

## **Update: Enhanced Life Expectancy Payment (LEP) Calculations**



Effective January 2023, we will be resetting your client's LEP table if your client was a beneficiary who was taking required minimum distributions prior to 2022. Resetting the calculation to the updated Life Expectancy Tables will apply a larger divisor making the minimum LEP payment requirement smaller. Please let your clients know that this is effective for the 2023 calendar year. Of course, your client can choose to take out a greater amount if desired.

### **What does the IRS say?**

According to IRS Publication 590-B, If you are a beneficiary who was taking required minimum distributions prior to 2022 based on your life expectancy in the year following the owner's death using the life expectancy tables in effect before 2022 and reducing that number by 1, you can reset your life expectancy for 2022 based on the new tables. In order to do this, find your life expectancy based on your age in the year following the owner's death on Table I and reduce that number by 1 for each year since the year of the owner's death.

Example. Your father died in 2018 at the age of 80 and you were the designated beneficiary. You started taking required minimum distributions from the inherited IRA in 2019 when you were age 55, using a life expectancy of 29.6 and reducing that number by 1 each year so that in 2022 (3 years later) the required minimum distribution would be determined by dividing the account balance by 26.6 (29.6 – 3). However, under the new life expectancy tables, the life expectancy for a 55-year-old is 31.6; therefore, you calculate your required minimum distribution for 2022 by dividing the account balance by 28.6 (31.6 – 3).<sup>1</sup>

Please see <https://www.irs.gov/pub/irs-pdf/p590b.pdf> for more information.

As always, we cannot give tax advice. If your clients have any questions regarding the current IRS guidelines, we encourage them to consult with a tax counselor.

<sup>1</sup><https://www.irs.gov/pub/irs-pdf/p590b.pdf>

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