

WHAT IS AN RMD?

Required Minimum Distribution

RMD's (Required Minimum Distributions) are an IRS mandated amount to withdraw from an employer sponsored retirement account or Traditional IRA each year.

What accounts require an RMD?

RMD's apply to the following accounts:

- Traditional IRAs
- SEP IRAs
- SIMPLE IRAs
- 401(k) plans
- 403(b) plans
- 457(b) plans
- Profit sharing plans
- Other defined contribution plans

Roth IRA's do **NOT** have RMD's until after the death of the account owner.



RMD's ARE taxable as ordinary income.



When am I required to take my RMD?

- If you were born before July 1, 1949, RMD's begin in the year you reach age 70½.
- If you were born after June 30, 1949, RMD's begin in the year you reach age 72.
- For the first RMD, the RMD must be taken by April 1st of the following calendar year in which you reach age 72.
- For each year after your first RMD, your RMD must be taken by December 31st.
- Participants in employer plans who are still working at the RMD age are allowed to wait until April 1st of the calendar year following the year they retire.

Ex. If you turn 72 in 2022, you have until April 1, 2023 to take your first RMD and until December 31, 2023 to take your second RMD.

It is important to note that if you postpone your first RMD until April, you will be required to take two RMD's in that year.



How do I know how much is required to be taken?

The RMD is calculated based on the account balance at the end of the previous year divided by a distribution period from the IRS's "Uniform Lifetime Table".

<https://www.investor.gov/financial-tools-calculators/calculators/required-minimum-distribution-calculator>

Ex. If you turn 72 in 2022, the RMD will be based on the account balance on December 31, 2021.



What happens if I elect NOT to take the RMD or forget to take the RMD?

If you do not make any distributions or if the distributions are not large enough from an account where an RMD is required, you must pay a 50% tax on the amount not distributed that was required.



PENALTY



If I own a business with a retirement plan, is there anything else I should know?

If you own more than 5% of the business sponsoring the retirement plan, you are required to make withdrawals by April 1st of the year after the calendar year in which you reach age 70½ (age 72 if born after June 03, 1949), even if you have not retired.

What if I have more than one account that requires an RMD?

All RMD qualifying accounts require an RMD to be accounted for. There are different strategies for satisfying this requirement. One strategy may be more beneficial to you than others. It is best to discuss such strategies with your Financial Professional and/or your Tax Professional.



What is the best way for me to satisfy my RMD?

There are many other scenarios for RMD's with unique circumstances not discussed here. If you have a retirement account and are approaching the age to begin taking an RMD, please reach out to us so we can assist you in taking the appropriate withdrawal to meet the requirements of the RMD. Everyone's situation is different. What is best for you is specific to you only.

