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Inherited Annuity FAQ

What Families Need to Know

A calm, quick reference for the first decisions after inheriting an annuity.

Can an annuity be inherited?

Yes, whenever the contract names a beneficiary, and nearly all do. The insurer pays the remaining value to that person. What you receive depends on the annuity type and your relationship to the owner.

Is an inherited annuity taxable?

Yes, on the earnings, not on the original principal, and there is no step-up in basis. A qualified annuity is fully taxable; a non-qualified one is taxed only on its growth.

What is a qualified versus non-qualified annuity?

Qualified means it was funded with pre-tax money inside an IRA or retirement plan, so all of it is taxable. Non-qualified means it was bought with already-taxed money, so only the gains are taxed.

How long do I have to take the money?

Most non-spouse beneficiaries must empty the account within five years (many non-qualified annuities) or ten years (qualified annuities, under the SECURE Act). A spouse, a minor child, or someone disabled, chronically ill, or close in age to the owner can stretch it over a lifetime.

What are my payout options?

A lump sum, spreading the withdrawals across the allowed window, or annuitizing into income. A surviving spouse can also continue the contract as their own. The option you choose decides your tax more than anything else.

Does a spouse have more flexibility?

Yes. Through spousal continuation, a spouse can take over the contract and keep it tax-deferred, with no forced payout and no deadline. It is often the most tax-efficient choice.

Where can I get free, no-pressure help?

Annuity.org connects you with a licensed, neutral expert who handles inherited annuities every day, at no cost and no obligation. Scan the code below or visit [memorialmerits.com/annuity-consult](https://www.memorialmerits.com/annuity-consult).



Scan to reach a licensed expert, free. No obligation.

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This guide is free to print, share, and pass to anyone facing this decision.

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