Case Study: The $2M Inherited IRA Mistake

Original IRA Owner: Barb
Birth Year: 1982
Year of Death: 2025

The Situation

Ben, inherited a **$500,000 IRA** from his sister, Barb, in **2025**. Since he is a non-spouse beneficiary, many advisors would assume the **10-year rule** applies — meaning no RMDs until the final year and full depletion by **2035**.

But that assumption is **wrong**.

IRA Beneficiary: Ben
Birth Year: 1988

The Detail Most Tools Miss

Ben is **not more than 10 years younger** than the original owner, so he qualifies as an Eligible Designated Beneficiary (EDB).

Instead of a forced 10-year liquidation, Ben can use the life expectancy option for distributions, extending through age 85 (year 2073).

10-Year Rule Assumption

- Growth Rate: 6%
- Earnings over 10 years: **$395K**
- Total distributions in year 10: **$895K**

Correct Life Expectancy Strategy

- Growth Rate: 6%
- Earnings over lifetime: **$2.4M**
- Total Lifetime Distributions: **$2.9M**

The Difference

Over **$2 million** in missed long-term value — caused by applying the wrong beneficiary classification.