RETIREMENT DONE RIGHT

YOUR REFERENCE GUIDE FOR REQUIRED MINIMUM DISTRIBUTIONS (RMD)

You've been saving for the retirement of your dreams, and it's just around the corner, but there's more to a comprehensive financial strategy than just accumulating assets. How and when you withdraw income from your retirement accounts has big implications so it's critical to understand the rules, particularly important are required minimum distributions (RMDs).

Because IRAs were designed as tax-deferred retirement savings plans, the IRS limits how long an individual can maintain the tax-deferred status of an IRA (other than a Roth IRA). An IRA (other than a Roth IRA) owner must begin taking distributions for each calendar year beginning with the calendar year in which the owner attains age 72 (age 70½ if the owner attained age 70½ before 2020). The distribution for the year the IRA owner attains age 72 (age 70½, if applicable) must be made no later than April 1 of the following calendar year; RMDs for any other year must be made no later than December 31 of the year.

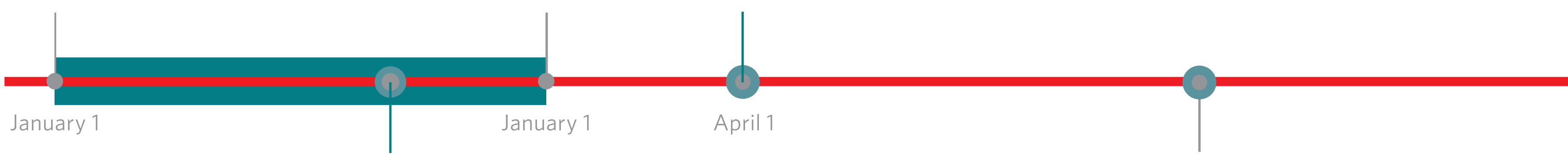
Understanding how RMDs work is very important because failure to take an RMD may result in a 50% additional federal tax on the amount that should have been withdrawn. In addition, RMDs will be subject to taxation. You should consult with your financial professional to determine the impact RMDs will have on your overall retirement and financial objectives.

RMD TIMELINE

The following timeline illustrates when RMDs are required.

First Distribution Year:
The RMD for the first "distribution year", the year you turn age 72, can be taken during that year or delayed until your required beginning date.

Required Beginning Date:
The RMD for the first distribution year can be deferred until the "required beginning date," which is April 1 of the year following your first distribution year.



August 1
You turn age 72 (hypothetically).

December 31
An RMD for the next distribution year, and each year thereafter, must be taken by December 31 of that year. If the first RMD is deferred until the following year, two RMDs must be taken in that tax year.

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DON'T NEED OR WANT YOUR RMD?

If you think you are in good financial shape and don't need your RMD right away, you have some options:

REINVEST YOUR RMD

Although you have to take RMDs from an IRA (other than a Roth IRA), you don't have to spend them. Depending upon your retirement income objectives, your RMD may exceed the amount you want to spend. Reinvesting some or all of your RMD may be important to maintaining a sustainable withdrawal strategy over the course of your retirement.

BUY LIFE INSURANCE

If you don't need or want some or all of your RMD, talk to your financial professional about establishing a legacy for your loved ones through the purchase of life insurance.

DONATE YOUR RMD TO CHARITY

Through a qualified charitable distribution (QCD), IRA owners over the age of 70½ can gift IRA funds directly to a qualified charity. The QCD counts toward your RMD for the year and is capped at an annual exclusion of $100,000 per individual. Due to new tax law, the amount you can exclude from income may be less than the QCD. Consult a tax professional to discuss your personal situation.

ELIMINATE YOUR RMD

Roth IRAs are not subject to RMDs for owners. Although a conversion from any other IRA to a Roth IRA will be subject to taxation, you might want to discuss the tax implications of converting an IRA to a Roth IRA with your financial professional.

UNDERSTAND HOW RMDS IMPACT YOUR RETIREMENT OBJECTIVES

Because RMDs are forced distributions from an IRA (other than a Roth IRA), be sure to work with your financial professional to understand how the annual calculation of RMDs and the tax implications of such distributions will potentially impact your income strategy in retirement.

RMD TERMINOLOGY FOR ELIGIBLE IRAs

FIRST DISTRIBUTION YEAR:

As an owner of an IRA (other than a Roth IRA), this is the first year that you need to calculate an RMD for the year in which you turn age 72. The calculation is based on the December 31 balance of the prior year, divided by your IRS life expectancy factor. This calculation will determine how much you need to withdrawal from your IRA for each distribution year.

REQUIRED BEGINNING DATE:

You must take your first RMD for the year in which you turn age 72. However, the first RMD payment can be delayed until April 1 of the year following the year in which you turned age 72. For all subsequent years, including the year in which you may have deferred the first RMD payment until April 1, you must take an RMD by December 31 of that year.

IRS TABLE III – UNIFORM LIFETIME TABLE:

IRS table used by owners to calculate their RMD (*IRS Publication 590-B*). The factor changes each year as you get older. The age used in determining your life expectancy is the age you are on December 31 of the distribution year.

IRS TABLE II – JOINT LIFE TABLE:

The IRS table for use by owners who have a spouse beneficiary who is more than 10 years younger (*IRS Publication 590-B*). Spouse beneficiary must be the sole beneficiary.

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* QCDs from inherited IRAs are eligible if the beneficiary is over age 70½. SEP and SIMPLE IRAs are not eligible.

Withdrawals of taxable amounts are subject to ordinary income tax and, if taken prior to age 59½, a 10% additional federal tax may apply.

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