Ask Bob: Taking RMDs from an Inherited IRA and Contributing to Your Own IRA

Our expert answers a Retirement Daily reader's question about using RMDs from an inherited IRA.

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Question

My wife's father may soon pass at roughly 84 years old. We understand how his IRAs will transfer to her and the requirement that she exhaust those through RMD's within ten years, regardless of her age. The catch is she is 60, so she has years left in her ability to make IRA contributions.

I was wondering if she could take her RMDs from the inherited IRAs and then contribute (up to her limits) to her own IRAs? The net result would be an offset of the inherited IRAs taxable effect by moving that extra income into her IRAs. Of course, officially, these would be two separate transactions which just happen to offset.

Answer

That's a great question, says Kathleen Campbell, the founder of <u>Campbell Financial Partners</u>. "And you are correct that the withdrawal rules have recently changed, giving your wife only 10 years during which to withdraw the full balance of the inherited IRA."

Campbell explains, "What you propose can be done, as long as your wife is eligible to make a deductible IRA contribution to her own IRA and as long as the money movements are done in separate and unrelated transactions." The RMD would be distributed from the inherited IRA to a bank or brokerage account, completing that required distribution for the year. "Then separately," she adds, "your wife could choose to make a deductible contribution to her own IRA, to the extent she is eligible."

Campbell notes that there are deductible IRA contribution rules related to earned income, income thresholds, and whether or not the wife is eligible to participate in a 401(k) plan at her work.

"You seem to have done your homework though," says Campbell, "so as long as her IRA contribution meets the eligibility requirements, that deduction could offset all or part of the income from her inherited IRA distribution."

Got questions? Get answers!

Email **<u>Robert.Powell@maven.io</u>**.