Required Minimum Distributions

The Internal Revenue Service (IRS) requires that individuals take minimum distributions from traditional and rollover Individual Retirement Accounts (IRAs) as well as retirement plans. The required minimum distribution (RMD) rules for IRA owners and for retirement plan participants are different. Additionally, Roth IRAs are not subject to RMDs at all. Please read below to see a brief overview of the RMD rules that apply during the individual's lifetime.

The IRS has rules regarding the timing and amount that must be distributed as a required minimum distribution each year. Retirement plan participants and IRA owners are responsible for ensuring that the correct amount is distributed timely each year. Failure to withdraw the correct RMD amount or failure to withdraw the RMD on time will result in a 50% tax assessed against the individual on the amount not withdrawn. Further, these failures could result in plan disqualification.

The amount of the annual minimum distribution is based on the balance of the individual's account at the end of the preceding year, the individual's life expectancy or the joint life expectancy of the individual and their beneficiary.

Traditional and rollover IRAs RMD rules

The Setting Every Community Up for Retirement Enhancement (SECURE) Act was signed into law on December 20, 2019, and changed the required beginning age for RMDs from 70½ to 72.

Individuals born on or after July 1, 1949, must take their first RMD by April 1 of the year following the year in which they turn 72 and by December 31 each year thereafter. Individuals born prior to July 1, 1949, must take their first RMD by April 1 of the year following the year in which they turn 70½ and then by December 31 each year thereafter.

An IRA owner must calculate the RMD separately for each IRA that he or she owns, but can withdraw the total RMD amount from one or more of the IRAs.

Retirement plan RMD rules

The RMD rules apply to all employer-sponsored retirement plans, including profit sharing plans, 401(k) plans, 403(b) plans and 457(b) plans. The rules also apply to SEPs, SARSEPS and SIMPLE IRAs.

Generally, RMDs must begin by the later of April 1 of the year following the year attainment of age 70½ (if born prior to July 1, 1949), 72 (if born on or after July 1, 1949) or the year in which they retire. Individuals who are more than 5 percent owners must take their first RMD upon attainment of age 70½ (if born prior to July 1, 1949), 72 (if born on or after July 1, 1949). Subsequent RMDs must be taken by December 31 of each year thereafter. The plan document may dictate that all RMDs must begin at 70½ (if born before July 1, 1949) or 72 (if born on or after July 1, 1949) regardless of whether or not the individual is retired. Please review your plan document to determine when RMDs must begin.

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A 403(b) contract owner must calculate the RMD separately for each 403(b) contract that he or she owns, but can take the total amount from one or more of the 403(b) contracts. RMDs required from other types of retirement plans, such as 401(k) plans and 457(b) plans must be taken separately from each plan.

See "Retirement Topics Required Minimum Distributions (RMDs)" at **www.irs.gov** or contact your tax advisor for additional information.

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