a non-spousal beneficiary of an account inherited before 2020. Post-2021 RMDs must be recalculated using the 2022 tables as if they were in effect the year after the original owner's death.

For example, suppose Frank died in 2017, and his brother Joe was the sole beneficiary of his IRA. In 2018, the year of Joe's first RMD, Joe was 68.

Using the prior single life expectancy table, the divisor based on Joe's age in 2018 was 18.6. That can be found in Appendix B of IRS Publication 590-B at https://www.irs.gov/publications/p590b#en_US_2020_publink1000231217. Each year thereafter, the divisor would have been reduced by one. Therefore, under the pre-2022 rules, the divisor for the 2022 RMD would have been 14.6: the 2018 divisor of 18.6, reduced by one, four times.

Under the newly revised Single Life Expectancy Table, the divisor for a 68-year-old is 20.4. Therefore, the adjusted divisor for calculating Joe's RMD for 2022, using the 2021 year-end value, would be 16.4: 20.4, reduced by one, four times. The divisor would fall to 15.4 for 2023, 14.4 for 2024, and so on.

Note that an EDB of an account inherited after 2019 also must perform the exercise executed by Joe here: go back to the age of the beneficiary in the year after the account owner's death, then reduce the updated life expectancy factor by one for each subsequent year.

Making Certain

Even though IRA custodians and plan administrators are required to adopt the new life expectancy tables for calculating post-2021 RMDs, financial professionals should double-check the calculations to ensure that clients' RMDs are appropriately calculated under the revised tables.

Glitches can occur, especially if account owners and beneficiaries have set up automatic payments of RMDs. Helping your clients navigate the new calculation of RMDs is another way you can provide ongoing value to your relationships.

For your reference:

Uniform Lifetime Table

Used for lifetime RMDs only. If the spouse is the sole primary beneficiary and is more than ten years younger than the IRA or qualified plan owner, use the joint life expectancy table found at www.govinfo.gov/content/pkg/FR-2020-11-12/pdf/2020-24723.pdf.

Age of IRA Owner or Plan Participant	Life Expectancy (in years)
72	27.4
73	26.5
74	25.5
75	24.6
76	23.7
77	22.9
78	22.0
79	21.1
80	20.2
81	19.4
82	18.5
83	17.7
84	16.8
85	16.0
86	15.2
87	14.4
88	13.7
89	12.9
90	12.2
91	11.5
92	10.8
93	10.1
94	9.5
95	8.9
96	8.4
97	7.8
98	7.3
99	6.8
100	6.4
101	6.0

Age of IRA Owner or Plan Participant	Life Expectancy (in years)
102	5.6
103	5.2
104	4.9
105	4.6
106	4.3
107	4.1
108	3.9
110	3.5
111	3.4
112	3.3
113	3.1
114	3.0
115	2.9
116	2.8
117	2.7
118	2.5
119	2.3
120+	2.0

Single Life Expectancy Table

Used to calculate post-death distributions to non-spousal beneficiaries of owners who died before 2020 or EDBs of owners who died in 2020 or later. Determine the life expectancy using the beneficiary's age in the year following the IRA (or qualified plan) owner's death. Subtract one for each year thereafter.

Sources:

¹https://www.cdc.gov/nchs/pressroom/nchs_press_releases/2021/202107.htm

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Age of Beneficiary the year following IRA owner's death	Life Expectancy (Subtract by one each year after the first year)	Age of Beneficiary the year following IRA owner's death	Life Expectancy (Subtract by one each year after the first year)	Age of Beneficiary the year following IRA owner's death	Life Expectancy (Subtract by one each year after the first year)
0	84.6				
1	83.7	41	44.8	81	10.5
2	82.8	42	43.8	82	9.9
3	81.8	43	42.9	83	9.3
4	80.8	44	41.9	84	8.7
5	79.8	45	41.0	85	8.1
6	78.8	46	40.0	86	7.6
7	77.9	47	39.0	87	7.1
8	76.9	48	38.1	88	6.6
9	75.9	49	37.1	89	6.1
10	74.9	50	36.2	90	5.7
11	73.9	51	35.3	91	5.3
12	72.9	52	34.3	92	4.9
13	71.9	53	33.4	93	4.6
14	70.9	54	32.5	94	4.3
15	69.9	55	31.6	95	4.0
16	69.0	56	30.6	96	3.7
17	68.0	57	29.8	97	3.4
18	67.0	58	28.9	98	3.2
19	66.0	59	28.0	99	3.0
20	65.0	60	27.1	100	2.8
21	64.1	61	26.2	101	2.6
22	63.1	62	25.4	102	2.5
23	62.1	63	24.5	103	2.3
24	61.1	64	23.7	104	2.2
25	60.2	65	22.9	105	2.1
26	59.2	66	22.0	106	2.1
27	58.2	67	21.2	107	2.1
28	57.3	68	20.4	108	2.0
29	56.3	69	19.6	109	2.0
30	55.3	70	18.8	110	2.0
31	54.4	71	18.0	111	2.0
32	53.4	72	17.2	112	2.0
33	52.5	73	16.4	113	1.9
34	51.5	74	15.6	114	1.9
35	50.5	75	14.8	115	1.8
36	49.6	76	14.1	116	1.8
37	48.6	77	13.3	117	1.6
38	47.7	78	12.6	118	1.4
39	46.7	79	11.9	119	1.1
40	45.7	80	11.2	120+	1.0

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