

# Bridging Legacies

A Guide to Inherited Retirement Accounts



Inherited retirement assets can build a financial bridge connecting prior generations to future ones and extending your loved ones' legacies.

To help guide you in the process of inheriting retirement assets, we've outlined some important and relevant terminology, considerations, and options to consider.



# Inherited IRAs and Beneficiaries— Initial Considerations

Before determining the best route forward with inherited retirement assets, some initial considerations and definitions can help you better understand your options.

## Tax Considerations

The rules for inheriting an IRA as well as any tax implications can vary greatly depending on a number of factors, including your relationship to the original IRA owner, the timing of the owner's passing, and the actions you take with the inheritance.

The rules governing inherited retirement assets can be complicated, so we recommend you speak with a tax advisor to fully understand your options and requirements before making any decisions.

If you withdraw funds out of an IRA, it's called **taking a distribution**, and you can generally expect to pay taxes in the year you take it. Alternatively, there could be benefits to keeping these assets in an inherited IRA, subject to any minimum distributions required by federal tax law.

## Inherited IRAs

If you inherit retirement assets (including from traditional, rollover, SEP, SIMPLE, and Roth IRAs or from an eligible employer-sponsored retirement plan), you're considered a **beneficiary** (see the following definitions) and are generally eligible to open an inherited IRA to receive the assets from the prior account.

An inherited IRA enables you to take advantage of potential growth while deferring your tax obligation and when you invest the inherited IRA directly with Dodge & Cox, there are no additional account maintenance or transaction fees.

## Types of Beneficiaries

You are generally considered an **eligible designated beneficiary (EDB)** if you are an individual designated as a beneficiary by the original IRA owner, and as of the date of the original IRA owner's death you were:

- The deceased's spouse; or
- The deceased's child who has not yet reached their 21st birthday; or
- An individual who is not more than 10 years younger than the deceased; or
- An individual who is disabled or chronically ill as defined by IRS rules.

You are generally considered a **non-eligible designated beneficiary (non-EDB)** if you are an individual designated as a beneficiary by the original IRA owner and do not fit the preceding definition of eligible designated beneficiary. Note that a non-EDB is eligible to open an inherited IRA. See the next page to understand the rules for non-EDBs.

A **non-designated beneficiary** is generally a non-person entity without a life expectancy, including an estate. If such an entity is the beneficiary and you are a beneficiary of that entity, you will likely need to work with the entity's administrator, executor, or trustee to determine how to proceed.



# A Matter of Time

## Managing Immediate Needs and Future Goals

Depending on the type of beneficiary you are, you may have several options for managing the assets. A good starting point is considering whether you need access to the assets soon or if you prefer to stretch your inheritance and take the distributions at a future date or over a period of time.

To help guide you, we've highlighted some options. Keep in mind, your specific preference will have tax implications in the year a distribution is taken—and we strongly encourage you to speak with a tax advisor or accountant before making any decisions.

Note: The following apply if the original IRA owner passed away on or after January 1, 2020. Different rules apply if the original owner died before January 1, 2020. Again, we recommend speaking with a tax advisor to understand how those rules might apply to your situation.

## If you'd like to stretch the inheritance over time—

### Assume Account Ownership

(EDB— spouse only)

Beneficiary spouses have more flexibility than non-spouse beneficiaries. You can transfer or roll over your inherited proceeds into your existing IRA and treat these assets as if they were your own (if you're the sole beneficiary).

Note: The registration type of both the prior and inherited IRAs must be the same (e.g., traditional to traditional IRA or Roth to Roth IRA). If you elect this option, you can continue making contributions. Under this option, you are not required to take distributions until you reach your required beginning date, based on your date of birth.



### Transfer to an Inherited IRA

(All EDBs)

Eligible designated beneficiaries can transfer the account into a new inherited IRA—which allows you to stretch the distribution of the inherited assets over your life expectancy based on IRS tables. In general, payments must begin by the end of the calendar year following the year of the owner's death. Special rules apply to spouse beneficiaries. Note that if a beneficiary qualifies as an EDB only because they are a minor child, they must switch to the 10-year rule (described next) upon reaching their 21st birthday.

### Transfer to an Inherited IRA: 10-Year Rule

(All non-EDBs)

Non-eligible designated beneficiaries can transfer the account into a new inherited IRA but must fully distribute the account within 10 years of the original IRA owner's death. You can transfer those distributions to a taxable account to remain invested, if you choose.

Note: The IRS may require Required Minimum Distributions (RMDs) starting on December 31 of the year following the original IRA owner's death if the original owner had already begun taking RMDs.

### Transfer to a Taxable Account

(All beneficiaries)

Any beneficiary can transfer their inheritance to a new or existing taxable account in their name. You can elect this option if you wish to remain invested in Dodge & Cox Funds. Keep in mind taxes will be due on the entire amount distributed from the IRA in the year of the inheritance. Please see tax consideration sections earlier in this document.

## Other Options

### Take a Lump Sum Distribution

(All beneficiaries)

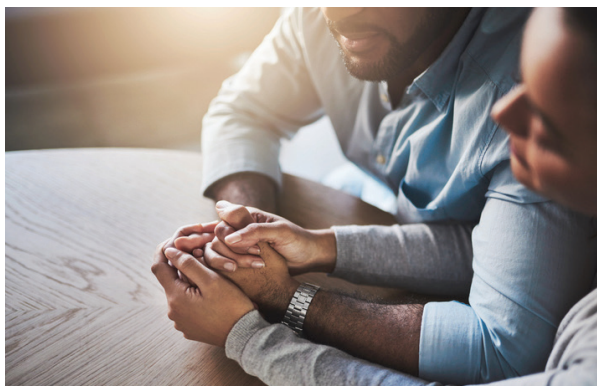
You have the option to sell your shares of the Fund(s) and withdraw the proceeds. Upon redemption, your inheritance will no longer be invested in the Dodge & Cox Funds. You may incur tax consequences, including, but not limited to, potentially moving to a higher tax bracket, depending on the amount of the distribution and your income level. We recommend you consult with your tax advisor and financial planner to understand all of the consequences of taking a lump sum distribution based on your personal situation.

### Disclaim the Assets

(All beneficiaries)

Within nine months of the original account owner's death, any beneficiary can choose to not accept (i.e., disclaim) the inheritance. The assets could then pass on to other beneficiaries. The disclaimer rules are complicated. Please consult your tax advisor.

Note: Depending on the state in which the account is registered, the account may be considered abandoned under state abandoned property law if the beneficiary has not contacted us within a specified time period.



Inheriting a retirement account is an opportunity to honor your loved one's financial legacy. As you consider your options, remember our Life Events Transition Team is available to help answer any questions.

## Next Steps

### 1 **Provide us with official notification of the original account owner's death.**

Call us at **866-475-8303**, Monday through Friday, 9:00 a.m. to 6:00 p.m., Eastern Time. The Life Events Transition Team will review next steps and freeze the deceased individual's account(s) until we receive the necessary documentation to transfer the funds to the beneficiary.

You can also notify us by completing a Notification of Death Form, available on our website at [dodgeandcox.com/inherited](https://dodgeandcox.com/inherited) or by sending us a letter with a certified death certificate and applicable beneficiary contact information to:

Dodge & Cox Funds, P.O. Box 219502, Kansas City, MO 64121-9502

### 2 **Review your options and consult a tax advisor before making any decisions.**

Use our Inheritance Assistance Tool at [dodgeandcox.com/inheritancetool](https://dodgeandcox.com/inheritancetool) to learn more about the different inheritance transfer options available and the paperwork required to complete the transfer.

### 3 **When you're ready to start the process, complete the necessary forms and applications.**

Our Life Events Transition Team is available to help you choose the forms applicable to your situation. To download additional forms, please visit the our website, [dodgeandcox.com](https://dodgeandcox.com), and click "Resources" and then "Forms and Guides." Please call us at the number shown above if you need assistance.

#### **Inherited IRA Application**

Use the Inherited IRA Application to transfer assets to an Inherited Traditional or Roth IRA account. Each beneficiary will need to complete a separate application (if applicable).

#### **Account Application**

Use the Account Application to distribute your inheritance to a Dodge & Cox Funds taxable account.

#### **IRA Distribution Request Form**

Use the IRA Distribution Request Form to request a distribution from the inherited IRA.



# We're Here to Help

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## Download Forms

Visit our website, [dodgeandcox.com](http://dodgeandcox.com), and click "Resources."



## Call Us

Call our Life Events Transition Team at **866-475-8303**,  
Monday through Friday, 9:00 a.m. to 6:00 p.m., Eastern Time.



## Mailing Instructions

### Regular Mail

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### Express, Certified or Registered Mail

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# Dodge & Cox®

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