Age 70½ or older? Don't forget your RMDs!

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In the year in which you turn 70½ years of age, the current IRS guidelines require you to take a **Required Minimum Distribution** (RMD) from your Qualified accounts (tax advantaged accounts).

The types of retirement accounts impacted by the RMD requirement include, but are not limited to: 401(k), 403(b), 457 plans, Individual Retirement Accounts (IRAs), SEP IRAs, and SIMPLE IRAs. It is important to note that Roth IRAs do not have an RMD requirement while the owner is alive.

The RMD from your Defined Contribution Plans, which includes your 401(k), 403(b), 457 and TSP plans, is separate from the RMD from your IRA, SEP, SIMPLE, and other IRA type accounts. While your IRA RMDs can be combined and taken from one account, your 401(k) and similar account types must have the RMDs taken separately from each account.

How are RMDs calculated? RMDs are calculated by dividing the ***prior year-end fair market value*** of the retirement account by the applicable distribution period, or life expectancy. While you must withdraw the minimum amount, you are still legally allowed to withdraw any amount above that number. To calculate your RMD, visit the IRS website to ensure you are using the correct calculation worksheet. Generally, you will need to do three things for each account:

1. Determine the account balance on December 31st of the previous year by account
2. Find the distribution factor listed on the IRA calculation tables corresponding to your age as seen in the chart below.

Age	Distribution Period	Age	Distribution Period	Age	Distribution Period	Age	Distribution Period
70	27.4	82	17.1	94	9.1	106	4.2
71	26.5	83	16.3	95	8.6	107	3.9
72	25.6	84	15.5	96	8.1	108	3.7
73	24.7	85	14.8	97	7.6	109	3.4
74	23.8	86	14.1	98	7.1	110	3.1
75	22.9	87	13.4	99	6.7	111	2.9
76	22.0	88	12.7	100	6.3	112	2.6
77	21.2	89	12.0	101	5.9	113	2.4
78	20.3	90	11.4	102	5.5	114	2.1
79	19.5	91	10.8	103	5.2	115 and over	1.9
80	18.7	92	10.2	104	4.9		
81	17.9	93	9.6	105	4.5		

3. Divide the account balance by the distribution factor number to determine your RMD.

When Should I take my RMD? The IRS requires you to begin receiving at least a minimum distribution from your Qualified accounts every year by Dec. 31, starting with the year in which you turn 70½. ***Failure to take the withdrawal as required may result in a 50% IRS excise penalty on the amount of the distribution you should have taken.*** There is, however, a special exception to this Dec. 31 deadline for your initial RMD year, allowing you to delay that first year RMD until April 1 of the following year. For instance, if you turn 70½ in 2017, then you have until April 1, 2018 to take that initial 2017 RMD, but all subsequent RMDs must be taken annually by Dec. 31. The drawback to waiting until April 1 is that you are still required to then take your 2018 RMD by Dec. 31, 2018, resulting in two RMDs within the same calendar year. And remember, the RMD amount is calculated based on the total in the retirement account as of Dec. 31 of the prior year. This means your 2017 RMD would be based upon Dec. 31, 2016 balances, but the 2018 RMD would be based upon Dec. 31, 2017 balances. Because this can become confusing, we recommend you take even your initial RMD by Dec. 31 of the year in which you turn 70½.

If you have multiple IRA accounts you may take the aggregate required total from one of the accounts, or the required amount from each account, or any other mixture of withdrawals from those impacted accounts; as long as you satisfy at least the full amount of the RMD as calculated across all accounts. There are valid investment planning reasons why you may want to vary how you take your RMDs from your IRAs.

If actively working beyond 70½, you may be able to defer 401(k)/403(b) RMDs without penalty. Generally, you must take your distribution each year whether you are working or not from your IRA type accounts. However, if you are still actively working past the age of 70½, it is possible to defer your Defined Contribution Plan RMDs (such as 401(k)/403(b) accounts) until retirement. As with anything else, conditions apply and require:

- That you are actively employed currently.
- Your current employer sponsors the 401(k) plan in question (a former employer 401(k) requires an RMD after age 70½.)
- You have funds in the account.
- Your plan allows for it.
- You are not a 5% or more owner of the company. (Owners holding 5% or more are required to take RMDs beginning at age 70½.)

There is, however, a way to prevent the need for an RMD from a plan you have with a prior employer; when still actively working and eligible for a current employer's plan. If you have more than one 401(k) and your plan allows for rollovers, it may be possible to consolidate all 401(k) funds into the 401(k) of your current employer, allowing you to delay RMDs on all of the funds in the following year, if the other exceptions apply. This will also simplify RMD planning once you retire by minimizing the number of different RMD distributions you must calculate and take.

Additionally, because RMDs are not required from Roth IRAs, conversion of IRA accounts to Roth IRA accounts is another way to potentially avoid the need to take RMDs after age 70½.

Inherited IRAs also must have RMDs taken from them. Generally, if you have inherited an IRA from someone age 70½ or older, for the year of the account owner's death, use the RMD the account owner would have received. For the year following the owner's death, the RMD will depend on the identity of the designated beneficiary. Many other rules apply.

This is a highly simplified overview of RMDs. There are multiple rules to follow, so for these decisions the input of a financial advisor and/or a tax professional is recommended. To inquire about your situation, please contact our office at 770.931.1414 to schedule a free consultation, or sign up for one of our upcoming retirement planning classes. Learn more at www.rogersgreen.com. We are here to help!