SINGH PWM GUIDE

Defuse the Retirement Tax Bomb

Roth Conversions, RMD Strategy, and the 10-Year Rule Your Heirs Will Face

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Get the fillable worksheet and be notified when the 2027 numbers publish: singhpwm.com/guides/defuse-the-retirement-tax-bomb

What this guide answers

If most of your retirement savings sits in a 401(k) or traditional IRA, you do not have a retirement account, you have a deferred tax bill with your name on it. Two deadlines compound the problem: your own Required Minimum Distributions starting at 73 or 75, and, for most adult children who inherit what is left, a 10-year deadline to drain the entire balance under the SECURE Act. This guide sizes both problems using the actual 2026 numbers, shows exactly how much a traditional versus a Roth inheritance costs your heirs, and gives you a four-question framework and a seven-step action plan to defuse it, starting with your beneficiary forms. It is built for households with $2M or more concentrated in pre-tax accounts.

IN SHORT

- A $2.5M IRA left alone can force a $200,000-plus RMD by 73, and the dollar amount keeps climbing for years after that.
- The same balance inherited as a traditional IRA versus a Roth IRA can differ by hundreds of thousands of dollars in tax to your heirs, illustratively.
- The single highest-leverage fix, confirming the surviving spouse as first beneficiary, takes an afternoon and is free.

Contents

1. The Decision in Front of You

> If most of your retirement savings sits in a 401(k) or traditional IRA, you do not have a retirement account. You have a deferred tax bill with your name on it, and the IRS decides when a large piece of it comes due. This guide is for households with $2M or more concentrated in pre-tax accounts, where an uncoordinated withdrawal plan does not just cost you money in retirement, it can hand a second, larger tax bill to your kids. Every strategy here is already covered in more federal-bracket detail in our companion guide, The Retirement Tax Playbook. This guide exists because one piece of the problem, what happens to this money after you are gone, deserves its own full treatment.

$200,000+

Illustrative first-year RMD on a $2.5M traditional IRA grown to $5.3M by age 73

10 years

Time non-spouse heirs have to fully drain an inherited pre-tax IRA under the SECURE Act

~$400,000

Illustrative combined tax on a $1.4M inherited traditional IRA split between two adult children

The IRS will get its share of every pre-tax dollar you ever deferred. The only question this guide answers is whether you decide when and at what rate, or whether the calendar decides for you, and then decides again for your children on an even tighter deadline.

> **THIS IS WRONG FOR YOU IF**
>
> Your pre-tax balance is modest relative to your spending needs, your heirs are a surviving spouse or a charity (neither is subject to the 10-year rule the same way), or you are still in your peak-earning working years. The math in this guide is built for a specific, common situation: a household with $2M or more concentrated in pre-tax accounts, within about 10 years of RMD age, whose heirs are adult children likely to inherit during their own high-earning years.

Want the four-question version before the full guide? Get the tax-bomb sizing checklist.

2. How the Rule Actually Works

> Two separate deadlines create the tax bomb. Your own RMDs, starting at 73 or 75, force a growing dollar amount out of the account and into your taxable income every year for the rest of your life. Your heirs' 10-year rule, once they inherit, forces the entire remaining balance out and into their taxable income within a single decade, often during their own highest-earning years. Neither deadline is optional, and neither cares whether the timing is good for you or them.

Your own RMDs compound the problem before your heirs ever see it

The IRS requires you to withdraw a percentage of your traditional IRA and 401(k) balance every year starting at 73 (born 1951 to 1959) or 75 (born 1960 or later), using the Uniform Lifetime Table.[1] The percentage rises with age, but because the account has kept compounding, the dollar amount usually rises too, often for decades. A $2.5M IRA growing at 6% and left untouched reaches roughly $5.3M by 73. The first RMD alone exceeds $200,000, stacked on top of Social Security and any pension, in the same year, at ordinary income rates.

The SECURE Act 10-year rule replaced the stretch IRA for most heirs

Most non-spouse beneficiaries who inherit an IRA must now fully distribute the entire balance within 10 years of the original owner's death. The exceptions are narrow: a surviving spouse, a minor child of the deceased until majority, a disabled or chronically ill beneficiary, or a beneficiary not more than 10 years younger than the deceased.[2] For most adult children inheriting from a parent, none of these exceptions apply. IRS final regulations, effective for distribution years beginning in 2025, also require annual distributions during the 10-year window when the original owner had already begun RMDs, not just one lump sum at the end.[1]

The account type decides who pays the tax and when

A traditional IRA inherited under the 10-year rule is taxed as ordinary income to the beneficiary, stacked on their own salary, in whatever bracket they happen to be in that year. A Roth IRA inherited under the same 10-year rule is distributed completely free of federal income tax, in any pattern the beneficiary chooses within the window.[1] Every dollar you convert from pre-tax to Roth during your lifetime is a dollar your heirs receive tax-free instead of at their own, often higher, marginal rate.

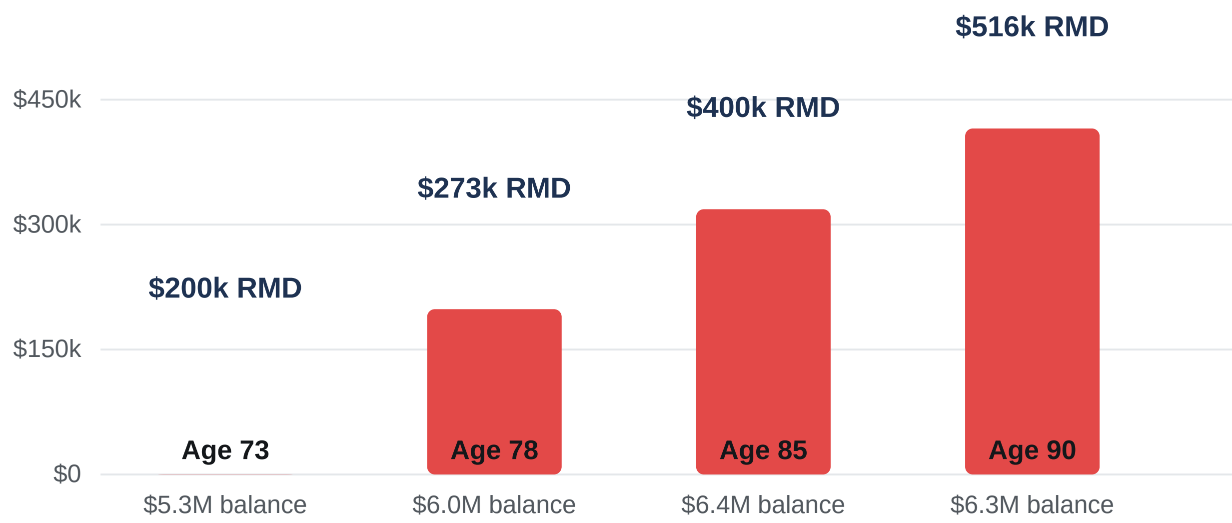
> **THE EDGE CASE PEOPLE MISS**
>
> A surviving spouse is not subject to the 10-year rule at all. They can roll the inherited IRA into their own name and manage it as if it were always theirs, on their own RMD schedule. Naming adult children as primary beneficiaries instead of the surviving spouse, a common oversight when beneficiary forms are filled out once and never revisited, triggers the 10-year rule immediately on the first death and forfeits what could have been another 15 to 25 years of tax deferral.

3. What the Numbers Say in 2026

> Three numbers size the bomb: how large your own forced withdrawals become, how much tax a traditional versus a Roth inheritance costs your heirs, and how much room you have this year to defuse it before the deadlines take over.

A $2.5M IRA left alone does not stay $2.5M. By the time the IRS forces you to start withdrawing it, both the balance and the forced withdrawal are much larger than most retirees expect.

Figure 1. A $2.5M traditional IRA, growing at 6%, and the RMD it forces at each age.



Illustrative. Assumes a $2.5M traditional IRA at age 63, no withdrawals, 6% average annual growth, RMDs calculated using the IRS Uniform Lifetime Table divisors. The dollar RMD keeps rising for most of retirement even though the divisor shrinks, because the balance grows faster than the divisor shrinks.

Source: IRS Publication 590-B, Appendix B (Uniform Lifetime Table). Retrieved September 16, 2026.

Age	Projected balance	Divisor	RMD
73	$5,300,000	26.5	$200,000
78	$6,000,000	22.0	$273,000
85	$6,400,000	16.0	$400,000
90	$6,300,000	12.2	$516,000

2026 federal brackets, for sizing this year's defusal

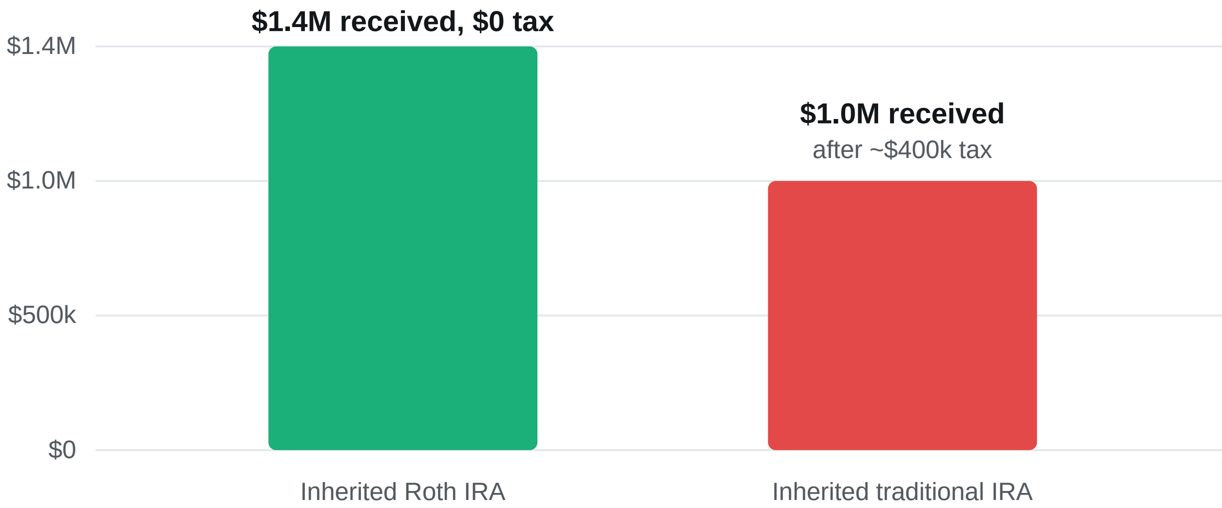
2026 Federal Income Tax Brackets, Married Filing Jointly

Rate	Taxable income range
10%	$0 to $24,800
12%	$24,800 to $100,800
22%	$100,800 to $211,400
24%	$211,400 to $403,550
32%	$403,550 to $512,450

Source: IRS Rev. Proc. 2025-32, tax year 2026 inflation adjustments. Retrieved September 16, 2026.

The same $1.4M can reach your kids as $1.4M tax-free, or as $1.4M minus roughly $400,000 in tax. The account type you leave behind decides which.

Figure 2. A $1.4M inherited IRA: traditional versus Roth, taxed at the heirs' bracket.



Illustrative. Assumes two adult children splitting the inherited balance during their peak-earning years, a blended 24 to 32% marginal rate on distributions, and Arizona's flat 2.5% state tax added. Distributions from an inherited Roth IRA are federally income-tax-free regardless of the beneficiary's own bracket.

Source: IRS Publication 590-B (SECURE Act 10-year rule); Singh PWM, "SECURE Act 10-Year Rule and Your Heirs' Tax Bill." Retrieved September 16, 2026.

Account type inherited	Balance received	Tax owed over 10 years
Traditional IRA	$1,400,000	~$400,000 (federal + AZ)
Roth IRA	$1,400,000	$0

The QCD, a direct way to shrink the bomb every year after 70½

A Qualified Charitable Distribution lets an IRA owner 70½ or older send up to $111,000 per year directly from a traditional IRA to a qualified charity, satisfying some or all of that year's RMD without adding a dollar to taxable income or MAGI.[3] A married couple with separate IRAs can combine for up to $222,000 per year. Every dollar sent this way is a dollar that never becomes part of the balance the 10-year rule applies to later.

> **Want to know exactly how big yours is?**
>
> The math above is illustrative. Your actual RMD trajectory, your heirs' likely tax bracket, and the size of your conversion window all depend on your specific numbers. A Strategic Fit Interview is where we run those numbers for real.
>
> **Schedule a Strategic Fit Interview**

4. The Worked Example

> Gary and Linda Ostrander, 63 and 61, have $2.5M concentrated in traditional IRAs, $150,000 in Roth IRAs, and $200,000 in a taxable brokerage account. Their two adult children, both in their mid-30s and in their own peak-earning years, are named as primary IRA beneficiaries. Left alone, the Ostranders' IRA becomes a two-generation

> tax problem. A coordinated conversion program starting now defuses most of it, illustratively, while paying more tax upfront than doing nothing.

This example is entirely hypothetical. It is built to be representative of a Singh PWM household, not a real client, and every number in it is rounded and illustrative.

Left alone

If the Ostranders change nothing, their $2.5M IRA compounds to roughly $5.3M by the time RMDs begin at 73, forcing out $200,000-plus in the first year alone and climbing from there, per Figure 1. Whatever remains at their deaths passes to their two children under the 10-year rule, taxed at the children's own bracket during their highest-earning years, the scenario in Figure 2 that costs roughly $400,000 in combined tax on a $1.4M inherited balance.

Defused

Starting this year, the Ostranders use the gap years before RMDs begin to convert a deliberate amount from traditional to Roth each year, sized to fill the top of the 22% to 24% federal bracket using the same bracket-room logic from the companion Playbook guide. They also correct their beneficiary designations, confirming each other as primary beneficiary on every account before the children, and begin a QCD program once they turn 70½ against the charitable giving they already do. By the time RMDs begin, the pre-tax balance is meaningfully smaller, the forced withdrawal is smaller, and a larger share of what eventually passes to their children arrives as tax-free Roth money instead of a fully taxable inherited IRA.

5. The Four Ways This Goes Wrong

> These are not hypothetical risks. Each one shows up repeatedly in real households with concentrated pre-tax balances, and each one is entirely preventable.

1. The Beneficiary Form Nobody Revisited

What happens: Adult children are named as primary IRA beneficiaries, often from a form filled out decades ago, instead of the surviving spouse. The 10-year rule triggers immediately on the first death instead of being deferred through a spousal rollover.
Who it hits: Any married couple who has not reviewed beneficiary designations since opening the account.
Cost: 15 to 25 years of tax deferral the surviving spouse rollover would have preserved.
Prevention: Confirm the surviving spouse is named first on every pre-tax account, and revisit after any major life event.

2. The Unconverted Balance at Peak Size

What happens: Conversions get delayed year after year, "when the market is better" or "next year," until the pre-tax balance is too large and the low-bracket window too narrow to meaningfully shrink it before RMDs begin.
Who it hits: Households who treat Roth conversions as a someday project rather than an annual decision.
Cost: A larger, more compressed RMD later, and a larger inherited balance for the next generation.
Prevention: Run the gap-years conversion decision every year, not once.

3. The Heir Tax Bill Nobody Modeled

What happens: The estate plan focuses on who gets what dollar amount, never on what each named beneficiary will actually owe in tax on it. A $1.4M inherited traditional IRA split two ways looks like $700,000 each on paper and arrives as roughly $580,000 each after tax.
Who it hits: Households who have not modeled the inherited IRA tax bill for their specific, named beneficiaries at their actual income levels.
Cost: Tens of thousands to hundreds of thousands of dollars in unmodeled, avoidable tax, per Figure 2.
Prevention: Model the after-tax inheritance by beneficiary, not just the pre-tax balance.

4. The QCD Left on the Table

What happens: A household already gives to charity every year, writing checks from a taxable account, while sitting on a large IRA that could send the same gift directly and avoid the RMD income entirely.
Who it hits: Charitably inclined retirees 70½ or older who have not connected their existing giving to their IRA.
Cost: The tax savings on every dollar that could have moved as a QCD instead of a taxable distribution followed by a check.
Prevention: Redirect existing charitable giving through a QCD once eligible.

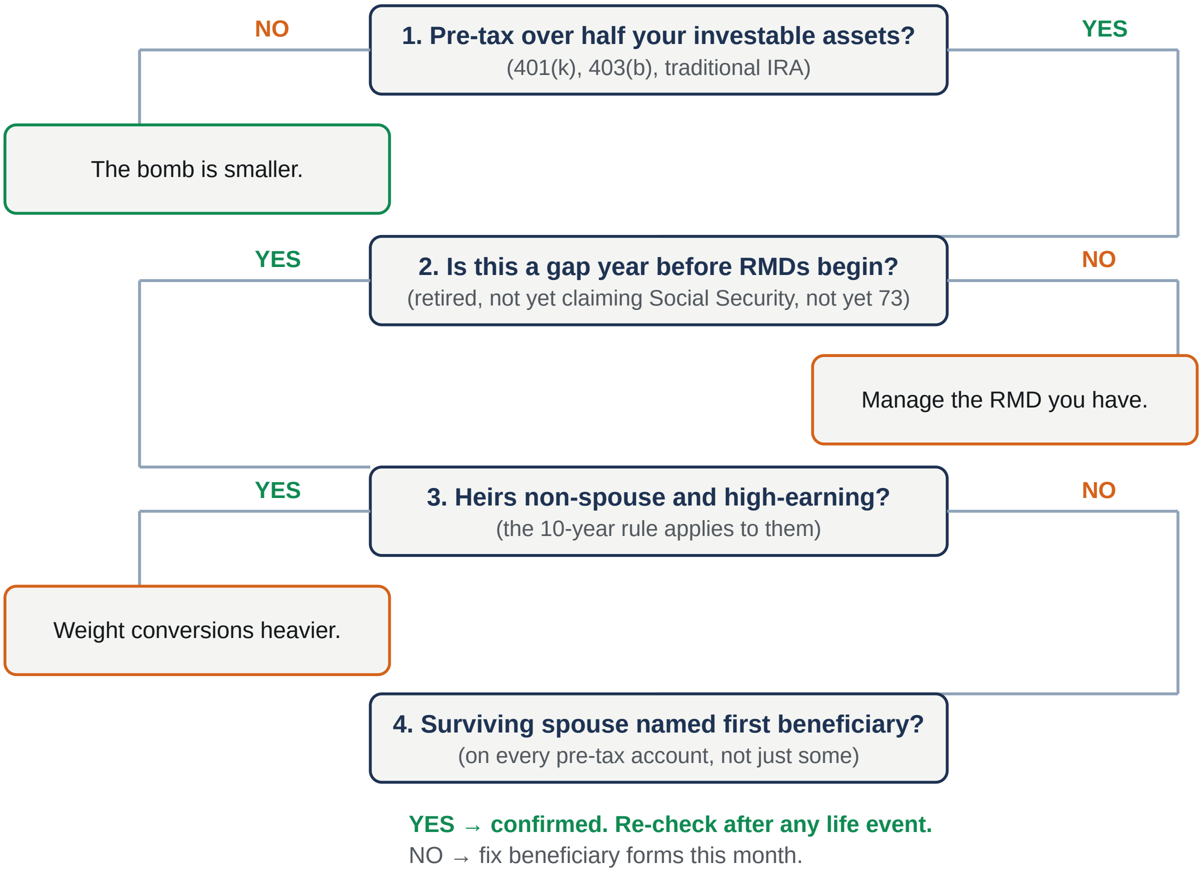
Want the four-item version without the detail? Grab the one-page checklist.

6. Your Decision Framework

> Four questions, in order, tell you how big your bomb actually is and what to do about it this year.

Four questions, in order, tell you whether your IRA is armed, how big the charge is, and what to do about it this year.

Figure 3. Your tax bomb defusal framework.



A simplified framework, not a substitute for a full multi-year tax and estate projection.

Source: Singh PWM planning framework, built on IRS and SECURE Act inputs cited throughout this guide.

Question	If yes	If no
1. Pre-tax over half your assets?	Go to question 2	The bomb is smaller
2. Is this a gap year?	Go to question 3	Manage the RMD you have
3. Heirs non-spouse and high-earning?	Weight conversions heavier	Go to question 4
4. Surviving spouse named first?	Confirmed, re-check after life events	Fix beneficiary forms this month

7. Your Action Plan

> Seven steps, each with an owner, a deadline, and the document you need. The beneficiary review can be done this week. The rest is an annual discipline.

1. **Pull current balances for every pre-tax, Roth, and taxable account.** Owner: you. Timing: this week. Need: current statements.
2. **Confirm the surviving spouse is named first beneficiary on every pre-tax account.** Owner: you and your spouse. Timing: this month. Need: current beneficiary designation forms from each custodian.
3. **Project your own RMD trajectory to age 90.** Owner: you or your advisor. Timing: this month. Need: current balances, a growth assumption, and the Uniform Lifetime

Table.

4. **Model the after-tax inheritance for each named beneficiary at their actual income.** Owner: you and your advisor. Timing: this quarter. Need: your children's approximate current income and filing status.
5. **Size this year's Roth conversion to the top of a target bracket.** Owner: you and your CPA or EA. Timing: before December 31. Need: year-to-date taxable income and the current-year bracket thresholds.
6. **Start or redirect charitable giving through a QCD once you turn 70½.** Owner: you. Timing: annually thereafter. Need: your custodian's QCD transfer process and your usual charitable recipients.
7. **Re-run this plan every year, not once.** Owner: you and your advisor. Timing: annually, ideally each fall after new IRS figures publish. Need: nothing but the calendar reminder.

The steps above are yours to run

Most people can start today. The beneficiary review alone takes an afternoon. If you want a second set of eyes on the full picture, that is what the first meeting is for. I work with a limited number of households at a time, on a flat fee. No assets under management, no commissions, no product sales.

Schedule a Strategic Fit Interview

8. Worksheet

> Fill this in with your own numbers before your next tax-planning conversation.

Size the Bomb

Current pre-tax balance (401(k), 403(b), traditional IRA)	____________
Pre-tax balance as a % of total investable assets	____________
Projected balance and first RMD at your RMD age	____________

Beneficiaries

Primary beneficiary named on each pre-tax account	____________
Are they non-spouse and likely high-earning at inheritance?	____________
Estimated after-tax inheritance at their bracket	____________

This Year's Defusal

Room left in your target federal bracket this year	____________
Amount you plan to convert this year	____________
QCD amount, if 70½ or older	____________

Notes

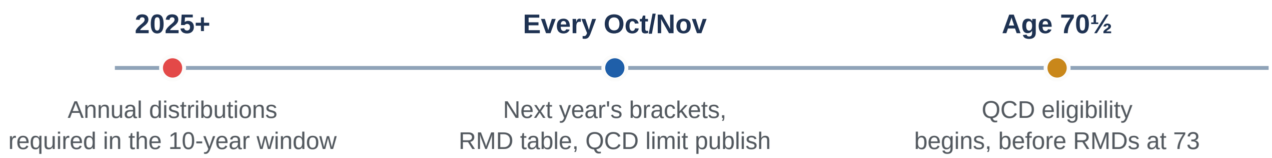
Want a second set of eyes on these numbers? Schedule a Strategic Fit Interview.

9. What Changes This

> One regulatory change is already in effect. Two things move every year.

Two dates, every year, and one regulatory change already in effect, keep this plan from quietly going stale.

Figure 4. What changes, and when.



The 2025 IRS final regulations already apply if the original account owner had begun RMDs before death; heirs inheriting from an owner who had not yet started RMDs get more scheduling flexibility within the 10 years.

Source: IRS Publication 590-B; IRS final regulations on the SECURE Act 10-year rule, effective for distribution years beginning 2025. Retrieved September 16, 2026.

- **Already in effect (distribution years 2025 and after):** if the original account owner had begun RMDs before death, heirs must take annual distributions during the 10-year window, not just one lump sum at the end.
- **Every October and November:** the IRS publishes the following year's brackets, standard deduction, and the QCD limit. Re-run the conversion sizing each time.
- **Ongoing:** the RMD Uniform Lifetime Table itself does not change year to year, but your age moving through it does. Re-check your divisor and dollar RMD annually.

Re-check trigger: revisit beneficiary designations after any marriage, divorce, death, or birth in the family, and revisit the conversion plan every fall when new IRS figures publish.

If this was useful

Share it with someone it would help. And if you want to talk through how it applies to your situation, the door is open.

Schedule a Strategic Fit Interview

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> *The highest compliment for me is that you share my values and views with the ones you care for. Thank you for your Trust!*

Sources and disclosures

1. [1] Internal Revenue Service. Publication 590-B, Distributions from IRAs, including the Uniform Lifetime Table and the SECURE Act 10-year rule. irs.gov/publications/p590b. Final regulations on annual distributions during the 10-year window effective for distribution years beginning 2025. Retrieved September 16, 2026.
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