



## Required Minimum Distributions Demystified

Required Minimum Distributions (RMDs) are a critical aspect of retirement planning that every retiree must be aware of. In general, once you reach a certain age—currently 73 for many individuals, but this may vary based on your birth date<sup>1</sup>—you’re required by law to withdraw a minimum amount from your retirement accounts each year. These withdrawals are known as RMDs, and they help ensure that you pay taxes on the money you’ve saved in tax-deferred accounts like Traditional IRAs, 401(k)s, and similar retirement plans.

### The RMD Roadmap: Navigating Your Course for Retirement Withdrawals



#### Who Needs to Take RMDs?

- ✔ Individuals with certain tax-deferred accounts like Traditional IRAs or pre-tax 401(k) accounts
- ✔ Individuals who are RMD age (currently **73** but this varies based on birth date<sup>1</sup>)
  - Recent legislative changes have pushed the required age from **72 to 73** for those born between 1951 and 1959.
  - In general, you must start taking RMDs by **April 1** of the year after you turn RMD age.
- ✘ As of 2024, Roth 401(k) accounts and Roth IRAs are not subject to RMDs while the account owner is alive.



#### Which Accounts Are Subject to RMDs?

- Traditional IRAs
- Pre-tax 401(k) accounts
- Pre-tax 403(b) accounts
- SEP IRAs and SIMPLE IRAs



#### What Happens If You Don't Take Your RMD?

- If you fail to take your RMD, the IRS imposes a steep penalty—generally, **25%** of the amount you should have withdrawn.<sup>2</sup>



#### When Do You Need to Take Your RMD?

- RMDs must be taken by **December 31** each year.
- **However, there is an exception:** It's possible to delay your first RMD until **April 1** of the following year—an option that could have tax implications.



#### How Are RMDs Calculated?

- The IRS provides life expectancy tables to determine your RMD. The most commonly used table is the **Uniform Lifetime Table**,<sup>3</sup> which applies to most individuals.
- The calculation for RMDs during the account holder's lifetime is typically straightforward: divide the year-end balance of your retirement account by the distribution period from the IRS life expectancy table.

$$\text{RMD} = \frac{\text{Account Balance on December 31}}{\text{Distribution Period from IRS Table}}$$

### 3 Key Considerations for Planning Your RMDs



#### Federal Tax Implications

The amount you withdraw through RMDs is added to your taxable income for the year, potentially pushing you into a higher tax bracket. That's why it's important to plan ahead to help reduce the impact on your taxes.



#### Withdrawal Strategies

Some people prefer to withdraw from accounts with the highest tax implications first. Another option is to withdraw from accounts with lower expected returns to help preserve higher-growth investments.

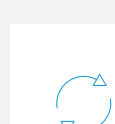


#### Spousal Considerations

If your spouse is more than 10 years younger than you, and the spouse is the sole beneficiary<sup>4</sup> of your IRA, you can use a different IRS table<sup>5</sup> to calculate your RMD, which may reduce the amount you need to withdraw.

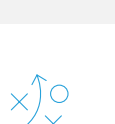


### How Can You Put Your RMDs to Work?



#### Reinvestment

Once you've withdrawn your RMD, you can reinvest the money into taxable accounts, such as brokerage accounts. This way, your money may continue to grow, although you will owe taxes on any gains.



#### Goals-Based Planning

A Financial Advisor can help provide education and guidance on strategies to use with your RMDs while aiming to help reduce tax impacts.



#### Save for Education

You can use your RMD to contribute to a 529 college savings plan for a loved one's education, including college costs, K-12 expenses, and student loan repayment.

Schedule time to speak with our Financial Advisors who can help you learn more about your RMDs.

#### Ready to get started?

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1. The age at which an individual must start taking RMDs ("RMD Age"), depends on the individual's date of birth. RMD Age is (a) age 70½ for individuals born before July 1, 1949, (b) age 72 for individuals born after June 30, 1949, but before 1951, and (c) age 73 for individuals born after 1950, but before 1960, and (d) age 75 for all others.

2. Source: "Retirement plan and IRA required minimum distributions FAQs." Page last reviewed or updated 19 August 2024. <https://www.irs.gov/retirement-plans/retirement-plan-and-ira-required-minimum-distributions-faqs>

3. Source: "Retirement topics - Required Minimum Distributions (RMDs)." Page last reviewed or updated 20 August 2024. <https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-required-minimum-distributions-rmds>

4. A beneficiary is generally any person or entity the account owner chooses to receive the benefits of a retirement account or an IRA after they die. A sole beneficiary is the only person or entity designated to receive those assets. <https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-beneficiary>

5. Source: "IRA required minimum distribution worksheet- Spouse 10 years younger." Page last reviewed or updated 19 August 2024. <https://www.irs.gov/retirement-plans/plan-participant-employee/ira-required-minimum-distribution-worksheet-spouse-10-years-younger>

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